



THE KARUR VYSYA BANK LIMITED

Our Bank was incorporated as The Karur Vysya Bank Limited (the “Bank” or the “Issuer”) on June 22, 1916 under the Companies Act, 1913. Our Bank received the license to carry on banking business in India under the Banking Regulation Act, 1949, from the Reserve Bank of India on December 20, 1958.

Registered Office: Post Box No. 21, Erode Road, Karur - 639002, Tamil Nadu, India

Tel No: +91 4324 269437 / 269441 / 269443; **Fax No.:** +91 4324 225700

Contact Person: Mr. Srinivasa Rao Maddirala, Company Secretary and Compliance Officer

E-mail: kvb_sig@kvbmail.com, **Website:** www.kvb.co.in

Corporate Identification Number: L65110TN1916PLC001295

FOR PRIVATE CIRCULATION TO THE ELIGIBLE EQUITY SHAREHOLDERS AND ELIGIBLE EMPLOYEES OF OUR BANK ONLY

LETTER OF OFFER

ISSUE OF UP TO 11,87,81,048 EQUITY SHARES OF FACE VALUE OF ₹ 2 EACH (“EQUITY SHARES”) OF OUR BANK FOR CASH AT A PRICE OF ₹ 76 PER EQUITY SHARE (“ISSUE PRICE”) (INCLUDING A PREMIUM OF ₹ 74 PER EQUITY SHARE) AGGREGATING UP TO ₹ 902.74 CRORES BY OUR BANK. THE ISSUE COMPRISES AN ISSUE OF UP TO 10,16,21,048 EQUITY SHARES TO THE ELIGIBLE EQUITY SHAREHOLDERS OF OUR BANK ON RIGHTS BASIS IN THE RATIO OF 1 (ONE) FULLY PAID-UP EQUITY SHARE FOR EVERY 6 (SIX) FULLY PAID-UP EQUITY SHARES HELD ON OCTOBER 13, 2017 (THE “RECORD DATE”) AGGREGATING UP TO ₹ 772.32 CRORES AND A RESERVATION OF UP TO 1,71,60,000 EQUITY SHARES FOR THE ELIGIBLE EMPLOYEES OF OUR BANK AGGREGATING UP TO ₹ 130.42 CRORES (THE “EMPLOYEE RESERVATION PORTION”). THE ISSUE TO THE ELIGIBLE EQUITY SHAREHOLDERS AND ELIGIBLE EMPLOYEES, COLLECTIVELY REFERRED TO AS THE ISSUE. THE ISSUE LESS THE EMPLOYEE RESERVATION PORTION IS REFERRED TO AS THE NET ISSUE. THE ISSUE PRICE IS 38 TIMES THE FACE VALUE OF THE EQUITY SHARES. THE ENTIRE ISSUE PRICE FOR THE EQUITY SHARE IS PAYABLE ON APPLICATION.

GENERAL RISKS

Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in the Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in relation to the Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The securities being issued in the issue have not been recommended or approved by the Securities and Exchange Board of India (“SEBI”) nor does the SEBI guarantee the accuracy or adequacy of this document. **Investors are advised to refer to the section titled “Risk Factors” from page 10 before making an investment in this Issue.**

ISSUER’S ABSOLUTE RESPONSIBILITY

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

LISTING

The existing Equity Shares of our Bank are listed and traded on the National Stock Exchange of India Limited (“NSE”) and have been permitted to trade on BSE Limited (“BSE”) under the ‘Permitted Securities’ category. Our Bank has received an ‘in-principle’ approval from the NSE vide their letter dated September 29, 2017, for listing the Equity Shares to be allotted pursuant to the Issue. For the purposes of the Issue, the Designated Stock Exchange is the NSE.

LEAD MANAGER TO THE ISSUE



IIFL Holdings Limited

10th Floor, IIFL Centre, Kamala City
Senapati Bapat Marg, Lower Parel (West)
Mumbai - 400 013, Maharashtra, India
Tel: +91 22 4646 4600
Fax: +91 22 2493 1073
Email: kvb.rightsissue@iiflcap.com
Investor Grievance Email: ig.ib@iiflcap.com
Website: www.iiflcap.com
Contact Person: Sachin Kapoor/Pinak Bhattacharyya
SEBI Registration Number: INM000010940

REGISTRAR TO THE ISSUE



Karvy Computershare Private Limited

Karvy Selenium Tower B, Plot Number 31-32
Gachibowli, Financial District
Nanakramguda, Serilingampally
Hyderabad 500 032, Andhra Pradesh, India
Tel: +91 40 6716 2222
Fax: +91 40 3343 1551
Email: kvb.rights@karvy.com
Investor Grievance Email: einward.ris@karvy.com
Website: www.karishma.karvy.com
Contact Person: M. Muralikrishna
SEBI Registration No.: INR000000221

ISSUE SCHEDULE

ISSUE OPENS ON	LAST DATE FOR REQUEST FOR SPLIT APPLICATION FORMS	ISSUE CLOSES ON
OCTOBER 25, 2017	NOVEMBER 2, 2017	NOVEMBER 10, 2017

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SECTION I – GENERAL

DEFINITIONS AND ABBREVIATIONS

In this Letter of Offer, unless the context otherwise requires, the terms defined and abbreviations expanded below shall have the same meaning as stated in this section. References to statutes, rules, regulations, guidelines and policies will be deemed to include all amendments, replacements and modifications notified thereto as on the date of this Letter of Offer.

The following list of defined terms is intended for the convenience of the reader only and is not exhaustive.

Bank Related Terms

Term	Description
Articles / Articles of Association / AoA	Articles of Association of our Bank, as amended
Audit Committee	The audit committee of the Board of Directors of our Bank
Auditors / Statutory Auditors	The current statutory auditors of our Bank, M/s. Abarna & Ananthan, Chartered Accountants
Board / Board of Directors / Our Board	The board of directors of our Bank or any duly constituted committee thereof, as the context may require
Director(s)	Any or all director(s) of our Bank, as the context may require
Equity Share(s)	The equity share(s) of our Bank having a face value of ₹ 2 each, fully paid-up
Financial Statements	The Reformatted Audited Financial Statements and the Limited Reviewed Financial Statements
Group Companies	Such companies as covered under the applicable accounting standards and also other companies as considered material by the Board of our Bank. In accordance with the policy adopted by the Board vide its resolution dated September 25, 2017, there are no group companies of our Bank.
“KVB” “the Bank” or “our Bank” or “we” or “us” or “our” or “Issuer”	The Karur Vysya Bank Limited, a public limited company incorporated under the Companies Act, 1913 and having its registered office at Post Box No. 21, Erode Road, Karur – 639002, Tamil Nadu, India
KVB ESOS 2011	KVB Employees Stock Option Scheme 2011, as amended
Limited Reviewed Financial Statements	The limited reviewed financial statements of our Bank as at and for the three month period ended June 30, 2017
Memorandum / Memorandum of Association	Memorandum of Association of our Bank, as amended
Promoters	Promoters of our Bank, namely, Mr. G. Rajasekaran, Mr. A. J. Suriyanarayana, Mr. M. K. Venkatesan, Mr. A. K. Praburaj and Mr. M. G. Vivekanandan
Promoter Group	The promoter group of our Bank as determined in terms of Regulation 2(1)(zb) of the SEBI ICDR Regulations
Registered Office	Post Box No. 21, Erode Road, Karur – 639002, Tamil Nadu, India
Registrar of Companies / RoC	Registrar of Companies, Tamil Nadu at Chennai
Reformatted Audited Financial Statements	The reformatted audited financial statements of our Bank as at and for the year ended March 31, 2017

Issue Related Terms

Term	Description
Abridged Letter of Offer / ALOF	The abridged letter of offer to be sent to the Eligible Equity Shareholders and made available to Eligible Employees of our Bank with respect to this Issue in accordance with the provisions of the SEBI ICDR Regulation and the Companies Act
Allot / Allotment / Allotted	Unless the context otherwise requires, the allotment of Equity Shares pursuant to the Issue
Allotment Date	The date on which the Allotment is made
Allottee(s)	The successful applicant(s) eligible for Allotment of Equity Shares pursuant to the Issue

Term	Description
Applicant(s) / Investor(s)	Eligible Equity Shareholders, Renouncee(s) and Eligible Employees who are entitled to apply or have applied for Equity Shares under the Issue, as the case may be
Application	Application made by the Applicant whether submitted by way of CAF or in the form of a plain-paper, in case of Eligible Equity Shareholders, or an EAF, in case of Eligible Employees, to subscribe to the Equity Shares at the Issue Price including applications by way of the ASBA process
Application Money	The aggregate value of the Application indicated in the Application Form or SAF, payable at the time of the Application
Application Form	The CAF and EAF
ASBA / Application Supported by Blocked Amount	Application (whether physical or electronic) used by ASBA Applicants to make an Application authorizing a SCSB to block the Application Money in the ASBA Account
ASBA Account	Account maintained with a SCSB and specified in the CAF or plain paper application, as the case may be, for blocking the amount mentioned in the CAF, or the plain paper application, in case of Eligible Equity Shareholders, or the EAF, in case of Eligible Employees, as the case may be.
ASBA Applicant(s) / ASBA Investor(s)	<p>(i) Eligible Equity Shareholder proposing to subscribe to the Net Issue through ASBA process;</p> <p>(ii) Eligible Employee proposing to subscribe to the Employee Reservation Portion through ASBA process;</p> <p>(a) who are holding our Equity Shares in dematerialized form as on the Record Date and have applied for their Rights Entitlements and/ or additional Equity Shares in dematerialized form;</p> <p>(b) who have not renounced their Rights Entitlements in full or in part;</p> <p>(c) who are not Renouncees;</p> <p>(d) who are applying through blocking of funds in a bank account maintained with SCSBs; and</p> <p>(e) who have not split the CAF.</p> <p>All Investors whose application value exceeds ₹ 200,000 complying with the above conditions must participate in this Issue through the ASBA process only notwithstanding anything contained hereinabove, all Renouncees (including Renouncees who are individuals) shall apply in the Issue only through non-ASBA process. Further, all QIB investors are mandatorily required to use the ASBA facility, even if application money does not exceed ₹ 200,000.</p>
BSE	BSE Limited
Composite Application Form / CAF	The application form used by Investors (excluding Eligible Employees) to make an application for Allotment under the Net Issue portion.
Consolidated Certificate	The certificate that would be issued for Equity Shares Allotted to each folio in case of Eligible Equity Shareholders who hold Equity Shares in physical form
Controlling Branches	The branches of the SCSBs which coordinate with the Registrar to the Issue, the Lead Manager and the Stock Exchange and a list of which is available at http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes
Depository	NSDL and CDSL or any other depository registered with SEBI under Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 as amended from time to time, read with the Depositories Act, 1996.
Designated Branches	Such branches of the SCSBs which shall collect CAF or the plain paper application, in case of Eligible Equity Shareholders, or the EAF, in case of Eligible Employees, from ASBA Investor and a list of which is available on http://www.sebi.gov.in/sebi_data/attachdocs/1365051213899.html
Demographic Details	Demographic details of Investors available with the Depositories, including address and bank account details.
Designated Stock Exchange / DSE	NSE
Eligible Employee(s)	A permanent and full-time employee of our Bank including a Director of our Bank, whether whole-time or part-time, (other than Promoters), as on the Record Date, who is an Indian national and is based, working and present in India as on the date of submission of the EAF and who continues to be in such employment till the finalisation of the basis of Allotment in consultation with the Designated Stock Exchange, but excludes persons not eligible under applicable laws, rules, regulations and guidelines.

Term	Description
Eligible Equity Shareholder	A holder / beneficial owner of Equity Shares as on the Record Date
Employee Application Form / EAF	The application form used by Eligible Employees to make an application for Allotment under the Employee Reservation Portion.
Employee Reservation Portion	Up to 1,71,60,000 Equity Shares (not exceeding 5% of the post-Issue equity share capital of our Bank) for the Eligible Employees of our Bank aggregating up to ₹ 130.42 crores
Escrow Collection Bank	The Karur Vysya Bank Limited
Issue Agreement	The agreement entered into on September 28, 2017, between our Bank and the Lead Manager, pursuant to which certain arrangements are agreed to in relation to the Issue
Issue	Issue of up to 11,87,81,048 Equity Shares of face value of ₹ 2 each of our Bank for cash at a price of ₹ 76 per Equity Share (including a premium of ₹ 74 per Equity Share) aggregating up to ₹ 902.74 crores by our Bank. The Issue comprises an issue of up to 10,16,21,048 Equity Shares to the Eligible Equity Shareholders of our Bank on rights basis in the ratio of 1 (one) fully paid-up Equity Share for every 6 (six) fully paid-up Equity Shares held on October 13, 2017, i.e. the Record Date, aggregating up to ₹ 772.32 crores and a reservation of up to 1,71,60,000 Equity Shares for the Eligible Employees of our Bank aggregating up to ₹ 130.42 crores, i.e. the Employee Reservation Portion. The Issue to the Eligible Equity Shareholders and Eligible Employees, collectively referred to as the Issue. The Issue less the Employee Reservation Portion is referred to as the Net Issue.
Issue Closing Date	November 10, 2017
Issue Opening Date	October 25, 2017
Issue Price	₹ 76 per Equity Share
Issue Proceeds	The gross proceeds raised through the Issue
Lead Manager	IIFL Holdings Limited
Letter of Offer / LOF	This letter of offer dated October 11, 2017 filed with the NSE and SEBI
Net Issue	The Issue less the Employee Reservation Portion, i.e. up to 10,16,21,048 Equity Shares to the Eligible Equity Shareholders of our Bank aggregating up to ₹ 772.32 crores
Net Proceeds	The Issue Proceeds less the Issue related expenses.
Non - ASBA Investor(s)	All Investors other than the ASBA Investor who apply in the Issue otherwise than through the ASBA process
Non Institutional Investor(s)	An Investor other than a Retail Individual Investor and a Qualified Institutional Buyer
NSE	National Stock Exchange of India Limited
QIB(s) / Qualified Institutional Buyer(s)	Qualified Institutional Buyers as defined under Regulation 2(1)(zd) of the SEBI ICDR Regulation.
Record Date	October 13, 2017
Refund Bank	The Karur Vysya Bank Limited
Registrar and Share Transfer Agent	The registrar and share transfer agent of our Bank, being, SKDC Consultants Limited
Registrar / Registrar to the Issue	Karvy Computershare Private Limited
Renouncee(s)	Any person(s) who have / has acquired Rights Entitlements from Eligible Equity Shareholders
Retail Individual Investor(s)	Individual Investors who have applied for Equity Shares for an amount not more than ₹ 200,000 (including HUFs applying through their Karta)
Rights Entitlement	1 (one) fully paid-up Equity Share that an Eligible Equity Shareholder is entitled to apply for under the Issue for every 6 (six) fully paid-up Equity Shares held as on the Record Date
Split Application Form (s) / SAF(s)	The application form(s) used in case of renunciation in part by an Eligible Equity Shareholder in favour of one or more Renouncees
Self Certified Syndicate Bank or SCSB	The banks which are registered with SEBI under the SEBI (Bankers to an Issue) Regulations, 1994 and offers services of ASBA, including blocking of bank account and a list of which is available on http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes
Stock Exchange	NSE
Working Day	All days other than second and fourth Saturday of the month, Sunday or a public holiday, on which commercial banks in Mumbai are open for business

Conventional and General Terms or References

Term	Description
AIF Regulations	Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, as amended
Companies Act	The Companies Act, 1956, to the extent applicable and the Companies Act, 2013, as applicable
Companies Act, 1956	The Companies Act, 1956, and the rules made thereunder to the extent not repealed
Companies Act, 2013	The Companies Act, 2013, and the rules made thereunder to the extent in force pursuant to notification of the notified sections.
Competition Act, 2002	The Competition Act, 2002, as amended, and the rules made thereunder to the extent in force
Banking Regulation Act	Banking Regulation Act, 1949, as amended
DRT	Debt Recovery Tribunal
Depositories Act	The Depositories Act, 1996, as amended
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999, and any circulars, notifications, rules and regulations issued pursuant to the provisions thereof
FEMA Regulations	Foreign Exchange Management (Transfer or Issue of Security by a person resident outside India) Regulations, 2000, as amended
FII Regulations	Securities and Exchange Board of India (Foreign Institutional Investor) Regulations, 1995, as amended
Financial Year / Fiscal	The period of 12 (twelve) months beginning April 1 and ending March 31 of that next year, unless otherwise stated
FVCI Regulations	Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, as amended
SEBI ICDR Regulation	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended
IFRS	International Financial Reporting Standards.
IND-AS	Indian Accounting Standard
India	Republic of India
Indian GAAP	The generally accepted accounting principles in India
IRDA	Insurance Regulatory and Development Authority
IT Act	The Income Tax Act, 1961, as amended
Listing Agreement(s)	The equity listing agreement signed between our Bank and the Stock Exchange
Mutual Fund	Mutual fund registered with SEBI under the Securities and Exchange Board of India (Mutual Fund) Regulations, 1996, as amended
NABARD	National Bank for Agriculture and Rural Development
Non Resident / NR	Persons resident outside India as defined in the FEMA
Rupees / Rs. / INR / ₹	The lawful currency of India
SARFAESI Act	The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended
SEBI Listing Regulations	The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015, as amended
FPI Regulations	The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, as amended
Takeover Regulations	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended
VCF Regulations	Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996, as amended

Industry Related Terms or Abbreviations

Term	Description
AIF(s)	Alternative investment fund(s) as defined in and registered under the AIF Regulations
AGM	Annual General Meeting
ATM(s)	Automated Teller Machine(s)
Basel III	A set of reform measures, developed by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector

Term	Description
CAR	Capital Adequacy Ratio
CASA	Current account and saving account
CDSL	Central Depository Services (India) Limited
CRR	Cash Reserve Ratio
DP	Depository Participant
ERP	Enterprise resource planning
FDI	Foreign Direct Investment
FII(s)	Foreign Institutional Investors registered with SEBI under applicable laws
FVCI(s)	Foreign venture capital investors, as defined in and registered under the FVCI Regulations
GST	Goods and Services Tax
GoI or Central Government	Government of India
HFC	Housing Finance Companies
HUF	Hindu Undivided Family
ISIN	International Securities Identification Number
KYC	Know your customer/client
MICR	Magnetic Ink Character Recognition
MSME	Micro, small and medium enterprises
NECS	National Electronic Clearing Service
NEFT	National Electronic Fund Transfer
NPA	Non-Performing Asset
NRI(s)	An individual resident outside India who is a citizen of India or is an 'Overseas Citizen of India' cardholder within the meaning of section 7(A) of the Citizenship Act, 1955, and shall have the meaning ascribed to such term in the FEMA Regulations
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
OCB(s)	Overseas Corporate Body(ies)
PAN	Permanent Account Number
RBI	Reserve Bank of India
RTGS	Real Time Gross Settlement
SEBI	Securities and Exchange Board of India constituted under the SEBI Act
SLR	Statutory Liquidity Ratio
SME	Small and Medium enterprises
STT	Securities Transaction Tax
VAT	Value-Added Tax
VCF	Venture capital funds, as defined in and registered under the VCF Regulations
w.e.f.	with effect from
WIPO	World Intellectual Property Organization

The words and expressions used but not defined herein shall have the same meaning as is assigned to such terms under the SEBI ICDR Regulations, the Companies Act, the SCRA, the Depositories Act and the rules and regulations made thereunder.

Notwithstanding the foregoing, terms under the sections titled "*Financial Statements*", "*Statement of Tax Benefits*" and "*Outstanding Litigations and Other Defaults*" on pages 69, 61 and 124, respectively, shall have the meanings given to such terms in these respective sections.

NOTICE TO OVERSEAS SHAREHOLDERS

The distribution of this Letter of Offer, the Abridged Letter of Offer or CAF and the Issue to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Letter of Offer, the Abridged Letter of Offer or CAF may come are required to inform themselves about and observe such restrictions. Our Bank is making this Issue on rights basis to the Eligible Equity Shareholders and Eligible Employees and will dispatch this Letter of Offer / the Abridged Letter of Offer and CAFs only to Eligible Equity Shareholders and Eligible Employees who have a registered address in India or who have provided an Indian address to our Bank. Those overseas shareholders who do not update our records with their Indian address or the address of their duly authorized representative in India, prior to the date on which we propose to dispatch this Letter of Offer / Abridged Letter of Offer and CAFs, shall not be sent this Letter of Offer / Abridged Letter of Offer and CAFs.

No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose. Accordingly, the Rights Entitlement or the Equity Shares may not be offered or sold, directly or indirectly, and this Letter of Offer, the Abridged Letter of Offer and CAFs may not be distributed in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of this Letter of Offer or the Abridged Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, under those circumstances, this Letter of Offer and the Abridged Letter of Offer must be treated as sent for information only and should not be copied or redistributed.

Accordingly, persons receiving a copy of this Letter of Offer or the Abridged Letter of Offer should not, in connection with the Issue of the Equity Shares, distribute or send the same in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. If this Letter of Offer or the Abridged Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the Rights Entitlement or the Equity Shares referred to in this Letter of Offer and the Abridged Letter of Offer. Envelopes containing the CAF should not be dispatched from any jurisdiction where it would be illegal to make an offer and all persons subscribing for the Equity Shares in this Issue must provide an Indian address.

Any person who makes an application to acquire rights and the Equity Shares offered in this Issue will be deemed to have declared, represented, warranted and agreed that he is authorized to acquire the rights and the Equity Shares in compliance with all applicable laws and regulations prevailing in his jurisdiction. The Bank, the Registrar, the Lead Manager or any other person acting on behalf of the Bank reserves the right to treat any CAF as invalid where they believe that CAF is incomplete or acceptance of such CAF may infringe applicable legal or regulatory requirements and we shall not be bound to allot or issue any Equity Shares or Rights Entitlement in respect of any such CAF. Neither the delivery of this Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in the Banks's affairs from the date hereof or that the information contained herein is correct as at any time subsequent to the date of this Letter of Offer.

THE CONTENTS OF THIS LETTER OF OFFER SHOULD NOT BE CONSTRUED AS LEGAL, TAX 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 THE EQUITY SHARES. 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 EQUITY SHARES. IN ADDITION, NEITHER OUR BANK NOR THE LEAD MANAGER IS MAKING ANY REPRESENTATION TO ANY OFFEREE OR PURCHASER OF THE EQUITY SHARES REGARDING THE LEGALITY OF AN INVESTMENT IN THE EQUITY SHARES BY SUCH OFFEREE OR PURCHASER UNDER ANY APPLICABLE LAWS OR REGULATIONS.

CERTAIN CONVENTIONS, USE OF FINANCIAL INFORMATION AND CURRENCY OF PRESENTATION

Certain Conventions

Unless otherwise specified or the context otherwise requires, all references in this Letter of Offer to “India” are to the Republic of India, together with its territories and possessions; all references to the “Government” or “GoI” or the “Central Government” are to the Government of India

Unless the context otherwise requires, a reference to “Bank”/ “we” / “us” / “our” / “Issuer” is a reference to The Karur Vysya Bank Limited.

A reference to the singular also refers to the plural and one gender also refers to any other gender, wherever applicable.

Financial Data

Unless stated otherwise, the financial information and data in this Letter of Offer is derived from the Financial Statements. For further details please see the section titled “*Financial Statements*” on page 69. We publish our financial statements in Indian Rupees.

Our Banks’ fiscal year commences on April 1 and ends on March 31 of the following calendar year. Accordingly, all references to a particular “financial year” or “fiscal year” or “Fiscal” are to the 12 (twelve) month period ended March 31 of that year.

The Reformatted Audited Financial Statements, prepared in accordance with Indian GAAP, Companies Act, including the accounting standards specified under section 133 of the Companies Act read with rule 7 of the Companies (Accounts) Rules, 2014 and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the RBI from time to time. Further, our Limited Reviewed Financial Statements that appear in this Letter of Offer have been prepared by our Bank in accordance with Indian GAAP and other applicable statutory and / or regulatory requirements, including the requirements of the SEBI Listing Regulations. For further details of such financial statements, please see “*Financial Statements*” on page 69.

Indian GAAP differs in certain respects from generally accepted accounting principles in other countries. Indian GAAP differs in certain significant respects from IFRS. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Letter of Offer should accordingly be limited. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data. For more information, please see the section titled “*Risk Factors - Significant differences exist between GAAP as applied in India and other accounting principles with which investors may be more familiar.*” on page 37.

Additionally, India has decided to adopt the “Convergence of its existing standards with IFRS”, referred to in India as the Indian Accounting Standards (“**IND-AS**”). In terms of a notification released by the Ministry of Corporate Affairs, Government of India, our Bank is required to prepare its financial statements in accordance with IND-AS for periods beginning on or after April 1, 2018. Accordingly, our financial statements for the period commencing from April 1, 2018 may not be comparable to our historical financial statements. We have not attempted to quantify the impact of IND-AS on the financial information included in this Letter of Offer, nor have we provided a reconciliation of our financial statements to those under IND-AS. For more information, please see the section titled “*Risk Factors - We will be required to prepare financial statements under IND-AS from April 1, 2018 onwards. We have not determined with any degree of certainty the impact of such adoption on our financial reporting.*” on page 36.

In this Letter of Offer, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off, and unless otherwise specified, all financial numbers in parenthesis represent negative figures. Numerical values have been rounded off to two decimal places.

Currency of Presentation

All references to “₹” or “Rs.” or “INR” or “Rupees” refer to Indian Rupees, the lawful currency of India. Any reference to “USD” or “US\$” or “\$” refers to the United States Dollar, the lawful currency of the United States of America.

Unless stated otherwise, throughout this Letter of Offer, all figures have been expressed in crores. One crore represents 1,00,00,000.

Please Note:

- One million is equal to 10 Lakhs / 1,000 thousand;
- One lakh is equal to 100 thousand; and
- One crore is equal to 10 million / 100 lakhs.

Industry and Market Data

Unless stated otherwise, industry and market data used throughout this Letter of Offer have been derived from publicly available sources and industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that the industry and market data used in this Letter of Offer is reliable, neither we nor the Lead Manager nor any of their respective affiliates nor advisors have prepared or verified it independently. The extent to which the market and industry data used in this Letter of Offer is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those discussed in the section titled "*Risk Factors*" on page 10. Accordingly, investment decisions should not be based on such information.

FORWARD LOOKING STATEMENTS

Our Bank has included statements in this Letter of Offer which contain words or phrases such as ‘anticipate’, ‘believe’, ‘continue’, ‘can’, ‘could’, ‘estimate’, ‘expect’, ‘expected to’, ‘future’, ‘intend’, ‘is likely’, ‘may’, ‘objective’, ‘plan’, ‘potential’, ‘project’, ‘pursue’, ‘shall’, ‘should’, ‘will’, ‘will continue’, ‘would’, or other words or phrases of similar import. Similarly, statements that describe our objectives, strategies, plans or goals 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, results of operations, business plans and prospects are forward-looking statements.

Forward-looking statements contained in this Letter of Offer (whether made by our Bank or any third party), are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of our Bank to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward looking statements are subject to risks, uncertainties and assumptions about our Bank that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, factors affecting:

- volatility in interest rates and other market conditions;
- our inability to manage non-performing assets;
- our inability to compete effectively;
- ability to manage credit, market and operational risk;
- laws, rules, regulations, guidelines and norms applicable to the banking industry, including priority sector lending requirements, capital adequacy and liquidity requirements;
- any inability to manage maturity and interest rate mismatches between our assets and liabilities;
- adverse change in the economy of India; and
- certain failures, including internal or external fraud, operational errors, system malfunctions, or cyber security incidents.

For a further discussion of factors that could cause our Bank’s actual results to differ, please refer to the section titled “*Risk Factors*” on page 10. By their very nature, market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact or net interest income and net income could materially differ from those that have been estimated, expressed or implied by such forward-looking statements or other projections.

Although 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. Neither our Bank nor the Lead Manager nor any of their respective affiliates or advisors have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI / Stock Exchange requirements, our Bank and Lead Manager will ensure that Investors are informed of material developments until the time of the grant of listing and trading permission for the Equity Shares by the Stock Exchange.

SECTION II – RISK FACTORS

Prospective investors should carefully consider the risks and uncertainties described below, in addition to the other information contained in this Letter of Offer before making any investment decision relating to our Equity Shares. The occurrence of any of the following events, or the occurrence of other risks that are not currently known or are now deemed immaterial, could cause our business, results of operations, cash flows, financial condition and prospects to suffer and could cause the market price of our Equity Shares to decline or fall significantly and you may lose all or part of your investment.

Prior to making an investment decision, prospective investors should carefully consider this section as well as all of the other information contained in this Letter of Offer, including the financial statements prepared in accordance with Indian GAAP and included in this Letter of Offer.

Unless specified or quantified in the relevant risk factors detailed below, we are not in a position to quantify the financial or other implications of any of the risks described in this section.

RISKS RELATING TO OUR BUSINESS

1. *Our ability to improve our recent level of performance depends on factors within and beyond our control.*

As of March 31, 2017 and June 30, 2017, our net profit was ₹ 605.98 crores and ₹ 147.97 crores, respectively, and our operating profit was ₹ 1,570.97 crores and ₹ 449.41 crores, respectively. Our net interest margin was 3.70% and 3.76% for the fiscal year ended March 31, 2017 and for the three month period ended June 30, 2017, respectively. Our net NPAs as a percentage of net loans as of March 31, 2017 and June 30, 2017 were 2.53% and 2.85%, respectively. Our return on assets was 1.00% for the fiscal year ended March 31, 2017 and our annualised return on assets for the three month period ended June 30, 2017 was 0.95%. Notwithstanding the foregoing, our total assets was ₹ 61,807.62 crores as of March 31, 2017 and ₹ 62,528.55 crores as of June 30, 2017. As of March 31, 2017 and June 30, 2017, our restructured standard advances was ₹ 841.81 crores and ₹ 807.85 crores, respectively.

Our cost to income ratio was 44.99% for the fiscal year ended March 31, 2017 and was 42.00% for the three month period ended June 30, 2017. We cannot assure you that we can keep our costs at a level proportionate to our level of income and profits.

Our ability to improve our financial parameters and results of operations depends primarily upon our ability to manage our operations and react to competitive pressures effectively. Our ability to improve our performance is also affected by macroeconomic factors beyond our control, such as the development of the Indian economy, changes in India's macroeconomic policies, capital constraints and changes in global economic conditions. Our inability to effectively manage any of the said operational issues or react to any of the said factors may materially and adversely affect our business, prospects and our future financial performance.

2. *Our Bank's business is vulnerable to interest rate risk. Volatility in interest rates and other market conditions could adversely affect our Bank's net interest margin, the value of our fixed income portfolio, our income from treasury operations, the quality of our loan portfolio and our financial performance.*

Our net interest income has moved from 72.62% of our total income (sum of net interest income and other income) in the fiscal year ended March 31, 2017 to 69.55% in the three month period ended June 30, 2017. Net interest income represents the excess of interest earned from interest-earning assets (such as performing loans and investments) over the interest paid on interest-bearing customer deposits and borrowings. Our net interest margin for the fiscal year ended March 31, 2017 and the three month period ended June 30, 2017 was 3.70% and 3.76%, respectively.

Interest rates are sensitive to many factors beyond our Bank's control, including the RBI's monetary policy, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. Volatility and changes in market interest rates could disproportionately affect the interest we earn on our assets as compared to the interest we pay on our liabilities. The difference could result in an increase in interest expense relative to interest income leading to a reduction in net interest income. Accordingly, volatility in interest rates could materially and adversely affect our business and financial performance. An increase in interest rates may also adversely affect the rate of growth of important sectors of the Indian economy, such as the corporate, retail and agricultural sectors, which may materially and adversely impact our business.

Our sources of funding have primarily been customer deposits, money market borrowings and reserves and surpluses. Our cost of funds is sensitive to interest rate fluctuations, which exposes us to the risk of a reduction in spreads. In addition, attracting customer deposits in the Indian banking industry is competitive. The rates that

we must pay to attract deposits are determined by numerous factors such as the prevailing interest rate structure, competitive landscape, Indian monetary policy and inflation. If we fail to achieve or sustain continued growth of our deposit base, we may be forced to rely more heavily on more expensive sources of funding, such as the wholesale market, which could materially and adversely affect our profitability and business. In addition, interest-earning assets tend to re-price more quickly than interest-bearing liabilities. Increases in interest rates applicable to our liabilities, in particular our inter-bank wholesale funding, without concurrent corresponding increases in interest rates applicable to our interest-bearing assets, may result in a decline in net interest income, which could materially and adversely affect our business and financial results.

Under RBI regulations, we are required to maintain a minimum specified percentage, currently 20%, of our net demand and time liabilities in Government securities and other approved assets. Yields on these investments, as well as yields on our other interest-earning assets, are dependent to a large extent on interest rates. In a rising interest rate environment, especially if the increase is sudden or sharp, we could be adversely affected by a decline in the market value of our Government securities portfolio and other fixed income securities and may be required to further provide for depreciation in the Available for Sale and Held for Trading categories.

As on June 30, 2017, 83.78% of our total investments were in government securities for SLR. Returns on these investments are dependent to a large extent on interest rates. In a rising interest rate environment, especially if the increase is sudden or sharp, we could be materially and adversely affected by the decline in the market value of our government securities portfolio and may be required to provide for depreciation in the “Available for Sale” and “Held for Trading” categories. As on June 30, 2017, 30.69% in the “Available for Sale” category and 0.07% of our gross investments were in the “Held for Trading” category. For the securities in the “Available for Sale” and “Held for Trading” categories which are subject to market risk, we are required to mark to market at regular intervals and net depreciation is recognized and provided, while net appreciation is ignored. In respect of securities under the Held to Maturity category, we are not required to mark the same to market but are required to amortize the difference between acquisition cost and face value of the security over the residual maturity period of the security wherever the acquisition cost is greater than the face value.

Furthermore, in the event of rising interest rates, our Bank’s borrowers may not be willing to pay correspondingly higher interest rates on their borrowings and may choose to repay/pre-pay their loans with our Bank, particularly if they are able to switch to more competitively priced loans offered by other banks. Any inability of our Bank to retain customers as a result of rising interest rates may adversely impact our Bank’s earnings in future periods. Similarly, in the event of falling interest rates, our Bank may face more challenges in retaining our customers if we are unable to offer competitive rates as compared to other banks in the market.

3. *Our statutory auditors have issued matters of emphasis in its auditor’s report on our financial statements for the fiscal year ended March 31, 2017 and the three month period ended June 30, 2017.*

Our statutory auditors for the fiscal year ended March 31, 2017, have included a matter of emphasis in their report with respect to our audited financial statements, wherein they have made note of the unamortized loss of ₹ 185.07 crores on sale of advances to asset reconstruction companies during financial year ended March 31, 2016. Similarly, our statutory auditors for the three month period ended June 30, 2017, have included a matter of emphasis in their report with respect to our limited reviewed financial results for the three month period ended June 30, 2017, wherein they have made note of the unamortized loss of ₹ 63.19 crores on sale of advances to asset reconstruction companies during financial year ended March 31, 2016.

4. *Our business and financial performance could suffer if we are unable to effectively manage our asset portfolio and control the level of our NPAs.*

Due to the difficult economic conditions in India in recent years, the total value of our net NPAs was ₹ 1,033.46 crores as of March 31, 2017, which represented 2.53% of our net advances as of March 31, 2017. As of June 30, 2017, the total value of our net NPAs was ₹ 1,189.16 crores, which represented 2.85% of our net advances. For the fiscal year ended March 31, 2017, our gross NPAs were ₹ 1,483.81 crores. Our gross NPAs represented 3.58% of our gross advances as of March 31, 2017. As of June 30, 2017, the total value of our gross NPAs was ₹ 1,807.01 crores, which represented 4.27% of our gross advances as of June 30, 2017. Gross NPAs from the corporate banking segment accounted for 62.99% and 62.68% of total gross NPAs as on March 31, 2017 and June 30, 2017, respectively. Although, our Bank is increasing its efforts to improve collections and to foreclose on existing impaired loans in a timely manner, there cannot be any assurance that we will be successful in our efforts or that the overall quality of our Bank’s loan portfolio will not deteriorate in the future. If our Bank is unsuccessful in controlling or reducing its impaired loans, if there is a significant increase in impaired loans, or if there is deterioration in the quality of the assets that our Bank holds as security, our Bank’s future financial performance could be materially and adversely affected. Any significant increase in provisions would materially and adversely impact our Bank’s financial performance and the market price of the Equity Shares.

While we had already made provisions with respect to 57.83% of our gross NPAs (including technical write-offs) as of March 31, 2017 and 57.01% of our gross NPAs (including technical write-offs), as of June 30, 2017, we may need to make further provisions if recoveries with respect to such NPAs do not materialize in time or at all, or if NPA classification or provision requirements change.

Further in our RBI inspection during the period of August 1, 2016 to August 31, 2016, RBI had assessed gross NPAs of ₹ 731.10 crores as on March 31, 2016. The divergence is due to two borrowal accounts, of which, one account with an outstanding balance of ₹ 175.38 crores was treated as a 'standard asset' as on March 31, 2016 by our Bank in compliance of the RBI guidelines relating to "Stand Still" clause under the Strategic Debt Restructuring scheme, since the scheme was under implementation. As the time limit for implementation of the scheme was complete during the said year, our Bank classified that account as an NPA. However, in the subsequent inspection by the RBI, the effective date of NPA was deemed as June 30, 2014, thereby treating the same as a divergence as on March 31, 2016, while the gross NPAs as reported by us for the same period was ₹ 511.18 crores resulting in a divergence in gross NPAs of ₹ 219.92 crores. Similarly, the provision NPAs as assessed by RBI has been ₹ 390.89 crores as of March 31, 2016, while the provisioning for NPA as reported by our Bank was ₹ 285.00 crores resulting in a divergence in provisioning of ₹ 105.89 crores. Consequently, while our reported net profit after tax for the year ended March 31, 2016 was ₹ 567.43 crores, the adjusted (notional) net profits after taxes for the year ended March 31, 2016 after taking into account the divergence in provisioning would have been ₹ 496.49 crores. Any similar rise in divergence could impact our results of operations.

Although we have taken necessary steps to contain NPAs, there can be no assurance that we will be able to reduce or contain NPAs in the future or that the overall quality of our loan portfolio will not deteriorate in the future. Any increase in NPAs will reduce the net interest-earning asset base and increase provisioning requirements, thereby adversely affecting our financial condition and results of operations. Various factors beyond our control, like a rise in unemployment, prolonged recessionary conditions in the world economy, a sharp and sustained rise in the interest rates, developments in the Indian economy, movements in global commodity markets and exchange rates, increased global competition and changes in Indian laws, regulations and policies could have an adverse impact on the quality of our loan portfolio. The inability of borrowers to repay loans due to an inadequate money supply in the economy may translate into mounting NPAs. The system has stress in certain sectors of the economy, which could impact our commercial, corporate and institutional banking customers and result in higher levels of NPAs and restructured assets in the future. In addition to the foregoing, under the directed lending norms of the RBI, we are required to extend 40.00% of our adjusted net bank credit to certain eligible sectors, which are categorized as "priority sectors". We may experience an increase in NPAs in our directed lending portfolio, particularly with regard to loans that are granted to small-scale industries sectors, where the borrowers are most vulnerable to economic difficulties. Also, as we increase our direct lending to certain sectors, we increase our exposure to the risks inherent with such sectors. Any further change in the RBI's regulations in this regard may require us to increase our lending to relatively riskier segments, which may further result in an increase in our NPAs.

If we are not able to manage our NPAs, it could materially and adversely affect our business, future financial performance, capital base and hence the price of the Equity Shares.

5. *We are involved in certain legal and other proceedings in India and may face certain liabilities as a result of the same.*

We are involved in various civil, criminal and tax-related litigations, which are at different stages of adjudications before various *fora*. We are involved in litigations for a variety of reasons, which generally arise in the usual course of business, when we seek to recover our monies from borrowers who default on payment of the loans or when customers seek claims against us during the process of recovery of our monies or for other service related issues. For further details in this regard, please refer to the chapter titled "*Outstanding Litigations and Other Defaults*" beginning on page 124.

As of March 31, 2017 and June 30, 2017, we have made provisions of ₹ 0.90 crores and ₹ 0.96 crores, respectively, towards these legal and other proceedings, where applicable. If any of the cases pending is decided against us, or if additional penalties are assessed and/or sanctions imposed on us in the future for failures to comply with KYC or other required procedures, it may have a material adverse effect on our businesses, reputation, financial condition and results of operations.

6. *Our business, financial condition, results of operations and prospects could be materially and adversely affected if we are unable to successfully execute our business and growth strategies and manage our growth effectively.*

During the fiscal year ended March 31, 2017, we expanded our business and infrastructure, with deposits aggregating to ₹ 53,700.00 crores as of March 31, 2017, and with advances aggregating to ₹ 40,908.00 crores as of March 31, 2017. As of June 30, 2017, our deposits and advances were ₹ 54,668.00 crores and ₹ 41,698.00 crores, respectively.

We continue to develop and implement a number of growth initiatives to become more competitive and neighbourhood oriented in our principal business segments. As part of our growth strategy, we have been expanding our products and services, including by focusing on new products aimed at expanding our low-cost customer deposits while maintaining a strong capital position. Our low-cost customer deposits (e.g., demand and saving deposits) constituted 27.73% and 29.17% of our total deposits as at March 31, 2017 and June 30, 2017, respectively. Our personal banking (retail banking) business accounted for 15.30% and 15.55% of our total gross advances as at March 31, 2017 and June 30, 2017, respectively. As the Bank has met and continues to meet the conditions for opening of branches set out by the RBI (which includes, amongst other things, having at least 25.00% of the branches opened during a fiscal year in unbanked rural centers), the Bank is permitted to open branches without prior approval from the RBI. The Bank plans to continue to open new branches which we expect will grow our retail deposit base. In addition, we are focusing on retail and SME advances, opening more branches to increase our business volumes and revamping the existing sales force to bring in new customers and cross-sell additional products and services to retail customers. However, we cannot assure you that we will be able to maintain the present growth rates in personal banking (retail banking) or how long we may be able to maintain such growth. Efforts are also being made to broad base growth in our asset portfolio. Although our growth initiatives have contributed to our financial results in recent years, there can be no assurance that we will be able to continue to successfully implement our growth strategies in a timely manner or at all, or that any of our new products and services will gain customer acceptance.

Our ability to sustain and manage growth depends primarily upon our ability to manage key operational issues, such as recruiting and retaining skilled personnel, developing and marketing profitable products and services to cater to the needs of our existing and potential customers in our current markets, improving our risk management systems to monitor our newer businesses, maintaining and, in a timely manner, upgrading an effective technology platform, developing a knowledge base to face emerging challenges and ensuring a high standard of customer service. Sustained growth puts pressure on our ability to effectively manage and control historical and emerging risks.

Our ability to sustain and manage growth is also affected by factors outside of our control, such as GDP growth, changes in regulatory policies, changes in customer demand for loans and changes in interest rates. For instance, growth in gold loans may be affected by statutory and regulatory restrictions. Pursuant to RBI circulars dated December 30, 2013, January 20, 2014 and July 22, 2014, it has been decided to permit bullet payment for non-agricultural loans against gold ornaments and jewellery, subject to a number of conditions as stated therein, including but not limited to the tenor of the loan not exceeding 12 months from the date of the sanction and maintaining a loan to value ratio of 75% throughout the tenure of the loan. In addition, any regulatory changes in the risk weighting of gold loans could adversely impact our gold loan business and overall operations. We may not be able to successfully maintain growth rates due to unfavorable changes in any one or more of the aforementioned factors. Our inability to effectively manage any of these operational issues or react to external factors may materially and adversely affect our business, prospects, financial condition and results of operations, as well as the market price of our Equity Shares.

7. *If we are unable to manage the significant risks and challenges that we face in our newer fee income businesses, our business and financial results could be adversely affected.*

As part of our growth strategy, we have been diversifying and expanding our products and services, including by marketing transaction banking services to retail customers and small- and medium-sized companies to earn fee income. Such products include third party investment products, such as mutual funds and insurance products. In order to meet the needs of our customers and enhance our competitiveness, we intend to improve our non-fund-based portfolio, including letters of credit and bank guarantees and to improve our foreign exchange-related products and services portfolio. Such new initiatives and products and services entail a number of risks and challenges, such as start-up expenditure, insufficient experience and expertise with certain new products and services, lack of acceptance by customers, competitors duplicating our products and services, insufficient financial, operational, management and other human resources to support new businesses, products and services and other risks and costs associated with the respective businesses, products and services.

We earn commissions from the sales of third party investment products, such as insurance and mutual funds. Our income from these arrangements depends greatly on the reputation of such insurers in the marketplace and the quality and variety of products they offer, which are factors beyond our control. Under existing guidelines, Indian banks are currently permitted to have arrangements with only one life insurer and one non-life insurer

for the sales of insurance products. We are unable to offset risk arising from our dependence on such insurers by offering products from other insurers.

If we are unable to successfully diversify our products and services while managing the attendant risks and challenges, returns on such products and services may be less than anticipated, which could have a material adverse effect on our business and financial results.

8. *We have substantial exposure to certain industry sectors, and if such sectors experience any sustained difficulties, our business could be materially and adversely affected.*

We monitor concentration of exposures to sectors, and calculate sector exposure as required by the RBI. Our credit exposure to borrowers in infrastructure, textiles, basic metal and metal products, food processing and chemical and chemical products sectors amounted to 21.68% and 21.07% of our total fund based gross loans as of March 31, 2017, and June 30, 2017, respectively. We have substantial exposure in our asset portfolio to the manufacturing sector. As of March 31, 2017 and June 30, 2017, advances to such sector aggregated ₹ 12,688.00 crores and ₹12,827.00 crores, respectively, which represented 30.60% and 30.25% of our total advances, respectively. Our five largest industry exposures were to infrastructure, textiles, basic metal and metal products, food processing and chemicals and chemical products. Furthermore, we have substantial exposure to agriculture and MSMEs, which the RBI categorizes as “priority sectors”. As of March 31, 2017 and June 30, 2017, priority sector advances aggregated ₹ 18,520.00 crores and ₹ 19,132.00 crores, respectively, which represented 46.45% and 48.13% of our adjusted net bank credit, respectively. Any significant difficulty in a particular sector or industry, driven by events not within our control, such as regulatory action or policy announcements by government authorities or natural disasters, would adversely impact the ability of borrowers in that industry to service their debt obligations to us. As a result, we would experience increased delinquency risk, which may materially and adversely impact our business, prospects, financial condition and results of operations, and the market price of our Equity Shares.

9. *The impact of the GoI’s recent demonetization exercise on the Indian economy and the banking sector is currently uncertain.*

Pursuant to notifications dated November 8, 2016 issued by the GoI and the RBI and other circulars and clarifications issued thereafter by the GoI and the RBI (together, the “**Demonetization Circulars**”), the GoI declared the then existing currency notes of denominations of ₹ 500 and ₹ 1,000 as having ceased to be legal tender with effect from November 9, 2016. The Demonetization Circulars have laid down the manner of implementation of the demonetization policy of the GoI, including amongst others, restrictions on use of the demonetized currency, deadlines for exchange and deposit of the demonetized currency with banks, introduction of new currency notes in the system and limits on withdrawal of cash from bank branches and ATMs.

Additionally, our results for the three month period ended June 30, 2017 may have reflected increased CASA levels, primarily due to additional deposits having been made by our customers in light of the Demonetization Circulars. Accordingly, potential investors are advised to consider these factors while evaluating our financial condition.

10. *We have a concentration of loans to certain customers, and if the financial conditions of these customers deteriorate, our asset quality, financial condition and results of operations could be materially and adversely affected.*

We monitor concentration of exposures to borrowers, and calculate customer exposure as required by the RBI. As of June 30, 2017, the aggregate exposure to our 20 largest borrowers amounted to ₹ 4,974.81 crores, representing 9.80% of our total exposure as of such date. Our single largest borrower on such date had an exposure of ₹ 398.00 crores, representing 1.21% of our total exposure as of such date. If any of our 20 largest customer exposures were to become non-performing, the credit quality of our portfolio and our business and financial results, as well as the market price of our Equity Shares, could be materially and adversely affected.

11. *A portion of our advances are unsecured. In case we are unable to recover such advances in a timely manner or at all, it may adversely affect our business, financial condition and results of operations.*

As of March 31, 2017 and June 30, 2017, 0.79% (or ₹ 322.59 crores) and 0.64% (or ₹ 264.89 crores), respectively, of our net advances were unsecured. While we have been selective in our lending policies and strive to satisfy ourselves with the credit worthiness and repayment capacities of our customers, there can be no assurance that we will be able to recover the interest and the principal advanced by us in a timely manner or at all. Any failure to recover the unsecured advances given to our customers would expose us to a potential loss which could adversely affect our business, financial condition and results of operations.

- 12. We have written off loans amounting to ₹263.77 crores and ₹0.97 crores, during the fiscal year ended March 31, 2017 and the three month period ended June 30, 2017, respectively. Having to write off bad debts and to engage in litigation for recovery may impact our business and results of operations.**

As per our audited financial statements for the fiscal year ended March 31, 2017, our Bank has written off (including technical write offs) 2,080 accounts, falling under the categories of 8 sectors, amounting to ₹ 263.77 crores. For the three months period ended June 30, 2017, our Bank has written off (including technical write offs) 191 accounts, falling under the categories of 12 sectors, amounting to ₹ 0.97 crores. Our Bank initiates legal proceedings for recovery of amounts outstanding. Further, our Bank conducts recovery drives in each of our branches, through compromise settlements and lok adalats. Having to write off any significant amounts of bad debts and to invest significant management time and resources in litigation for recovery may materially impact our business and results of operations.

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

As of March 31, 2017 and June 30, 2017, 99.21% and 99.36% of our net advances respectively, were secured by collateral, including real estate assets, property, gold ornaments, plant, equipment, inventory, receivables, current assets and pledges or charges on fixed assets, bank deposits, NSC/KVP/LIC policy or financial assets such as marketable securities and guarantees. The value of the collateral securing our loans, including, in particular, any property and gold ornaments assets, may significantly fluctuate or decline due to factors beyond our control, including those affecting the Indian and global economy in general.

In the event our borrowers default on the repayment of loans, we may not be able to realize the full value of the collateral due to various reasons, including a possible decline in the realisable value of the collateral, defective title, prolonged legal proceedings and fraudulent actions by borrowers, or we may not be able to foreclose on collateral at all. Further, certain kinds of loans that are advanced by us (such as personal loans) are not secured by any assets.

A decline in the value of the secured assets could impair our ability to realize the secured assets upon any foreclosure, which would likely require us to increase our provision for loan losses. In the event of a default with respect to any of these loans, the amounts we receive upon sale of the secured assets may be insufficient to recover the outstanding principal and interest on the loan. If we are required to re-value the assets securing a loan to satisfy the debt during a period of reduced asset values or to increase our allowance for loan losses, our profitability could be adversely affected, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In India, foreclosure on collateral may be subject to delays and administrative requirements that may result, or be accompanied by, a decrease in the value of the collateral. The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (the “SARFAESI Act”), the Debt-Recovery Tribunal Act, 1993 and the RBI’s corporate debt restructuring have strengthened the ability of lenders to recover NPAs by granting them greater rights to enforce security and recover amounts owed from secured borrowers. Although the legislation strengthened the rights of creditors, which may lead to faster realisation of secured assets in the event of default, there can be no assurance that such legislation will have a favourable impact on our efforts to reduce our levels of NPAs and we may not be able to realize the full value of our secured assets, due to, among other things, delays in foreclosure proceedings, defects in the perfection of secured assets, fraudulent transfers by borrowers and decreases in the values of secured assets.

In addition, the RBI’s guidelines on corporate debt restructuring specify that for debt amounts of ₹ 100.00 crores and above, 60.00% of the creditors by number and 75.00% of creditors by value can decide to restructure the debt and that such a decision would be binding on the remaining creditors. If we own 25% or less of the debt of a borrower, we may not be able to realize the full value of our secured assets and could be forced to agree to an extended restructuring of debt which may not be in our interests.

Our inability to realize the full value of assets securing our loans on a timely basis or at all, including if we are instead compelled to restructure our loans, could materially and adversely affect our asset quality, business, results of operation and financial condition.

- 14. Volatility in the market price of gold may adversely affect our financial condition, cash flows and results of operations. In addition, we may not be able to realize the full value of our pledged gold, which exposes us to potential loss.**

Our loan portfolio contains significant advances that are secured by household, used, gold jewellery. As of March 31, 2017 and June 30, 2017, our gold loans, for which we take gold ornaments as primary security, constituted 14.86% and 15.16%, respectively, of our total advances. The major borrowers of our gold loans are agricultural banking customers, who have higher credit risk than our non-agricultural banking customers.

Changes in government policies in India, such as, for example, the imposition of higher import duties on gold bullion, may further contribute to the volatility in gold prices. An economic downturn or sharp downward movement in the price of gold could result in a decline in pledged gold values. Further, a sustained decrease in the market price of gold could also cause a decrease in new gold loans in our loan portfolio and, as a result, our interest income and cash flows. In addition, customers may not repay their loans and the gold jewellery securing the loans may have decreased significantly in value, resulting in losses which we may not be able to support. We use a technology-based risk management system and follow strict internal risk management guidelines on portfolio monitoring, which include periodic assessments of loan to security value on the basis of conservative market price levels, limits on the amount of margin, aging analyses and pre-determined margin call thresholds. However, if the price of gold decreases significantly, our financial condition, cash flows and results of operations may be adversely affected. Further, in the case of a default, we typically sell the pledged gold through publicly-announced auctions. We cannot assure you that we will be able to sell such pledged gold at prices sufficient to cover the amount of the outstanding loan receivables under default. Moreover, there may be delays associated with the auction process. Any failure to recover the expected value of pledged gold could expose us to a potential loss, which could adversely affect our financial condition, cash flows and results of operations.

15. *A prolonged downturn in the real estate market could result in losses and adversely affect our profitability.*

As of March 31, 2017, approximately 13.12% of our loan portfolio was directly or indirectly exposed to the real estate sector, respectively. The real estate collateral in each case provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the credit is extended. The recent economic slowdown in India has adversely affected real estate market values across India and values may continue to decline. A further decline in real estate values could further impair the value of our collateral and our ability to sell the collateral upon any foreclosure, which would likely require us to increase our provision for loan losses. In the event of a default with respect to any of these loans, the amounts we receive upon sale of the collateral may be insufficient to recover the outstanding principal and interest on the loan. If we are required to re-value the collateral securing a loan to satisfy the debt during a period of reduced real estate values or to increase our allowance for loan losses, which could have a material adverse effect on our business, financial condition, results of operations, profitability and prospects. With the introduction of Real Estate (Regulation and Development) Act, 2016, the real estate market may experience some increased stress in case of existing borrowers as compared to new borrowers.

16. *We may continue to incur substantial expenditure as a result of recent significant increases in hiring to support our growth strategy and if we are unable to manage our employee levels effectively, our results of operations could be adversely affected.*

Our planned growth, including any expansion by opening new branches, will require us to continue to significantly increase our employee headcount at various levels and invest in effective training programs. Such activities and investments in our employees will require substantial management effort and attention as well as employee compensation expense.

The number of our employees in our Bank was, 7,400 as of March 31, 2017 and 7,694 as of June 30, 2017, respectively. The employee additions were made to support our growth strategies. Payments to and provisions for employees was ₹ 607.96 crores and ₹ 151.45 crores, for the fiscal year ended March 31, 2017 and three month period ended June 30, 2017, respectively. The increase of expenditure relating to employees has been disproportionate to the level of growth of our income and profits.

The employee cost to operating expenses ratio for the fiscal years ended March 31, 2017 and for the three month period ended June 30, 2017 was 47.31% and 46.53%, respectively. If we are unable to manage our employee levels effectively, our operating expenses could increase disproportionately, which could adversely affect our results of operations.

17. *Our inability to improve the share of CASA deposits may result in higher cost of deposits and thereby affect the profitability of our bank in future.*

Our Bank as on March 31, 2017, had total deposits of ₹ 53,700 crores. The share of CASA deposits amounted to 27.73% of total deposits in fiscal 2017 vis-à-vis 23.31% in fiscal 2016. Our ability to maintain or improve profitability will depend on our ability to maintain or improve the CASA ratio. In the event, our CASA ratio deteriorates substantially our results of operations may be adversely affected.

- 18. *We are subject to liquidity risk. If we fail to maintain the growth in our customer deposits or if there is a significant decrease in customer deposits, our Bank's liquidity and business operations could be materially and adversely affected.***

We meet our funding requirements through short- and long-term deposits from retail and large corporate depositors as well as wholesale interbank deposits. Currently, our Bank's primary source of funding is customer deposits, including demand deposits, savings deposits and term deposits. As of March 31, 2017, and June 30, 2017, our total deposits were ₹ 53,700.00 crores and ₹ 54,668.00 crores, respectively. However, many factors affect the growth of deposits, some of which are beyond our Bank's control, such as economic and political conditions, availability of investment alternatives and retail customers' changing perceptions toward savings.

Matching the duration of our assets to our liabilities reduces our exposure to changes in interest rates. However, a significant portion of our assets (such as loans) have maturities with longer terms than our liabilities (such as deposits). As on June 30, 2017, 87.43% of our Bank's total deposits consisted of deposits and 29.17% of such total funding consisted of demand deposits and savings deposits. A significant portion of our Bank's loan assets are cash credits, overdrafts and loans repayable on demand, which are to be renewed periodically creating a potential for funding mismatches. As on June 30, 2017, 78.35% of our total customer deposits had remaining maturities of one year or less, or were payable on demand, while 40.21% of our advances had remaining maturities of more than one year. There is a mismatch between the maturities of our liabilities and the maturities of our assets.

Attracting customer deposits in the Indian market is competitive. The interest rates that we must pay to attract customer deposits are determined by numerous factors such as the prevailing interest rate structure, competitive landscape, Indian monetary policy and inflation. If we fail to maintain the growth rate of our deposits or if a substantial portion of our depositors withdraw their deposits or do not roll over their time deposits upon maturity, our Bank's liquidity position, financial condition, results of operations, and the price of the Equity Shares may be materially and adversely affected.

- 19. *We have a concentration of deposits from certain depositors, which exposes us to liquidity risk, the crystallization of which could materially and adversely affect our business, financial conditions, result of operations and prospects.***

As on March 31, 2017 and June 30, 2017, our Bank's total deposits were ₹ 53,700.00 crores and ₹ 54,668.00 crores, respectively. As on June 30, 2017, the top 20 depositors constituted 5.76% of our total deposits. If any or a substantial number of our top 20 depositors withdraw their deposits or do not roll over their time deposits upon maturity, we may be required to seek more expensive sources of funding, including paying higher interest rates in order to attract and/or retain further deposits and we cannot assure you that we will be able to obtain additional funding on commercially reasonable terms as and when required. In such event, our Bank's liquidity position, financial condition, results of operations and the price of the Equity Shares may be materially and adversely affected.

- 20. *Our ability to open branches in Tier 1 centers is subject to fulfillment of certain eligibility criteria prescribed by the RBI. If we are unable to fulfill such eligibility criteria and, as a result, are unable to open new branches in Tier 1 centers, we may be unable to grow our deposit base which may in turn adversely affect our business prospects.***

As of June 30, 2017, we had 719 interconnected branches and 1,750 interconnected ATMs across India. The opening of new branches and shifting of existing branches of banks is governed by the provisions of the Banking Regulation Act. Domestic scheduled commercial banks are permitted to open branches in Tier 2 to Tier 6 centers, without permission from the RBI, subject to reporting requirements to RBI. Further, in terms of the RBI circulars dated September 19, 2013 and October 21, 2013, domestic scheduled commercial banks are permitted to open branches in Tier 1 centers without permission of RBI, subject to the following conditions being satisfied:

(a) At least 25% of the total number of branches opened during a financial year (excluding entitlement for branches in Tier 1 centres given by way of incentive), must be opened in unbanked rural (Tier 5 and Tier 6) centres, i.e., centres which do not have a brick and mortar structure of any scheduled commercial bank for customer based banking transactions; and

(b) The total number of branches opened in Tier 1 centers during the financial year (excluding entitlement for branches in Tier 1 centers given by way of incentive) cannot exceed the total number of branches opened in Tier 2 to Tier 6 centers and all centers in the North Eastern States and Sikkim.

As of June 30, 2017, we had 344 branches in Tier 1 centers and 375 branches in Tier 2 to Tier 6 centers. Our ability to raise fresh deposits and grow our deposit base from Tier 1 centers depends in part on our ability to expand our network of branches. There can be no assurance that we will be able to satisfy the eligibility criteria for branch expansion to achieve the desired growth in our deposit base as a result of which our business prospects could be adversely affected.

21. Any crystallization of our significant contingent liabilities could materially and adversely affect our business, financial conditions, result of operations and prospects.

As on March 31, 2017 and June 30, 2017, we had contingent liabilities amounting to ₹ 11,957.59 crores and ₹ 11,527.11 crores, respectively, details, of which are given below:

(₹ in crores)

Contingent Liabilities	As on March 31, 2017	As on June 30, 2017
Claims against the Bank not acknowledged as debts	1.56	1.53
Liability on account of outstanding forward exchange contracts	5,788.64	5,197.60
Liability on account of outstanding derivatives	Nil	Nil
Guarantees given on behalf of constituents in India	3,309.69	3,415.07
Acceptances, Endorsements and other Obligations	2,118.49	2,562.94
Other items for which the Bank is contingently liable	739.21	349.98
Total	11,957.59	11,527.11

The contingent liabilities (including claims against the Bank not acknowledged as debts, liability on account of outstanding forward exchange contracts and derivatives, guarantees, letters of credit, acceptances, endorsements and other obligations) have arisen during the normal course of business and are subject to the prudential norms as prescribed by RBI. We are subject to credit risk on our off-balance sheet commitments because these commitments may need to be fulfilled by us in certain circumstances. In the event that any of the above liabilities crystallizes, we may be required to honor the demands raised. If we are unable to recover payment from our customers in respect of the commitments that we are called upon to fulfill, our business, financial conditions, result of operations and prospects may be materially and adversely impacted.

22. Our Bank may be subject to volatility in income from our treasury operations that could materially and adversely impact our financial results.

We derived 17.26% and 19.81% (excluding interest on interbank funds) of our total income in the fiscal year ended March 31, 2017 and for the three month period ended June 30, 2017, respectively, from our treasury operations. Though our income from our treasury operations has been relatively stable over the last three years, there is no guarantee that, in the future, our Bank will not experience volatility in our income from treasury operations. Our treasury operations are vulnerable to changes in interest rates and exchange rates as well as other factors, all of which are trading risks that are faced by us. Any decrease in income from our treasury operations could adversely affect our business if we are unable to offset the same by increasing returns on our loan assets. Further, any significant or sustained decline in income generated from treasury operations resulting from market volatility may adversely impact our Bank's financial performance and the market price of the Equity Shares.

23. We have regional concentration in southern India and, therefore, are dependent on the general economic conditions and activities in these areas. Additionally, we may not be successful in expanding our operations to other parts of India.

As of June 30, 2017, 612 out of our 719 branches and 1,579 out of our 1,750 ATMs were located in southern states of Tamil Nadu, Andhra Pradesh, Telangana, Kerala and Karnataka and the union territory of Pondicherry ("Southern Region"). Any disruption, disturbance or breakdown in the economy of the Southern Region could adversely affect our business and results of operations. The Southern Region contributed over 80.00% of our business (advances and deposits) as of June 30, 2017. Our concentration in the southern India exposes us to any adverse geological, ecological, economic, social and/or political circumstances in that region as compared to other public and private sector banks that have a diversified national or international presence. If there is a sustained downturn in the economy of south India or a sustained change in consumer preferences in that region, our financial position may be materially and adversely affected.

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

24. *Most of our business premises are leased. Accordingly, we are exposed to risks typical to leasing of commercial real estate.*


As of June 30, 2017, we had 719 branches, 689 of which were located on leased premises. In addition, 1,706 out of 1,750 ATMs were located on leased premises. As of June 30, 2017, 2,413 lease agreements of the Bank of which 8 lease agreements were with respect to the branches and 11 lease agreements were with respect to the ATMs and 2 lease agreements with respect to offices expired and were in the process of being renewed. Any failure to renew lease agreements for these premises on terms and conditions favourable to us may require us to shift the concerned branch offices or the ATMs to new premises. This might adversely affect our business operations and incur additional expenses.

25. *We may face labor disruptions that could interfere with our operations.*

We are exposed to the risk of strikes and other industrial actions. As of June 30, 2017, a large number of our employees were members of the “KVB Employees Union and KVB Officers Association”. We have experienced disruptions in the past five years owing to work stoppages among our employees due to national labor strikes which affected the entire unionized banking sector. For example, in the three month period ended June 30, 2017, our employees have participated in strikes for a total of 3 days and all of such strikes have been called by United Forum of Bank Unions (India) at an industrial level and involved members of KVB Employees Union and Officers Association.

Although we believe that we have good industrial relations with our employees and the unions, we cannot guarantee that our employees will not undertake or participate in strikes, work stoppage or other industrial action in the future. Any such employee unrest events could disrupt our operations, possibly for a significant period of time, result in increased wages and other benefits or otherwise have a material adverse effect on our business, financial condition or results of operation.

26. *We may be unable to adequately protect our intellectual property. Furthermore, we may be subject to claims alleging breach of third party intellectual property rights.*

We have registered our logo  and certain other related trademarks under the Trade Marks Act, 1999, however, our tagline “smart way to bank” is pending approval before the concerned authorities. The registrations provided to our trademarks/logo are for a limited duration and are required to be renewed from time to time. While we apply for renewal of these registrations from time to time, we cannot assure you that we will be able to obtain them in a timely manner or at all. Further, while we have applied for and have received registration for our Bank’s logo as appearing above in certain classes, there can be no assurance that we will be able to register additional trademarks and logos or that third parties will not infringe on our intellectual property, causing damage to our business prospects, reputation and goodwill. We may need to litigate to protect our intellectual property or to defend against third party infringement. Additionally, we do not own the www.karurvysyabank.com domain name. We understand that such domain name was registered by an NRI, resided in the USA in 2003, and that he has been regularly renewing the registration although, to our knowledge, he is not using the domain name. We filed a case against the above NRI with the World Intellectual Property Organization, Switzerland (“WIPO”), which was subsequently dismissed. We intend to file a suit in India seeking an interim injunction against the above NRI and to re-file our complaint before the WIPO. We cannot assure you that our proposed claims against the above NRI will be successful. Any such litigation could be time consuming and costly and the outcome cannot be guaranteed. Additionally, we may not be able to detect any unauthorized use or take appropriate and timely steps to enforce or protect our intellectual property. Any inability to use or protect our intellectual property could affect our relationships with our customers, which could materially and adversely affect our results of operation and financial condition.

27. *Non-compliance with RBI’s risk-based supervision model and RBI inspection/observations may have a material adverse effect on our business, financial condition or results of operation.*

The RBI conducts periodic on-site/off-site inspections on all matters addressing our banking operations and relating to, among other things, our Bank’s portfolio, risk management systems, credit concentration risk,

counterparty credit risk, internal controls, credit allocation and regulatory compliance. During the course of finalizing this inspection, 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, impose internal limits on lending to certain sectors and tighten controls and compliance measures and restricting our lending and investment activities. Any significant deficiencies identified by the RBI that we are unable to rectify to the RBI's satisfaction could lead to sanctions and penalties imposed by the RBI, as well as expose us to increased risks. Starting Fiscal 2016, our Bank has been subjected to the risk-based supervision model which is being implemented by the RBI across the banking industry in a phased manner. While the Bank has fulfilled the requirements of risk-based supervision process in Fiscal 2016, we may be required to comply with additional requirements to improve various aspects of our operations. Any failure to meet regulatory requirements could materially and adversely affect our reputation, business, financial condition, cash flows, results of operations, pending applications or requests with the regulators and our ability to obtain the regulatory permits and approvals required to expand our business.

28. *We have more limited access to credit and other financial information on borrowers than banks in other economies, which may decrease the accuracy of our assessment of credit risks and thereby increase the likelihood of borrower defaults.*

Our principal activity is to provide financing to borrowers located mainly in India. The credit risk of our borrowers, including retail customers, SMEs, small and mid-sized corporates, agricultural and rural customers and priority sectors, may be higher than in other economies due to the higher uncertainty in our regulatory, political and economic environment and the inability of our borrowers to adapt to global technological advances. Our corporate borrowers may suffer from low profitability because of increased competition as a result of economic liberalization policies, a sharp decline in commodity prices, a high debt burden and high interest rates in the Indian economy and other factors.

In addition, India's system for gathering and publishing statistical information relating to the Indian economy generally or specific economic sectors within it or corporate or financial information relating to companies or other economic enterprises is not as comprehensive as in the countries with established market economies. The absence of such reliable and comprehensive statistical, corporate and financial information, including audited financial statements and recognized debt and credit rating reports, relating to our present and prospective corporate borrowers or other customers makes the assessment of credit risk, including the valuation of collateral, more difficult. Nationwide credit bureaus have become operational in India only recently, and it may be some time before comprehensive information on the credit history of our borrowers, especially individuals and small businesses, is available to us. In many cases, we need to rely on the accuracy and completeness of information furnished by or on behalf of customers and counterparties, including financial statements and financial information. The difficulties associated with the inability to accurately assess the value of collateral and to enforce rights in respect of collateral, along with the absence of such accurate statistical, corporate and financial information, may decrease the accuracy of our assessments of credit risk, thereby increasing the likelihood of borrower default on the loans provided by us and decreasing the likelihood that we would be able to enforce any security in respect of such loans or that the collateral will have a value commensurate to the respective loan.

Moreover, the availability of accurate and comprehensive credit information on retail customers and small businesses in India is even more limited than for larger corporate customers, which reduces our ability to accurately assess the credit risk associated with lending to this category of borrowers.

Such difficulties in assessing credit risks associated with our day-to-day lending operations and risks associated with the business environment in India may lead to an increase in the level of our non-performing and restructured assets, which could materially and adversely affect our business, financial results, shareholders' equity and the price of the Equity Shares.

29. *Some of our corporate records relating to allotments of our equity shares in the past are not traceable.*

We are unable to trace copies of certain corporate records and filings in relation to equity shares issued and allotted by our Bank in the past, and in particular, on allotments of equity shares of the Bank from its incorporation on June 22, 1916. We have not been able to obtain copies of such relevant documents, including from the relevant Registrar of Companies in India.

30. *Our failure to meet the priority sector lending norms in India may subject us to appropriate actions by the RBI.*

The priority sector lending norms of the RBI require all banks in India to extend at least 40.00% of their adjusted net bank credit (net bank credit plus investments made by banks in non-SLR bonds held in “Held to Maturity” category) to specified sectors, including agriculture and small scale industries, which are known as “priority sectors”. In accordance with these norms, at least 18.00% of our adjusted net bank credit must be extended to the agricultural sector and at least 10.00% to the weaker sections.

As on March 31, 2017 and June 30, 2017, the total credit extended by us to priority sectors constituted 46.45% and 48.13%, respectively, of our adjusted net bank credit; the credit extended to the agriculture sector constituted 19.41% and 20.96%, respectively, of our adjusted net bank credit; and the credit extended to the weaker sections constituted 11.97% and 13.54%, respectively, of our adjusted net bank credit. Accordingly, we have met the requirements for lending to priority sectors, the agriculture sector and the weaker sections as of March 31, 2017 and June 30, 2017.

However, any inability on our part to continue to meet the regulatory prescriptions for these lending activities, such as the targets/sub-targets that are set with respect to priority sector lending, may require us to contribute to the Rural Infrastructure Development Fund (“RIDF”) established with the National Bank for Agriculture and Rural Development (“NABARD”) or funds with other financial institutions, which could provide lower yields to us. In such event, our business prospects, financial condition and results of operations may be adversely affected.

31. *We are required to maintain our capital adequacy ratio at the minimum level required by the RBI. We may not be able to grow our business if we face difficulties in accessing capital.*

The RBI requires Indian banks to maintain a minimum risk-weighted capital adequacy ratio of 9.00% under the Basel II. In addition, we are also required to maintain a capital conservation buffer as per the specified transitional arrangement reaching 2.50% by March 31, 2019. We had adopted the Basel III framework in fiscal year 2014. As per Basel III: a) our capital adequacy ratio was 12.54% as of March 31, 2017, and 11.71% as of June 30, 2017, b) our Tier I ratio was 11.85% as of March 31, 2017, and 11.04% as of June 30, 2017 and c) our Tier II ratio was 0.69% as of March 31, 2017, and 0.67% as of June 30, 2017.

We are exposed to the risk of the RBI increasing the applicable risk weightage for different asset classes from time to time. Any incremental capital requirement may adversely impact our ability to grow our business and may even require us to withdraw from or curtail some of our current business operations. Basel III guidelines have been implemented in India through the RBI Basel III Capital Regulations, which came into effect on April 1, 2013, and are subject to a series of transitional arrangements to be phased in over a period of time and will be fully implemented on March 31, 2019. We have implemented the Basel III Capital Regulations from April 1, 2013. The RBI Basel III Capital Regulations require, among other things, higher levels of Tier I capital, including common equity, capital conservation buffers, deductions from common equity Tier I capital for investments in subsidiaries (with minority interest), changes in the structure of debt instruments eligible for inclusion in Tier I and Tier II capital and preference shares in Tier II capital, criteria for classification as common shares, methods to deal with credit risk and reputational risk, capital charges for credit risks, introduction of a leverage ratio and criteria for investments in capital of banks, financial and insurance entities (including where ownership is less than 10.00%). The RBI Basel III Capital Regulations also stipulate that non-equity Tier I and Tier II capital should have loss absorbency characteristics, which require them to be written down or be converted into common equity upon the occurrence of a pre-specified trigger event.

Implementation of Basel III or other capital adequacy requirements imposed by RBI may result in incurrance of substantial compliance and monitoring costs and there can be no assurance that we will be able to comply fully with such requirements or that any breach of applicable laws and regulations will not adversely affect our reputation or our business operations and financial conditions. Although we currently meet or exceed the applicable capital adequacy requirements, certain adverse developments could affect our ability to continue to satisfy the capital adequacy requirements, including deterioration in our asset quality, declines in the values of our investments and regulatory changes in the prescribed risk weights, capital deductions or minimum capital adequacy requirements. Furthermore, our ability to support and grow our business could be limited by a declining capital adequacy ratio if we are unable to access or have difficulty accessing the capital markets or have difficulty obtaining capital in any other manner. We cannot assure you that we will be able to obtain additional capital on commercially reasonable terms in a timely manner. Any failure to meet capital adequacy ratio requirements could materially and adversely affect our business.

32. *Any downgrading in our credit ratings could adversely affect our business, financial condition and results of operations.*

Our current credit ratings are “CRISIL A1+” for ₹ 3,000 crores Certificate of Deposits Programme as given by CRISIL Ratings and “[ICRA]A1+” for the Bank’s Certificate of Deposits Programme for ₹ 3,000 crores as given

by ICRA Limited. Further, ICRA has rated our unsecured redeemable non-convertible subordinated (Lower Tier II) debt instruments of an amount of ₹ 300 crores as “[ICRA]A+”. These ratings assess our overall financial capacity to pay our obligations and are reflective of our ability to meet financial commitments as they become due. Any downgrading in our credit ratings in the future may adversely affect our ability to raise capital on reasonable commercial terms and mobilize deposits and therefore adversely affect our business.

33. We are exposed to possible losses arising out of derivative transactions, which could have a material adverse effect on our financial condition and results of operations.

We undertake foreign exchange forward contracts for our customers and hedge them with other banks. Our outstanding open position foreign exchange forward contracts as of March 31, 2017 and June 30, 2017 are set out below:

(₹ in crores)

Contingent Liabilities	As on March 31, 2017	As on June 30, 2017
On behalf of clients	Nil	Nil
Proprietary capacity	Nil	19.52
Total	Nil	19.52

Our proprietary derivative transactions are subject to regular monitoring by our risk assessment committee to ensure compliance with limits prescribed by our Board. Proprietary positions are maintained within stop loss limits as prescribed in our internal control guidelines. However foreign exchange movement could cause us to incur losses in such proprietary position in case of adverse exchange movement.

34. We require certain regulatory approvals in the ordinary course of our business and the failure to obtain the same in a timely manner or at all may adversely affect our operations.

We require certain regulatory approvals, sanctions, licenses, registrations and permissions for operating our business. In connection with our business, we may require such approvals as well as their renewal from time to time. We may not receive such approvals or renewals within the time frames anticipated by us or may not obtain the same at all, which could adversely affect our business.

35. Our success depends largely upon our management team and skilled personnel and our ability to manage attrition as well as to attract and retain personnel.

Our performance and success depends largely on our ability to nurture and retain the continued service of our management team and skilled personnel. There is significant competition for management and other skilled personnel in the banking industry. We rely heavily on the expertise and experience of our key management personnel. Further, we do not have keyman insurance policy to cover for loss of our skilled personnel. Any increase in our attrition levels may add to our personnel expenditure. In the event we are not able to retain our pool of talented employees, the future of our business and operations may be materially and adversely affected.

36. Our business is dependent on relationships established through our branches with our clients. Closure of branches or loss of our key branch personnel may adversely impact our ability to build and maintain these relationships.

Our business is dependent on the key branch personnel who directly manage client relationships. We encourage dedicated branch personnel to service specific clients since we believe that this leads to long-term client relationships, a trust based business environment and over time, better cross-selling opportunities. While no branch manager or operating group of managers contributes a meaningful percentage of our business, our business may suffer materially if a substantial number of branch managers either become ineffective or leave the organization.

37. New product/services offered by us may not be successful and we may not grow in any new business area which may have a material adverse effect on our business, financial condition or results of operation.

We introduce new products/services to explore new business opportunities on a regular basis. We cannot assure you that all our new products/services will gain customer acceptance and this may result in our incurring pre-operative expenses and launch costs without any assurance that such products will be successful or may fail market penetration. Further, our inability to grow in any new business areas could adversely affect our business and financial performance.

38. *Our risk management policies and procedures may not adequately address unidentified or unanticipated risks.*

We have devoted significant resources to developing our risk management policies and procedures and expect to continue to do so in the future. We have policies and procedures in place to measure, manage and control the various risks to which we are exposed, including an Integrated Risk Management Policy that articulates our approach to the identification, measurement, monitoring controlling and mitigation of various risks associated with our banking operations in addition to providing certain important guidelines for strict adherence. Our other important risk policies include our Investment and Trading Policy, Credit Policy, Country Risk Management Policy, Operational Risk Policy, Business Continuity Planning & Disaster Recovery Management Policy, Policy on Credit Default Swaps for Corporate Bonds, Internal Rating Policy, Stress Testing Policy and, in compliance with the RBI's guidelines on Basel II – Pillar 2 - Supervisory Review and Evaluation Process, Internal Capital Adequacy Assessment Process Policy. The Credit Risk Management Committee, the Asset Liability Management Committee and Board review our risk management policies annually, the reports of which are submitted to the RBI periodically. As a result, these methods may not accurately predict future risk exposures which could be significantly greater than indicated by the historical measures. As we seek to expand the scope of our operations, we also face the risk of inability to develop risk management policies and procedures that are properly designed for those new business areas in a timely manner. Implementation and monitoring may prove particularly challenging with respect to businesses that we have recently initiated, such as mobile banking and online broking platform through third parties. Any inability to develop and implement effective risk management policies may adversely affect our business, prospects, financial condition and results of operations.

39. *Our business is highly dependent on our information technology systems, which require significant expenditure for regular maintenance, upgrades and improvements. Therefore, if we are unable to adapt to rapid technological changes, or if there is any breach of our information technology systems or any failure of such systems to perform as expected, our business, reputation and ability to service our customers could be adversely affected.*

Our information technology systems are a critical part of our business that help us manage, among other things, our risk management, deposit servicing and loan origination functions, as well as our increasing portfolio of products and services in our personal banking (retail banking), commercial banking, corporate and institutional banking and agricultural banking business segments. In particular, the secure transmission of confidential information is critical to our operations.

Any technical failures associated with our information technology systems or network infrastructure, including those caused by power failures and breaches in security caused by computer viruses and other unauthorized tampering, may cause interruptions or delays in our ability to provide services to our customers on a timely basis or at all, and may also result in costs for information retrieval and verification. Corruption of certain information could also lead to errors when we provide services to our customers. Any failure on the part of third party vendors under agreements with us to provide products and services, including software that enables our operations, or to appropriately maintain such products and services under annual maintenance contracts, may adversely affect our functioning and operations. In the event of failure on the part of these third party vendors, their liabilities towards us usually do not exceed a certain percentage of the total fee paid by us and they will not be liable to us for any loss of profits or revenue or any consequential or indirect loss, which in turn exposes us to higher risks in using these software and systems. In addition, we may be subject to liability as the result of any theft or misuse of personal information stored on our systems or on the systems of our outsourcing service providers. Any of these outcomes could adversely affect our business, our reputation and the quality of our customer service.

Our networks and systems may be vulnerable to unauthorized access and other security problems. To address these issues and to minimize the risk of security breaches, we employ security systems, including firewalls, security information and event management (SIEM) and intrusion prevention and detection systems, conduct periodic penetration testing, vulnerability assessments and compliance audits for identification and assessment of potential vulnerabilities and use encryption technology for transmitting and storing critical data, such as passwords. Despite implementation of these systems, we cannot assure you that our existing security measures will prevent unforeseeable security breaches, including break-ins and viruses, or other disruptions such as those caused by defects in hardware or software and errors or misconduct of operators. Persons who circumvent our security measures could use our clients' confidential information wrongfully or otherwise compromise the integrity of information stored in and transmitted through these computer systems and networks. There can be no assurance that our use of encrypted password-based protections and firewalls are adequate to prevent fraud or the invasion or breach of the network by an intruder. Any material security breach or other disruptions could expose us to losses and regulatory actions and could harm our reputation and may adversely affect our operations and future financial performance.

We need to regularly upgrade and improve our information technology systems, including our software, back-up systems and disaster recovery operations, at substantial cost so that we remain competitive. Our success will also depend, in part, on our ability to respond to new technological advances and emerging banking, capital market and other financial services industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. The high cost to upgrade and improve our information technology systems, whether to comply with changes in regulatory requirements, to remain competitive or otherwise, could be prohibitive due to the relatively small size of our Bank. There can be no assurance that we will successfully implement new technologies or adapt our transaction processing systems to customer requirements or improving market standards. Any failure to improve or upgrade our information technology systems effectively or in a timely manner could materially and adversely affect our competitiveness, financial condition and results of operations.

40. *System weaknesses, failures and calamities could adversely impact our business.*

We have an established disaster recovery site in Hyderabad and a data center in Chennai as part of our technology enabled business. However, any failure in our systems, particularly those utilized for our retail products and services and transaction banking, or the occurrence of calamities such as earthquakes and cyclones that affect areas in which we have a significant presence, could adversely affect our operations and the quality of our customer service.

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

We are required to comply with applicable anti-money-laundering and anti-terrorism laws and other regulations in India. In the ordinary course of our banking operations, we run the risk of failing to comply with the prescribed Know Your Customer (KYC) procedures and the consequent risk of fraud and money laundering by dishonest customers and assessment of penalties and/or imposition of sanctions against us for such compliance failures despite having implemented systems and controls designed to prevent the occurrence of these risks. Such incidents may adversely affect our business and/or our reputation.

42. *Any failure or material weakness of our internal control system or any material damages caused by a materialization of any operational risks to which we are subject could adversely affect our reputation and profitability.*

Our management is responsible for establishing and maintaining adequate internal measures commensurate with the size of the Bank and complexity of operations. The Bank's Compliance Department is equipped to make an independent and objective evaluation of the adequacy and effectiveness of internal controls on an ongoing basis to ensure that business units adhere to compliance requirements and internal circular guidelines. Comprehensive processes have been established for the internal auditors to ensure that all facets of the banking operations are subjected to scrutiny.

We will continue to periodically test and update, as necessary, our internal control systems. However, we are exposed to operational risk arising from inadequacy or failure of internal processes or systems, and our actions may not be sufficient to result in an effective internal control environment. Given our high volume of transactions, errors may be repeated or compounded before they are discovered and rectified. Our management information systems and internal control procedures that are designed to monitor our operations and overall compliance may not be able to identify noncompliance and/or suspicious transactions in a timely manner or at all. Where internal control weaknesses are identified, our actions may not be sufficient to fully correct such internal control weakness. In addition, certain banking processes are carried out manually, which may increase the risk that human error, tampering or manipulation will result in losses that may be difficult to detect. As a result, we may suffer monetary losses, which may not be covered by our insurance and may thereby adversely affect our profitability and results of operations. Such a result may also adversely affect our reputation. As on September 30, 2017, we have total 108 counts of fraud amounting to ₹ 350.72 crores.

43. *We are subject to various operational and other risks associated with the financial industry which, if materialized, may have an adverse impact on our business.*

The proper functioning of our financial control, risk management, accounting or other data collection and processing systems, together with the communication networks connecting our various branches and offices is critical to our operations and ability to compete effectively. We are exposed to many types of operational risk, including:

- 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);
- unauthorized use of debit cards at ATMs;
- misreporting or non-reporting with respect to statutory, legal or regulatory reporting and disclosure obligations;
- any breach of network security; and
- operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems.

In the past we have experienced fraud committed by our employees and customers ranging from misuse of discretionary powers to misappropriation of funds. Though we have been able to recover the amounts involved in a majority of such cases, we cannot assure you that such cases will not happen or we will be able to recover such amount in the future. Further, we cannot assure you that any such incident will not have an adverse effect on our reputation. For further details please see the section titled “*Outstanding Litigations and Other Defaults*” on page 124.

In addition, we may also be exposed to other different types of risk during our operations, including but not limited to credit risk, counterparty risk, market risk, liquidity risk and operational risk.

44. *We depend on the accuracy and completeness of information about customers and counterparties.*

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of such customers and counterparties, including financial statements and other financial information. We may also rely on certain representations as to the accuracy and completeness of that information. With respect to financial statements, we rely on reports of independent auditors of the borrowers. For instance, in deciding whether to extend credit, we may assume that a customer’s audited financial statements conform to generally accepted accounting principles and presents fairly, in all material respects, the financial condition, results of operations and cash flows of that customer. Our financial condition and results of operations could be negatively affected by relying on financial statements that do not comply with generally accepted accounting principles or other information that is materially misleading.

45. *We may not maintain historical dividends in the future.*

While we have been regularly paying dividends since the inception of our Bank, there can be no assurance as to whether we will pay dividends in the future and, if so, the level of such future dividends. If we were to raise Tier II capital in the future, the payment of any dividends would be after payment of interest on such capital. The declaration, payment and amount of any future dividends is subject to the discretion of the Board and will depend upon, among other factors, our earnings, financial position, terms and conditions of our indebtedness, capital expenditures and availability of profits, as well as the provisions of relevant laws and regulations in India from time to time. There can be no assurance that we will be able to pay dividends.

46. *Our insurance coverage could prove inadequate to satisfy potential claims. If we were to incur a serious uninsured loss or a loss that significantly exceed the limits of our insurance policies, it could have a material adverse effect on our business, results of operations and financial condition.*

We do not carry insurance to cover all of the risks associated with our business, either because insurance coverage is not available or prohibitively expensive. We have taken out insurance within a range of coverage consistent with industry practice in India to cover certain risks associated with our business. We cannot assure you that our current insurance policies will insure us fully against all risks and losses that may arise in the future. In addition, even if such losses are insured, we may be required to pay a significant deductible on any claim for recovery of such a loss, or the amount of the loss may exceed our coverage for the loss. In addition, our insurance policies are subject to annual review and we cannot assure you that we will be able to renew these policies on similar or otherwise acceptable terms, if at all. If we were to incur a serious uninsured loss or a loss that significantly exceed the limits of our insurance policies, it could have a material adverse effect on our business, results of operations and financial condition.

47. *We outsource many of our business activities to external agencies by entering into specific agreements with them. Any lapse by such external agencies may have adverse consequences on our business and reputation.*

We have entered into a number of business outsourcing agreements with different external agencies for certain services including, amongst others, ATM management services, accounts opening, on-site data entry and scanning services, management of rewards programme for debit card POS transactions, security and escort services, ATM cum debit card reconciliation services, money transfer, installation and maintenance of

information technology and database administration for the data center in Chennai, etc. Our departments, through our internal auditors, conduct reviews and assessments of the financial and operational conditions of our service providers, in part to determine their ability to continue to meet their obligations to us. In reviewing our service providers, our internal auditors cover areas such as performance standards, confidentiality and security and business continuity preparedness. Further, we, through our by internal auditors, have, in compliance with RBI guidelines, conducted annual audits to assess the adequacy of the risk management practices adopted in overseeing and managing the outsourcing arrangements of the Bank and duly submitted annual compliance certificates in the prescribed format to the RBI. However, we cannot guarantee that such measures would be adequate. Accordingly, we are exposed to the risk that external vendors or service providers may be unable to fulfill their contractual obligations to us (or will be subject to the same risk of fraud or operational errors by their respective employees) and to the risk that its (or its vendors') business continuity and data security systems prove to be inadequate. Any defaults by our outsourcing partners may adversely affect our business, results of operations, financial condition and our reputation.

48. *We could be subject to sanctions and penalties imposed by the RBI for compliance failures and deficiencies.*

The RBI conducts periodic on-site inspections on matters relating to, among other things, the Bank's portfolio, risk management systems, credit concentration risk, counterparty credit risk, internal controls, credit allocation and regulatory compliance. Any significant deficiencies identified by the RBI that we are unable to rectify to the RBI's satisfaction could lead to sanctions and penalties imposed by the RBI, as well as expose us to increased business and credit risks.

RISKS RELATING TO THE INDIAN BANKING INDUSTRY

49. *We operate in a highly regulated industry and any changes in the regulations or enforcement initiatives may adversely affect our business and the price of our Equity Shares.*

We are subject to a wide variety of banking and financial services laws and regulations and a large number of regulatory and enforcement authorities in each of the jurisdictions in which we operate. The laws and regulations or the regulatory or enforcement environment in any of those jurisdictions may change at any time, which may have an adverse effect on the products or services we offer, the value of our assets or our business in general.

Also, the laws and regulations governing the banking and financial services industry have become increasingly complex governing a wide variety of issues, including interest rates, liquidity, capital adequacy, securitisation, investments, ethical issues, money laundering, privacy, record keeping, marketing and selling practices, with sometimes overlapping jurisdictional or enforcement authorities. Any change in RBI policy, including directed lending norms, may result in our inability to meet the priority sector lending requirements as well as require us to increase our lending to relatively riskier segments and may result in an increase in NPAs in the directed lending portfolio. Future changes in laws and regulations and failure or the apparent failure to address any regulatory changes or enforcement initiatives could have an adverse impact on our business, our future financial performance and our shareholders' funds, harm our reputation, subject us to penalties, fines, disciplinary actions or suspensions of any kind or increase our litigation risks and have an adverse effect on the price of our Equity Shares.

There are a number of restrictions under the Banking Regulation Act, which impede our operating flexibility and affect or restrict investors' rights. These include the following:

- Section 12B of the Banking Regulation Act requires any person to seek prior approval of the RBI, to acquire or agree to acquire shares or voting rights of a bank, either directly or indirectly, by himself or acting in concert with other persons, wherein such acquisition (taken together with shares or voting rights held by him or his relative or associate enterprise or persons acting in concert with him) results in the aggregate shareholding of such persons to be 5.00% or more of the paid-up share capital of a bank or entitles him to exercise 5.00% or more of the voting rights in a bank. Such approval may be granted by the RBI if it is satisfied that the applicant meets certain fitness and propriety tests. The RBI may require the proposed acquirer to seek further RBI approval for subsequent acquisitions. Further, the RBI may, by passing an order, restrict any person holding more than 5.00% of the total voting rights of the bank from exercising voting rights in excess of 5.00%, if such person is deemed to be not fit and proper by the RBI.
- Section 12(2) of the Banking Regulation Act states that "no person holding shares in a banking company shall exercise voting rights on poll in excess of 10.00% of the total voting rights of all the shareholders of the banking company, provided that the RBI may increase, in a phased manner, such ceiling on voting rights from 10.00% to 26.00%".

- Section 15(1) of the Banking Regulation Act states that “no banking company shall pay any dividend on its shares until all its capitalized expenses (including preliminary expenses, organization expenses, share-selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off”.
- Section 17(1) of the Banking Regulation Act requires every banking company to create a reserve fund and to transfer out of the balance of the profit of each year as disclosed in the profit and loss account a sum equivalent to not less than 20.00% (the RBI circular dated September 23, 2000 has fixed this limit at 25.00%, which is currently applicable) of such profit before paying any dividend.
- Section 19 of the Banking Regulation Act restricts the opening of subsidiaries by banks, which may prevent us from exploiting emerging business opportunities. Similarly, Section 23 of the Banking Regulation Act contains certain restrictions on banking companies regarding the opening of new places of business and transfers of existing places of business, which may hamper our operational flexibility.
- Section 25 of the Banking Regulation Act requires each banking company to maintain assets in India equivalent to not less than 75.00% of its demand and time liabilities in India, which in turn may restrict us from building overseas asset portfolios and exploiting overseas business opportunities.

We are required to obtain approval of RBI for the appointment and remuneration of our chairman and other full time directors. RBI has powers to remove management and other persons from office and to appoint additional directors. We are also required to obtain approval of the RBI for the creation of floating charges on our borrowings, thereby hampering leverage.

The Banking Regulation Act also contains provisions regarding production of documents and availability of records for inspection.

We are required to prepare our balance sheet and profit and loss account in the forms set out in the Third Schedule to the Banking Regulation Act or as close to such forms as possible and subject to and in accordance with the other provisions of the Banking Regulation Act read with the Companies Act.

A compromise or arrangement between us and our creditors or any class of them or between us and our shareholders or any modification in such arrangement or compromise will not be sanctioned by any High Court unless such compromise or arrangement or modification, as the case may be, is certified by RBI in writing as capable of being implemented and as not being detrimental to the interests of our depositors. Our amalgamation with any other banking company will require the sanction of RBI and shall be in accordance with the provisions of the Banking Regulation Act. The provisions for winding-up of banking companies as specified in the Banking Regulation Act are at variance with the provisions of the Companies Act. Further, the RBI can also apply for winding up of a banking company in certain circumstances and can also be appointed as the liquidator and the GoI could acquire the undertakings of banking companies in certain cases.

50. *The Indian and global banking industry is highly competitive and the ability of banks to grow depends on their ability to compete effectively.*

We compete with large government-controlled public sector and major private sector Indian commercial banks as well as foreign commercial banks. Many of our competitors are large institutions, which may have much larger customer and deposit bases, larger branch networks and more capital than we have. Some of the banks with which we compete may be more flexible and better positioned to take advantage of market opportunities than us. The Government of India has expressed a preference for consolidation in the banking sector in India. Mergers among banks may result in enhanced competitive strengths in pricing and delivery channels for merged entities. We may face greater competition from larger banks which may have greater resources than us as a result of such consolidation. Further liberalization of the Indian financial sector could lead to a greater presence or new entries of Indian and foreign banks, as well as banks promoted by private sector companies, including industrial houses and non-bank financial institutions meeting the RBI’s eligibility criteria, offering a wider range of products and services, which could adversely affect our competitive environment.

We also compete with foreign banks with operations in India, including some of the largest multinational banks and financial institutions in the world, and, for certain products, with non-banking financial institutions.

In addition, we compete with other banks operating in India for quality priority sector borrowers, particularly in the agricultural and housing finance sectors. Due to the Government of India’s focus on encouraging banks and other financial institutions to increase lending to the agricultural sector, there is a restricted scope for expanding our agricultural loan portfolio to corporate agricultural borrowers or agricultural borrowers with an established

credit history. As a result, we are required to target individual farmers with unknown credit histories, which may increase the risk of delinquencies and increase NPAs. Historically, the housing finance industry in India was dominated by HFCs. Increased competition has resulted in the standardization of home loans and terms. For example, floating rate interest options, lower processing fees and monthly rest periods are becoming increasingly common in the housing finance industry in India. There can be no assurance that we will be able to respond effectively to these market developments or compete with existing or new players in this increasingly competitive industry.

These competitive pressures affect the Indian and international banking industry as a whole, including us, and our future success will depend largely on our ability to respond in an effective and timely manner to these competitive pressures.

51. *We are required to maintain cash reserve ratio (“CRR”) and statutory liquidity ratio (“SLR”) and any increase in these requirements could materially and adversely affect our business, financial condition and results of operations.*

As a result of the statutory reserve requirements stipulated by the RBI, we may be more exposed structurally to interest rate risk than banks in other countries. Under the RBI Act, we are subject to a CRR requirement under which we are currently required to keep 4% of our net demand and time liabilities in current account with the RBI. We do not earn interest on cash reserves maintained with the RBI. The RBI may further increase the CRR requirement as a monetary policy measure and has done so on numerous occasions. Increases in the CRR requirement could materially and adversely affect our business, results of operations and financial condition.

In addition, under the Banking Regulation Act, our liabilities are subject to a SLR requirement, according to which 20.00% of our net demand and time liabilities need to be invested in Government securities, state government securities and other securities approved by the RBI from time to time. In our experience, these securities generally carry fixed coupons. When the interest rate rises, the value of these fixed coupon securities depreciates. We cannot assure you that investment in such securities will provide returns better than other market instruments. Further, any increase in the CRR and the SLR requirements, would reduce the amount of cash available for lending, which may materially and adversely affect our business, financial condition and results of operations.

52. *We and our customers may engage in certain transactions in or with countries or persons that are subject to international economic sanctions.*

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

Through our correspondent banks, we may provide transfer, settlement and other services to customers doing business with, or located in, countries to which certain economic sanctions apply. Although we believe we have compliance systems in place that are sufficient to block prohibited transactions, and we have not been notified that any penalties or other measures will be imposed on us, there can be no assurance that we will be able to fully monitor all of our transactions for any potential violation.

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

53. *We rely on correspondent banks in other countries to facilitate foreign exchange operations. Any failure to maintain relationships or enter new such relationships with correspondent banks may impact our ability to increase our foreign exchange business.*

As of June 30, 2017, we had entered into relationships with 15 correspondent banks and financial institutions across countries to carry out our dealings in nine foreign currencies and for facilitating our treasury, trade and remittance transactions, respectively. A correspondent bank may discontinue any of the services that it offers which may negatively affect our customer service operations internationally. There can be no assurance that we will be able to maintain our relationships with the correspondent banks or enter into similar arrangements with new correspondent banks on commercially reasonable terms or at all. In the event that we are unable to continue

to maintain arrangements with our correspondent banks for any reason whatsoever, it could adversely affect our business and future financial performance.

54. *The growth rate of India's banking industry may not be sustainable.*

We expect the banking industry in India to continue to grow as a result of anticipated growth in India's economy, increases in household income, further social welfare reforms and demographic changes. However, it is not clear how certain trends and events, such as the pace of India's economic growth, the development of domestic capital and insurance markets and the ongoing reform will affect India's banking industry. In addition, there can be no assurance that the banking industry in India is free from systemic risks. Consequently, there can be no assurance that the growth and development of India's banking industry will be sustainable.

55. *We may not be able to obtain, renew or maintain our statutory and regulatory permits and approvals required to grow or operate our business on time or at all, and may be subject to penalties pursuant to inspection and supervision by regulatory authorities, including the RBI and the SEBI.*

We have licenses from RBI for all of our banking and other operations, a depository participant license from SEBI for depository operations, Category – I Merchant Banking license from SEBI for merchant banking operations and IRDA license to act as a corporate agent (composite), however, our operations are subject to continued review and the governing regulations may change. Failure to obtain, renew or maintain any required approvals, permits or licenses may result in the interruption of all or some of our operations and could materially and adversely affect our business and financial results or further information on Indian banking regulations.

As with all scheduled commercial banks, the RBI annually conducts an inspection which examines all matters addressing our banking operations. During the course of finalizing this inspection, 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, impose internal limits on lending to certain sectors and tighten controls and compliance measures and restricting our lending and investment activities, and the payment of dividends by us. Any failure to meet other RBI or the SEBI requirements could materially and adversely affect our reputation, business, financial condition, results of operations, pending applications or requests with the RBI and our ability to obtain the regulatory permits and approvals required to expand our business.

56. *We are exposed to fluctuations in foreign exchange rates.*

As a financial intermediary, we are exposed to exchange rate risk. We comply with regulatory limits on our unhedged foreign currency exposure. However, we are exposed to fluctuations in foreign currency rates for our unhedged exposure adverse movements in foreign exchange rates may impact our borrowers negatively which may in turn impact the quality of our exposure to these borrowers. Volatility in foreign exchange rates could adversely affect our future financial performance and the market price of the Equity Shares.

57. *Financial difficulties and other problems in certain financial institutions in India could adversely affect our business and the price of our Equity Shares.*

As an Indian bank, we are exposed to the risks of the Indian financial system which may be affected by the financial difficulties faced by certain Indian financial institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. This risk, which is sometimes referred to as "systemic risk", may adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with whom we interact on a daily basis and who may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. Any such difficulties or instability of the Indian financial system in general could create an adverse market perception about Indian financial institutions and banks and hence adversely affect our business. As the Indian financial system operates within an emerging market, it faces risks of a nature and extent not typically faced in more developed economies, including the risk of deposit runs notwithstanding the existence of a national deposit insurance scheme.

RISKS RELATING TO INDIA

58. *Our business and activities may be further regulated by the Competition Act and any adverse application or interpretation of the Competition Act could materially and adversely affect our business, financial condition and results of operations*

The Competition Act seeks to prevent business practices that have or are likely to have an appreciable adverse effect on competition in India and has established the CCI. Under the Competition Act, any arrangement, understanding or action, whether formal or informal, which has or is likely to have an appreciable adverse effect on competition is void and attracts substantial penalties. Any agreement among competitors which, directly or indirectly determines purchase or sale prices; directly or indirectly results in bid rigging or collusive bidding, limits or controls the production, supply or distribution of goods and services or shares the market or source of production or providing of services by way of allocation of geographical area or type of goods or services or number of customers in the relevant market or in any other similar way, is presumed to have an appreciable adverse effect on competition and shall be void. Further, the Competition Act prohibits the abuse of a dominant position by any enterprise. If it is proven that a breach of the Competition Act committed by a company took place with the consent or connivance or is attributable to any neglect on the part of, any director, manager, secretary or other officer of such company, that person shall be guilty of the breach themselves and may be punished as an individual. If we, or any of our employees, are penalized under the Competition Act, our business may be adversely affected. On March 4, 2011, the Government of India notified and brought into force new provisions under the Competition Act in relation to combined entities (the “Combination Regulation Provisions”), which came into effect from June 1, 2011. The Combination Regulation Provisions require that any acquisition of shares, voting rights, assets or control or mergers or amalgamations, which cross the prescribed asset and turnover based thresholds, must be notified to and pre-approved by the CCI. In addition, on May 11, 2011, the CCI issued the final Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 (which were further amended on March 28, 2014). These regulations, as amended, set out the mechanism for the implementation of the Combination Regulation Provisions under the Competition Act.

It is difficult to predict the impact of the Competition Act on our growth and expansion strategies in the future. If we are affected, directly or indirectly, by the application or interpretation of any provision of the Competition Act or any enforcement proceedings initiated by the CCI or any adverse publicity that may be generated due to scrutiny or prosecution by the CCI, it may adversely affect our business, financial condition and results of operations.

59. *Conditions in the Indian securities market may affect the price or liquidity of the Equity Shares.*

The Indian securities markets are smaller and may be more volatile than securities markets in more developed economies. The regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants differ, in some cases significantly, from those in the U.S. and Europe. Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities.

Indian stock exchanges have, in the past, experienced problems that have affected the market price and liquidity of the securities of Indian companies, such as temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and increased margin requirements. Further, disputes have occurred on occasion between listed companies and the Indian stock exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. If similar problems occur in the future, the market price and liquidity of the Equity Shares could be adversely affected. A closure of, or trading stoppage on, either the BSE or the NSE could adversely affect the trading price of the Equity Shares. Historical trading prices, therefore, may not be indicative of the prices at which the Equity Shares will trade in the future.

60. *A slowdown in economic growth in India could cause our business to suffer.*

A slowdown in the Indian economy could adversely affect our business and our borrowers and contractual counterparties, especially if such a slowdown were to be continued and prolonged. Further any unanticipated rise in inflation could have an adverse effect on economic growth.

There is no assurance that inflation will not further increase in the future. In periods of high rates of inflation, our costs, such as operating expenses, may increase, which could have an adverse effect on our results of operations. Inflation may also have a bearing on the overall interest rates which may adversely affect our net interest income.

Further, in light of the increasing linkage of the Indian economy to other economies, the Indian economy will be increasingly influenced by economic and market conditions in other countries. As a result, a recession in the United States and other countries in the developed world and a slowdown in economic growth in major emerging markets like China could have an adverse impact on economic growth in India. A slowdown in the pace of growth in the Indian economy could result in lower demand for credit and other financial products and services

and higher defaults among corporate, retail and rural borrowers, which could adversely impact our business, our financial performance, our ability to implement our strategy and the trading price of the Equity Shares.

61. *Investing in securities that carry emerging market risks can be affected generally by volatility in the emerging markets.*

The markets for securities bearing emerging market risks, such as risks relating to India, are, to varying degrees, influenced by economic and securities market conditions in other emerging market countries. Although economic conditions differ in each country, investors' reactions to developments in one country may affect securities of issuers in other countries, including India. Accordingly, the price and liquidity of our Equity Shares may be subject to significant fluctuations, which may not necessarily be directly or indirectly related to our financial performance.

62. *Companies operating in India are subject to a variety of central and state government taxes and surcharges.*

Tax and other levies imposed by the central and state governments in India that affect our tax liability include central and state taxes and other levies, income tax, goods and services tax, stamp duty and other special taxes and surcharges which are introduced on a temporary or permanent basis from time to time. Moreover, the central and state tax scheme in India is extensive and subject to change from time to time. In addition, the Central Government introduced a new goods and services tax, which enlarged the scope of the service tax. Further, the provisions in relation to the GAAR have been introduced in the Finance Act, 2012 to come into effect from April 1, 2017. The GAAR provisions intend to catch arrangements declared as "impermissible avoidance arrangements", which is any arrangement, the main purpose or one of the main purposes of which is to obtain a tax benefit and which satisfy at least one of the following tests (i) creates rights, or obligations, which are not ordinarily created between persons dealing at arm's length; (ii) results, directly or indirectly, in misuse, or abuse, of the provisions of the Income Tax Act, 1961; (iii) lacks commercial substance or is deemed to lack commercial substance, in whole or in part; or (iv) is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bona fide purposes. If GAAR provisions are invoked, then the tax authorities have wide powers, including denial of tax benefit or a benefit under a tax treaty. The statutory corporate income tax in India, which includes a surcharge on the tax and an education cess on the tax and the surcharge, is currently 34.608%. The central or state government may in the future further increase the corporate income tax it imposes. Any such future increases or amendments may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. Additional tax exposure could adversely affect our business and results of operations.

63. *You may be subject to Indian taxes arising out of capital gains.*

Under current Indian tax laws and regulations, capital gains arising from the sale of shares in an Indian bank are generally taxable in India. Any gain realized on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if the STT has been paid on the transaction. The STT will be levied on and collected by a domestic stock exchange on which equity shares are sold. Any gain realized on the sale of equity shares held for more than 12 months to an Indian resident, which are purchased/sold other than on a recognized stock exchange and as result of which no STT has been paid, will be subject to capital gains tax in India. Further, any gain realized on the sale of listed equity shares held for a period of 12 months or less will be subject to capital gains tax in India.

Capital gains arising from the sale of the Equity Shares by a non-resident Indian will be exempt from tax in India in cases where such exemption is provided under the tax treaty between India and the country of which the seller is a resident. Generally, Indian tax treaties, do not limit India's ability to impose tax on capital gains. As a result, residents of certain countries may be liable for tax in India, as well as in their own jurisdictions on gain upon a sale of our Equity Shares.

64. *The Indian tax regime is currently undergoing substantial changes which could adversely affect our business and the trading price of the Equity Shares.*

The goods and service tax ("GST") that was implemented with effect from July 1, 2017 seeks to combine taxes and levies by the GoI and State governments into a unified rate structure and replace indirect taxes on goods and services such as central excise duty, service tax, customs duty, central sales tax, state VAT, cess and surcharge and excise that are currently being collected by the GoI and State governments. GST is expected to increase tax incidence and administrative compliance for banks. Due to the nascent stage of implementation concerning the GST, we are unable to provide any assurance as to this or any other aspect of the tax regime following implementation of the GST. The tax rate for goods and service tax under the GST regime may also be higher than the service tax rate presently applicable, affecting our profitability to some extent.

Import and inter-state supplies shall be taxable without any threshold limit. Further, central registration has been replaced with state registration, resulting in additional compliance requirements for the SME sector. With the introduction of GST, any major impact on the MSME sector may have a material effect on our business, results of operations and financial conditions.

As regards GAAR, the provisions of Chapter X-A (sections 95 to 102) of the Income Tax Act, 1961, are applicable from assessment year 2019 (Fiscal 2018) onwards. The GAAR provisions intend to declare an arrangement as an “impermissible avoidance arrangement”, if the main purpose or one of the main purposes of such arrangement is to obtain a tax benefit, and satisfies at least one of the following tests (i) creates rights, or obligations, which are not ordinarily created between persons dealing at arm’s length; (ii) results, directly or indirectly, in misuse, or abuse, of the provisions of the Income Tax Act, 1961; (iii) lacks commercial substance or is deemed to lack commercial substance, in whole or in part; or (iv) is entered into, or carried out, by means, or in a manner, that is not ordinarily engaged for bona fide purposes. If GAAR provisions are invoked, the tax authorities will have wider powers, including denial of tax benefit or a benefit under a tax treaty. In the absence of any precedents on the subject, the application of these provisions is uncertain. As the taxation regime in India is undergoing a significant overhaul, its consequent effects on the banking system cannot be determined at present and there can be no assurance that such effects would not adversely affect our business, future financial performance and the trading price of the Equity Shares.

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

Our business and customers are predominantly located in India or are related to and influenced by the Indian economy. The Indian government has traditionally exercised, and continues to exercise, a dominant influence over many aspects of the economy. Government policies could adversely affect business and economic conditions in India, our ability to implement our strategy and our future financial performance. Since 1991, successive Indian governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector and encouraging the development of the Indian financial sector. For the past several years, coalition governments have governed India. The leadership of India and the composition of the coalition in power are subject to change and election results are sometimes not along expected lines. It is difficult to predict the economic policies that will be pursued by the Government of India. The rate of economic liberalization could change and specific laws and policies affecting banking and finance companies, foreign investment, currency exchange and other matters affecting investment in our securities could change as well. For instance, if the Government or any state government were to enact legislation or policies requiring the waiver or restructuring of loans to specific persons or industries, such waived and/or restructured loans could have an adverse impact on the financial condition and performance of the Bank; moreover, such legislation and policies may also cause a significant behavioural change in the future with respect to borrowers in such industries or otherwise. Any significant change in India’s economic liberalization and deregulation policies could adversely affect business and economic conditions in India generally and our business in particular.

66. *Communal disturbances, riots, terrorist attacks and other acts of violence or war involving India, the United States or other countries could adversely affect the financial markets, result in loss of client confidence and adversely affect our business, financial condition and results of operations.*

India has experienced communal disturbances, terrorist attacks and riots during recent years. Any major hostilities involving India or other acts of violence, including civil unrest or similar events that are beyond our control, could have a material adverse effect on India’s economy and our business and may adversely affect the Indian stock markets where our Equity Shares will trade as well as the global equity markets generally. Such acts could negatively impact business sentiment as well as trade between countries, which could adversely affect our Bank’s business and profitability.

Also, India, the United States or other countries may enter into armed conflict or war with other countries or extend pre-existing hostilities. South Asia has, from time to time, experienced instances of civil unrest and hostilities among neighbouring countries. Military activity or terrorist attacks could adversely affect the Indian economy by, for example, disrupting communications and making travel more difficult. Such events could also create a perception that investments in Indian companies involve a higher degree of risk. This, in turn, could adversely affect client confidence in India, which could have an adverse impact on the economies of India and other countries, on the markets for our products and services and on our business. Additionally, such events could have a material adverse effect on the market for securities of Indian companies, including the Equity Shares.

67. *A decline in India’s foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely impact us.*

In the past, the direct adverse impact of the global financial crisis on India had been the reversal of capital inflows and decline in exports, leading to pressures on the balance of payments and a sharp depreciation of the Indian Rupee *vis-à-vis* the US Dollar. Any such event in future and/or increased intervention by the RBI in the foreign exchange market to control the volatility of the exchange rate may result in a decline in India's foreign exchange reserves and reduced liquidity and higher interest rates in the Indian economy, which could adversely affect our business and our future financial performance.

68. *Any downgrading of India's debt rating by an international rating agency could adversely affect our business and the price of our Equity Shares.*

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our business and limit our access to capital markets, increase the cost of funds, adversely impact our liquidity position, our shareholders' funds and the price of our Equity Shares.

69. *Our ability to raise foreign capital may be constrained by Indian law, which may adversely affect our business, financial condition, cash flows and results of operations.*

As an Indian company, we are subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions limit our financing sources and hence could constrain our ability to obtain financing on competitive terms and refinance existing indebtedness. In addition, we cannot assure you that the required approvals will be granted to us without onerous conditions, if at all. Limitations on raising foreign debt may have an adverse effect on our business, financial condition, cash flows and results of operations.

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

Our charter documents and various provisions of Indian law, including the Banking Regulation Act, 1949, govern our corporate affairs. Legal principles relating to these matters and the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a company in another jurisdiction. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as a shareholder of our Bank than as a shareholder of a corporation in another jurisdiction. In addition, as a shareholder in an Indian bank, your rights as a shareholder may be further constrained by Indian banking laws and regulations.

71. *Investors in the Equity Shares may not be able to enforce a judgment of a foreign court against us, our directors or executive officers.*

We are a limited liability company incorporated under the laws of India. All our Directors and key managerial personnel are residents of India and a substantial portion of our assets and such persons are located in India. As a result, it may not be possible for investors to effect service of process upon us or such persons outside India, or to enforce judgments obtained against such parties in courts outside India.

Recognition and enforcement of foreign judgments are provided for under Section 13 and Section 44A of the Civil Procedure Code on a statutory basis. Section 13 of the Civil Procedure Code provides that foreign judgments shall be conclusive as to any matter thereby directly adjudicated upon between the same parties or between parties under whom they or any of them claim litigating under the same title except: (a) where it has not been pronounced by a court of competent jurisdiction; (b) where it has not been given on the merits of the case; (c) where it appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognise the law of India in cases in which such law is applicable; (d) where the proceedings in which the judgment was obtained are opposed to natural justice; (e) where it has been obtained by fraud; and (f) where it sustains a claim founded on a breach of any law in force in India.

Under the Civil Procedure Code, a court in India shall presume, upon the production of any document purporting to be a certified copy of a foreign judgment, that such judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on the record; but such presumption may be displaced by proving want of jurisdiction.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. However, Section 44A of the Civil Procedure Code provides that where a foreign judgment has been rendered by a superior court, within the meaning of that Section, in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Procedure Code is applicable only to monetary decrees not being in the nature of any amounts

payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty and does not include arbitration awards.

A judgment of a court of a country which is not a reciprocating territory may be enforced only by a fresh suit resulting in a judgment or order and not by proceedings in execution. Such a suit has to be filed in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. A judgment of a superior court of a country which is a reciprocating territory may be enforced by proceedings in execution, and a judgment not of a superior court, by a fresh suit resulting in a judgment or order. The latter suit has to be filed in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. Execution of a judgment or repatriation outside India of any amounts received is subject to the approval of the RBI, wherever required. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action were to be brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if that court was of the view that the amount of damages awarded was excessive or inconsistent with public policy, and is uncertain whether an Indian court would enforce foreign judgments that would contravene or violate Indian law.

72. *Political instability or changes in the government in India or in the government of the states where we operate could cause us significant adverse effects.*

Our performance, market price and liquidity of our Equity Shares may be affected by changes in control, government policies, taxation, social and ethnic instability, social/civil unrest and other political and economic developments affecting India. Our business is also impacted by regulations and conditions in the various states in India where we operate. Since 1991, successive governments have pursued policies of economic liberalisation and financial sector reforms. However, there can be no assurance that such policies will continue in the future. Any political instability could affect specific laws and policies affecting foreign investment. A significant change in the government's policies, in particular, those relating to the banking sector in India, could adversely affect our business, results of operations, financial condition, prospects and could cause the price of our Equity Shares to decline.

73. *If ownership restrictions on private sector banks are relaxed, a single investor may acquire a controlling stake in our Bank.*

If the current restrictions are further liberalized to allow not only increased investment by Indian entities but also greater foreign ownership in private sector banks, a single entity or group of investors acting in unison may acquire Equity Shares to the extent that would allow it to control or strongly influence us. Such an entity or investor group would, subject to restrictions in the Articles, be able to determine, or would have a disproportionate influence compared to other shareholders in, the election of the Board of Directors, management policies and the outcome of corporate transactions submitted to shareholders for approval. There can be no assurance that any future controlling shareholder(s) will have the same interests as any minority shareholder or will pursue the same strategies as the current management.

74. *Global economic instability or slowdown is likely to adversely affect our business and our results of operations.*

Economic developments outside India can adversely affect the economy. During the global financial crisis that began around the second half of 2007, the global credit markets experienced significant volatility, which originated from the adverse developments in the United States and the European Union credit and sub-prime residential mortgage markets. These and other related events, such as the recent collapse of a number of financial institutions and the debt crisis, have had, and may continue to have, a significant adverse impact on the availability of credit and the confidence of the financial markets, globally as well as in India. Our business is affected by domestic and international economic conditions, including rates of economic growth and the impact that such economic conditions have on consumer spending. The global economic downturn led to an increased level of consumer delinquencies, lack of consumer confidence, decreased market valuations and liquidity, increased market volatility and a widespread reduction of business activity generally. The resulting economic pressure and dampened consumer sentiment may adversely affect our business and our results of operations.

In addition, the market has been volatile in recent years, and the resulting economic turmoil may continue to exacerbate industry conditions or have other unforeseen consequences, leading to uncertainty about future conditions in our industry. There can be no assurances that government responses to the disruptions in the financial markets will restore consumer confidence, stabilize the markets or increase liquidity and the availability of credit. Any sustained economic downturns or decreases in general economic conditions may have a material and adverse effect on our business, liquidity and results of operations.

RISKS RELATING TO OUR EQUITY SHARES AND THE ISSUE

75. ***You will be subject to market risks until the Equity Shares credited to your demat account are listed and permitted to trade.***

You can start trading the Equity Shares Allotted to you only after they have been credited to your demat account, are listed and permitted to trade. Since our Equity Shares are currently traded on the Stock Exchange, you will be subject to market risk from the date you pay for the Equity Shares to the date when trading approval is granted for the same. Further, there can be no assurance that the Equity Shares Allocated to you will be credited to your demat account or that trading in the Equity Shares will commence in a timely manner. This risk factor is for the information of investors and does not in any way dilute the right of investors and our obligations.

76. ***Foreign investment in the Equity Shares, and acquisitions or transfers of our Equity Shares resulting in an aggregate holding of 5% or more, are subject to limits specified by the RBI. Further, we are required to seek post facto approval from the RBI for the Issue. In relation to our foreign investment, we are required to comply with the various provisions of the Foreign Exchange management Act, 1999 (“FEMA”).***

Under Indian laws, the aggregate permissible foreign investment, including FDI and investment by FIIs/FPIs and NRIs in a private sector bank is limited to an aggregate of 49.00% of the paid up capital under the automatic route. Further, the aggregate FII's and NRI's holding, cannot exceed 24.00% and 10.00%, respectively, of the paid up capital. However, with the approval of the board of directors and the shareholders by way of a special resolution, the aggregate FII and NRI holding in a bank can be increased up to 49.00% and 24.00%, respectively.

Pursuant to recent amendments to the Banking Regulation Act, any acquisition or transfer of shares in a private bank which will take the aggregate holding of an individual or a group to 5.00% or more of the paid-up capital of a bank requires the prior approval of the RBI. Further as advised by the RBI, we had amended our Articles of Association to the effect that acquisition of shares by a person/group which would take his/its holding to five per cent or more of our total issued capital (or such other percentage as may be prescribed by the RBI from time to time) should be with the prior approval of the RBI. Upon completion of the Issue, we would be required to furnish complete details of the Issue.

Our foreign shareholding is restricted to 49.00% of our paid up share capital, with the aggregate shareholding of NRIs not exceeding 10.00% and individual shareholding not exceeding 5.00%, of our paid up share capital, pursuant to Board's resolution dated August 6, 2013 and resolution passed by our shareholders through postal ballot declared on October 7, 2013. Pursuant to the aforesaid resolutions, the investment by FIIs in our Bank has been restricted to 49.00% of our total paid up capital, with individual FII shareholding not exceeding 10%. As of September 30, 2017, our aggregate foreign shareholding (including FII and NRI shareholding) was 20.92% of our paid up capital of which the shareholdings by NRIs was 1.27% of our paid up capital.

The aforementioned regulatory framework and restriction contained in our Articles of Association could adversely affect the liquidity, free transferability of the Equity Shares and in turn have an adverse effect on the price of the Equity Shares.

77. ***Conditions in the Stock Exchanges may affect the price and liquidity of the Equity Shares.***

Indian stock exchanges are smaller than stock markets in developed economies and have in the past experienced substantial fluctuations in the prices of listed securities.

Indian stock exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies. These problems have included temporary closure of the stock exchanges to manage extreme market volatility, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of Indian stock exchanges have from time to time restricted securities from trading, limited price movements and imposed margin requirements. Further, from time to time, disputes have occurred between listed companies and Indian stock exchanges and other securities regulatory bodies that, in some case, have had a negative effect on market sentiment. Similar problems could occur in the future, and if they do they could negatively affect the market price and liquidity of the Equity Shares.

78. ***There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell Equity Shares at a particular point in time.***

We are subject to a daily “circuit breaker” imposed by all stock exchanges in India, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian

stock exchanges. The percentage limit on our circuit breakers is set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The BSE and NSE halted trading due to the index-based market-wide circuit breaker on May 18, 2009 after the index crossed the threshold of such circuit breaker. A closure of, or trading stoppage on, either the BSE or the NSE could adversely affect the trading price of the Equity Shares.

The stock exchanges do not inform us of the percentage limit of the circuit breaker in effect from time to time and may change it without our knowledge. This circuit breaker limits the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, no assurance may be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

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

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

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

80. *There is no guarantee that the Equity Shares will be listed on the NSE in a timely manner or at all.*

In accordance with Indian law and practice, permission for listing of the Equity Shares will not be granted until after those Equity Shares have been issued and allotted. Approval will require all other relevant documents authorizing the issuing of Equity Shares to be submitted. There could be a failure or delay in listing the Equity Shares on the NSE. Any failure or delay in obtaining the approval would restrict your ability to dispose of your Equity Shares.

81. *Your holdings may be diluted by additional issuances of equity and any dilution may adversely affect the market price of our Equity Shares.*

We may be required to finance our growth and meet regulatory requirements through additional equity offerings. Any future issuances of our equity shares could dilute the holdings of investors in our Bank and could adversely affect the market price of our Equity Shares.

82. *We will be required to prepare financial statements under IND-AS from April 1, 2018 onwards. We have not determined with any degree of certainty the impact of such adoption on our financial reporting.*

The Ministry of Corporate Affairs notified the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015 (the "IND-AS"). The Ministry of Corporate Affairs, in its press release dated January 18, 2016, issued a roadmap for implementation of IND-AS converged with IFRS for scheduled commercial banks, insurers, insurance companies and non-banking financial companies. For banking companies, non-banking finance companies and insurance companies, preparation of IND-AS based financial statements are required for the accounting periods beginning from April 1, 2018 onwards with comparatives for the periods ending March 31, 2018. The RBI, by its circular dated February 11, 2016, requires all scheduled commercial banks to comply with IND-AS for financial statements for the periods stated above. The RBI does not permit banks to adopt IND-AS earlier than the above timeline and the guidelines also state that the RBI shall issue necessary instruction, guidance, and clarification on the relevant aspects for implementation of the IND-AS as and when required. Accordingly, we will be required to report our financials as per IND-AS from April 1, 2018 onwards. While our Bank has appointed an external consultant to assist it in the transition, it has not determined with any degree of certainty the impact that such adoption will have on its financial reporting. Further, the new accounting standards may change, among other things, our Bank's methodology for estimating allowances for probable loan losses

and for classifying and valuing our investment portfolio and revenue recognition policy. There can be no assurance that our Bank's financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under IND-AS than under Indian GAAP. In our Bank's transition to IND-AS reporting, the Bank may encounter difficulties in the ongoing process of implementing and enhancing its management information systems. Moreover, there is increasing competition for the small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare IND-AS financial statements. Further, there is no significant body of established practice on which to draw in forming judgments regarding the new system's implementation and application. There can be no assurance that our Bank's adoption of IND-AS will not adversely affect our reported results of operations, cash flows or financial statement and any failure to successfully adopt IND-AS could adversely affect our Bank's business.

83. *New income computation and disclosure standards notified by the Government of India became effective in Fiscal 2017 and may impose higher compliance requirements on us and increase our compliance costs.*

On March 31, 2015, the Government of India notified ten Income Computation and Disclosure Standards ("ICDS"), which became effective starting from Fiscal 2017, pursuant to Section 145(2) of the Income Tax Act, 1961. ICDS applies to the computation of income chargeable to income tax under the heads of "Profit and gains of business or profession" or "Income from other sources". All Indian taxpayers (including corporates and non-corporates) are subject to the new ICDS, which was implemented with a view toward better alignment with the upcoming implementation of IND-AS. However, there are several key differences between ICDS and IND-AS, as well as Indian GAAP. Given such differences, Indian taxpayers (including our Bank) may need to develop and implement more sophisticated internal finance controls and systems to track the differences between current and future accounting standards and the new ICDS. Developing and maintaining such systems may result in the incurrence of substantial compliance and monitoring costs, both initially and on an ongoing basis. Any failure to comply with the ICDS may subject us to penalties for any underreported income and give the tax authorities the power to assess our income on a "best judgment" basis, which could have a material and adverse effect on our financial condition, cash flows and results of operations.

84. *Significant differences exist between GAAP as applied in India and other accounting principles with which investors may be more familiar.*

Our financial statements are prepared in conformity with Indian GAAP. GAAP as applied in India differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles and accounting standards with which prospective investors may be familiar with in other countries. We do not provide a reconciliation of our financial statements to IFRS or U.S. GAAP or a summary of principal differences between Indian GAAP, IFRS and U.S. GAAP relevant to our business. Furthermore, we have not quantified or identified the impact of the differences between Indian GAAP and IFRS or between Indian GAAP and U.S. GAAP as applied to our financial statements. As there are significant differences between GAAP as applied in India and IFRS and between GAAP as applied in India and U.S. GAAP, there may be substantial differences in our results of operations, cash flows and financial position if we were to prepare our financial statements in accordance with IFRS or U.S. GAAP instead of Indian GAAP. Prospective investors should review the accounting policies applied in the preparation of our financial statements, and consult their own professional advisors for an understanding of the differences between Indian GAAP and IFRS and between Indian GAAP and U.S. GAAP and how they might affect the financial information contained in this Letter of Offer.

PROMINENT NOTES

1. Issue of up to 11,87,81,048 Equity Shares of face value of ₹ 2 each of our Bank for cash at a price of ₹ 76 per Equity Share (including a premium of ₹ 74 per Equity Share) aggregating up to ₹ 902.74 crores by our Bank. The Issue comprises an issue of up to 10,16,21,048 Equity Shares to the Eligible Equity Shareholders of our Bank on rights basis in the ratio of 1 (one) fully paid-up Equity Share for every 6 (six) fully paid-up Equity Shares held on October 13, 2017, i.e. the Record Date, aggregating up to ₹ 772.32 crores and a reservation of up to 1,71,60,000 Equity Shares for the Eligible Employees of our Bank aggregating up to ₹ 130.42 crores, i.e. the Employee Reservation Portion. The Issue to the Eligible Equity Shareholders and Eligible Employees, collectively referred to as the Issue. The Issue less the Employee Reservation Portion is referred to as the Net Issue.
2. As on March 31, 2017, the net worth of our Bank was ₹ 5,035.68 crores.
3. For details of our transactions with related parties during Fiscal 2017, the nature of such transactions and the cumulative value of such transactions, please see "*Financial Statements - Related Party Transactions*" on page 92.

4. There has been no financing arrangement whereby the Promoter Group, the Directors and their relatives have financed the purchase by any other person of securities of our Bank other than in the normal course of business of the financing entity during the period of six months immediately preceding the date of filing of this Letter of Offer with the Designated Stock Exchange.
5. In accordance with the policy adopted by the Board vide its resolution dated September 25, 2017, there are no group companies of our Bank.

SECTION III- INTRODUCTION

THE ISSUE

Our Board has pursuant to a resolution passed in its meeting held on May 29, 2017 authorized this Issue.

Our Board has, arrived at the Issue Price as ₹ 76 per Equity Share in consultation with the Lead Manager and determined the Rights Entitlement of 1 (one) fully paid-up Equity Share for every 6 (six) fully paid-up Equity Shares held on the Record Date. Our Board in its meeting held on May 29, 2017, has also approved the issue of the Equity Shares to the Eligible Employees of our Bank along with the Eligible Equity Shareholders, subject to the approval of the Shareholders, at the same price within the limits as prescribed under the SEBI ICDR Regulations.

The approval of the Shareholders for the issue of the Equity Shares to the Eligible Employees of our Bank has been obtained by way of special resolution at the AGM held on July 21, 2017.

Further, our Board in its meeting held on September 25, 2017 has resolved to issue up to 1,71,60,000 Equity Shares for the Eligible Employees pursuant to the reservation made along with the Equity Shares to be issued to the Eligible Equity Shareholders, at the same price as that of the Issue i.e. ₹ 76 per Equity Share (including a premium of ₹ 74 per Equity Share) aggregating up to ₹ 130.42 crores.

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 titled “*Terms of the Issue*” on page 143.

Equity Shares being offered by our Bank pursuant to the Issue	Up to 11,87,81,048 Equity Shares aggregating up to ₹ 902.74 crores				
Of which:					
<i>Employee Reservation Portion</i>	Up to 1,71,60,000 Equity Shares aggregating up to ₹ 130.42 crores				
<i>Net Issue</i>	Up to 10,16,21,048 Equity Shares aggregating up to ₹ 772.32 crores				
Rights Entitlement for Equity Shares for Eligible Equity Shareholders	1 (one) fully paid- Equity Share for every 6 (six) fully paid-up Equity Shares held on the Record Date				
Fractional Entitlement	<p>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 6 (six) Equity Shares or is not in multiples of 6 (six), the fractional entitlement of such Eligible Equity Shareholder shall be ignored for computation of the Rights Entitlement. Eligible Equity Shareholders whose fractional Rights Entitlements are being ignored would be given preference in Allotment of 1 (one) additional fully paid-up Equity Share each if they apply for additional Equity Shares.</p> <p>Also, those Eligible Equity Shareholders holding less than 6 (six) fully paid-up Equity Shares, i.e. holding up to 5 (five) fully paid-up Equity Shares, and therefore entitled to ‘zero’ fully paid-up Equity Shares under this Issue shall be dispatched a CAF with ‘zero’ entitlement. Such Eligible Equity Shareholders are entitled to apply for additional Equity Shares and would be given preference in the allotment of 1 (one) additional Equity Share if, such Eligible Equity Shareholders have applied for the additional Equity Shares. However, they cannot renounce the same to third parties. CAFs with zero entitlement shall be non-negotiable/ non – renounceable.</p> <p>An illustration stating the Rights Entitlement for number of Equity Shares is set out below:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="background-color: #d9ead3;">Number of Equity Shares held as on Record Date</th> <th style="background-color: #d9ead3;">Rights Entitlement</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1-5</td> <td style="text-align: center;">0</td> </tr> </tbody> </table>	Number of Equity Shares held as on Record Date	Rights Entitlement	1-5	0
Number of Equity Shares held as on Record Date	Rights Entitlement				
1-5	0				

	6-11	1
	12-17	2
	18-23	3
Record Date	October 13, 2017	
Face Value per Equity Share	₹ 2	
Issue Price per Equity Share	₹ 76 (including a premium of ₹ 74 per Equity Share)	
Issue size	Up to ₹ 902.74 crores	
Equity Shares issued and outstanding prior to the Issue	Up to 60,97,26,285 Equity Shares	
Equity Shares subscribed, paid-up and outstanding prior to the Issue	Up to 60,93,22,270 Equity Shares	
Equity Shares issued and outstanding after the Issue (assuming full subscription for and Allotment of the Equity Shares)	Up to 72,85,07,333 Equity Shares	
Equity Shares subscribed, paid-up and outstanding after the Issue (assuming full subscription for and Allotment of the Equity Shares)	Up to 72,81,03,318 Equity Shares	
Terms of the Issue	For further information, see the section titled “ <i>Terms of the Issue</i> ” on page 143	
Use of Issue Proceeds	For further information, see the section titled “ <i>Objects of the Issue</i> ” on page 59	
Scrip Code	ISIN: INE036D01028 NSE: KARURVYSYA BSE: 590003	

Payment terms

The entire Issue Price, being ₹ 76 per Equity Share, is payable on Application.

SUMMARY FINANCIAL STATEMENTS

The following tables set forth the summary financial information derived from the Financial Statements. The summary financial information presented below should be read in conjunction with the financial information and the notes thereto included in the section titled “*Financial Information*” on page 69.

Balance sheet as at March 31, 2017:

		(₹ in crore)	
		AS ON 31.03.2017	AS ON 31.03.2016
		₹	₹
CAPITAL & LIABILITIES			
Capital		121.86	121.86
Reserves & Surplus		4913.83	4451.09
Deposits		53699.81	50078.90
Borrowings		1695.65	2894.24
Other Liabilities and Provisions		1376.47	1438.63
	TOTAL	61807.62	58984.72
ASSETS			
Cash and Bank Balances with Reserve Bank of India		2790.47	2529.06
Balances with Banks and Money at call and short notice		1554.62	362.54
Investments		14857.48	14442.67
Advances		40907.72	39084.38
Fixed Assets		418.61	420.12
Other Assets		1278.72	2145.95
	TOTAL	61807.62	58984.72
Contingent Liabilities		11957.59	10358.33
Bills for collection		2921.43	2720.22

Profit and Loss Account as at March 31, 2017:

(₹ in crore)

		Y E 31.03.2017 ₹	Y E 31.03.2016 ₹
I INCOME			
Interest earned		5622.35	5443.43
Other Income		782.22	706.78
TOTAL		6404.57	6150.21
II EXPENDITURE			
Interest expended		3548.65	3662.03
Operating expenses		1284.95	1185.13
Provisions and Contingencies		964.99	735.42
TOTAL		5798.59	5582.58
III PROFIT			
Net Profit from ordinary activities		605.98	567.63
Exceptional item		Nil	Nil
Net Profit for the year		605.98	567.63
Profit brought forward		2.20	1.49
TOTAL		608.18	569.12
IV APPROPRIATIONS			
Transfers to			
Statutory Reserve		152.00	145.00
Capital Reserve		73.87	4.61
Revenue & Other Reserves		164.00	181.63
Investment Reserve		Nil	0.34
Special Reserve U/s 36(1)(viii) of IT Act		25.00	30.00
Proposed Dividend (Including Interim Dividend)		Nil	170.61
Dividend Tax		Nil	34.73
		414.87	566.92
BALANCE OF PROFIT		193.31	2.20
TOTAL		608.18	569.12
Basic Earnings Per Share	(in ₹)	9.95 (*)	46.59
Diluted Earnings Per Share	(in ₹)	9.95 (*)	46.59
(Face value Rs. 2/- per share as of March 2017 & Rs. 10/- per share as of March 2016)			

(*) Please refer point no.4.6 of Notes on Accounts in the Reformatted Audited Financial Statements
(Face value ₹ 2/- per share as of March 2017 & ₹ 10/- per share as of March 2016)

Cash Flow Statement for the year ended March 31, 2017:

(₹ in Crore)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2017	As at 31.03.2017	As at 31.03.2016
	₹	₹
Cash Flow from Operating Activities		
Net Profit as per Profit and Loss account	605.98	567.63
Adjustments for		
Exceptional items	Nil	Nil
Depreciation	85.89	82.81
Interest Paid on TIER II Bond issued	14.76	14.82
Provisions and Contingencies	956.58	664.03
Provision for Leave Encashment	26.74	26.49
Amortization of HTM Securities	27.67	22.74
Provision for Impairment on investments	8.40	3.76
Profit / (Loss) on Sale of Investments	-204.64	-94.41
Profit / (Loss) on Sale of Assets	-0.52	-0.11
	-----	-----
	--	-----
Operating Profit before Working Capital changes	1520.88	1287.76
(Increase) /Decrease in Operating Assets		
Purchase and Sale of Investments	-276.72	-1998.93
Funds Advanced to Customers	-2227.99	-3263.77
Other Operating Assets	-172.37	-770.78
	-----	-----
	--	-
	-1156.21	-4745.72
Increase / (Decrease) in Operating Liabilities		
Deposits from Customers	3620.91	5388.63
Borrowings from Banks	-1198.59	-6.51
Other Operating Liabilities	130.14	118.47
	-----	-----
	--	-
Cash generated from Operations	1396.25	754.87
Direct Taxes Paid	-215.00	-175.00
	-----	-----
	--	-
Net Cash Generated from Operations	1611.25	579.87
	=====	=====
Cash Flow from Investing Activities		
Purchase of Fixed Assets	-85.21	-91.83
Sale of Fixed Assets / Other Assets	1.35	0.18
	-----	-----
	--	-
Net Cash Generated from Investing Activities	-83.86	-91.65
	=====	=====
Cash Flow from Financing Activities		
Proceeds from Share Capital	Nil	0.23
Proceeds from Share Premium	Nil	6.22

Interest paid on TIER II Bond issued	-14.76	-14.82
Dividend paid (Incl Interim dividend and Dividend Distribution Tax)	-59.14	-337.35
	-----	-----
Net Cash Flow from Financing Activities	-73.90	-345.71
	=====	=====
Cash Flow From Operating Activities	1611.25	579.87
Cash Flow from investing Activities	-83.86	-91.65
Cash Flow from Financing Activities	-73.90	-345.71
	-----	-----
Increase in Cash & Cash Equivalent	1453.49	142.51
Cash and Cash Equivalents at the beginning	2891.60	2749.09
	-----	-----
Cash and Cash Equivalents at the end	4345.09	2891.60
	=====	=====

The above Cash Flow Statement is followed based on indirect method.

Balance sheet as at June 30, 2017:

(₹ in crore)

		AS ON 30.06.2017 ₹	AS ON 30.06.2016 ₹
CAPITAL & LIABILITIES			
Capital		121.86	121.86
Reserves & Surplus		5125.00	4623.73
Deposits		54668.17	50714.83
Borrowings		1180.05	1786.68
Other Liabilities and Provisions		1433.48	1382.75
	TOTAL	62528.55	58629.85
ASSETS			
Cash and Bank Balances with Reserve Bank of India		3107.30	2626.26
Balances with Banks and Money at call and short notice		733.86	285.68
Investments		15190.93	14568.90
Advances		41697.72	38893.83
Fixed Assets		426.80	415.90
Other Assets		1371.96	1839.29
	TOTAL	62528.55	58629.85
Contingent Liabilities		11527.11	10746.47
Bills for collection		3029.29	2785.91

Profit and Loss Account as at June 30, 2017:

(₹ in crore)

	SCHEDULE	Q E 30.06.2017 ₹	Q E 30.06.2016 ₹
I INCOME			
Interest earned	13	1384.08	1385.04
Other Income	14	236.30	162.26
TOTAL		1620.38	1547.31
II EXPENDITURE			
Interest expended	15	845.51	903.91
Operating expenses	16	325.46	297.19
Provisions and Contingencies		301.44	199.86
TOTAL		1472.41	1400.96
III PROFIT			
Net Profit from ordinary activities		147.97	146.35
Exceptional item		Nil	Nil
Net Profit for the quarter		147.97	146.35
Profit brought forward		193.31	2.20
TOTAL		341.28	148.55
IV APPROPRIATIONS			
Transfers to			
Statutory Reserve		Nil	Nil
Capital Reserve		Nil	Nil
Revenue & Other Reserves		Nil	Nil
Investment Reserve		Nil	Nil
Special Reserve U/s 36(1)(viii) of IT Act		Nil	Nil
Proposed Dividend (Including Interim Dividend)		Nil	Nil
Dividend Tax			
		Nil	Nil
BALANCE OF PROFIT		341.28	148.55
TOTAL		341.28	148.55
Basic Earnings Per Share	(in ₹)	2.43	(*) 12.01
Diluted Earnings Per Share (Face value Rs. 2/- per share as of June 2017 & Rs. 10/- per share as of June 2016)	(in ₹)	2.43	(*) 12.01

(*) Face value of Rs.10/- each

Cash Flow Statement for three months period ended June 30, 2017:

CASH FLOW STATEMENT	As at 30.06.2017	As at 30.06.2016
	₹	₹
Cash Flow from Operating Activities		
Net Profit as per Profit and Loss account	147.97	146.35
Adjustments for		
Exceptional items	Nil	Nil
Depreciation	19.78	20.01
Interest Paid on TIER II Bond issued	3.69	3.68
Provisions and Contingencies	297.43	199.86
Provision for Leave Encashment	8.04	6.84
Amortization of HTM Securities	7.70	5.22
Provision for Impairment on investments	4.01	0.00
Profit / (Loss) on Sale of Investments	-47.00	-15.12
Profit / (Loss) on Sale of Assets	-0.18	-0.08
	=====	=====
Operating Profit before Working Capital changes	441.45	366.76
(Increase) /Decrease in Operating Assets		
Purchase and Sale of Investments	-298.30	-1330.61
Funds Advanced to Customers	-945.53	102.26
Other Operating Assets	-136.94	193.64
	-----	-----
	-939.32	-667.94
Increase / (Decrease) in Operating Liabilities		
Deposits from Customers	968.36	635.93
Borrowings from Banks	-515.60	213.44
Other Operating Liabilities	66.12	-11.69
	-----	-----
Cash generated from Operations	-420.45	169.73
Direct Taxes Paid	-52.00	-30.00
	-----	-----
Net Cash Generated from Operations	-472.45	139.73
	=====	=====
Cash Flow from Investing Activities		
Purchase of Fixed Assets	-27.96	-15.86
Sale of Fixed Assets / Other Assets	0.18	0.15
	-----	-----
Net Cash Generated from Investing Activities	-27.79	-15.71
	=====	=====

Cash Flow from Financing Activities

Proceeds from Share Capital	Nil	Nil
Proceeds from Share Premium	Nil	Nil
Interest paid on TIER II Bond issued	-3.69	-3.68
Dividend paid (Incl Interim dividend and Dividend Distribution Tax)	Nil	Nil
	-----	-----
Net Cash Flow from Financing Activities	-3.69	-3.68
	=====	=====
Cash Flow From Operating Activities	-472.45	139.73
Cash Flow from investing Activities	-27.79	-15.71
Cash Flow from Financing Activities	-3.69	-3.68
	-----	-----
Increase in Cash & Cash Equivalent	-503.93	120.34
Cash and Cash Equivalents at the beginning of the Quarter/Year	4345.09	2791.60
	-----	-----
Cash and Cash Equivalents at the end of the Quarter / Year	3841.16	2911.94
	=====	=====

The above Cash Flow Statement is followed based on indirect method.

GENERAL INFORMATION

Registered Office of our Bank

The Karur Vysya Bank Limited

Post Box No. 21, Erode Road,
Karur - 639002, Tamil Nadu, India
Tel: +91 4324 269437 / 269441 / 269443
Fax: +91 4324 225700
Email: kvb_sig@kvbmail.com
Website: www.kvb.co.in
Corporate Identification Number: L65110TN1916PLC001295
Registration Number: 001295

Address of the RoC

Registrar of Companies, Tamil Nadu

Block No.6, B Wing 2nd Floor,
Shastri Bhawan 26, Haddows Road,
Chennai - 600034, Tamil Nadu, India
Tel: +91 44 28270071
Fax: +91 44 28234298
Email: roc.chennai@mca.gov.in

Company Secretary and Compliance Officer

Mr. Srinivasa Rao Maddirala

Company Secretary and Compliance Officer
Post Box No. 21, Erode Road,
Karur - 639002, Tamil Nadu, India
Tel: +91 4324 269444
Fax: +91 4324 225700
Email: msrinivasarao@kvbmail.com

Lead Manager to the Issue

IIFL Holdings Limited

10th Floor, IIFL Centre, Kamala City
Senapati Bapat Marg, Lower Parel (West)
Mumbai - 400 013, Maharashtra, India
Tel: +91 22 4646 4600
Fax: +91 22 2493 1073
Email: kvb.rightsissue@iiflcap.com
Investor Grievance Email: ig.ib@iiflcap.com
Website: www.iiflcap.com
Contact Person: Sachin Kapoor/Pinak Bhattacharyya
SEBI Registration Number: INM000010940

Domestic Legal Counsel to the Issue

J. Sagar Associates

Vakils House,
18, Sprott Road
Ballard Estate
Mumbai- 400 001
Maharashtra, India
Tel: +91 22 4341 8600
Fax: +91 22 4341 8617

Statutory Auditors of our Bank

M/s Abarna & Ananthan, Chartered Accountants

521, 3rd Main, 6th Block,
2nd Phase, BSK 3rd Stage,
Bengaluru - 560085, Karnataka, India.
Tel: +91 80 2642 6022
Fax: +91 80 2672 7430
Email: audit@abarna-ananthan.com
Firm Registration Number: 000003S

Registrar to the Issue

Karvy Computershare Private Limited

Karvy Selenium Tower B, Plot Number 31-32
Gachibowli, Financial District
Nanakramguda, Serilingampally
Hyderabad 500 032, Andhra Pradesh, India
Tel: +91 40 6716 2222
Fax: +91 40 3343 1551
Email: kvb.rights@karvy.com
Investor Grievance Email: einward.ris@karvy.com
Website: www.karishma.karvy.com
Contact Person: M. Muralikrishna
SEBI Registration No.: INR000000221

Escrow Collection Bank and Refund Bank

The Karur Vysya Bank Limited

Hyderabad - Banjara Hills Branch,
D.No. 8-2-686/B/10,
Plot No. 542, Road No. 12
Banjara Hills
Hyderabad - 500034, Telangana, India
Tel: +91 40 2339 3777
Fax: +91 40 2320 6061
Email: hydbanjarahills@kvbmail.com
Website: www.kvb.co.in
Contact Person: Mr. G. V. V. Satyanarayana Murthy
SEBI Registration No.: INM000003051

Note: Investors may contact the Registrar to the Issue or the Company Secretary and Compliance Officer in case of any pre-Issue or post-Issue related matters such as non-receipt of letter of Allotment, credit of shares, CAF, EAF, SAF or Refund Orders, etc. All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSBs, giving full details such as name, address of the applicant, ASBA Account number and the Designated Branch of the SCSBs, number of Equity Shares applied for, amount blocked, where the CAF or the plain paper application, in case of an Eligible Equity Shareholder, or the EAF, in case of an Eligible Employee, as the case may be, was submitted by the ASBA Investor.

Self Certified Syndicate Bankers

The list of banks that have been notified by SEBI to act as SCSBs for the Applications Supported by Blocked Amount Process is provided at <http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes>.

Issue Schedule

The subscription will open upon the commencement of the banking hours and will close upon the close of banking hours on the dates mentioned below:

Issue Opening Date:	October 25, 2017
----------------------------	------------------

Last date for receiving requests for SAFs:	November 2, 2017
Issue Closing Date:	November 10, 2017

The Board of Directors or a duly authorized committee thereof will have the right to extend the Issue period as it may determine from time to time, provided that the Issue will not be kept open in excess of 30 (thirty) days from the Issue Opening Date, in accordance with SEBI ICDR Regulations.

Monitoring Agency

In terms of the proviso to Regulation 16(1) of the SEBI ICDR Regulations, our Bank is not required to appoint a monitoring agency for the purposes of this Issue.

Our Bank is raising capital to meet future capital adequacy related requirements and not for any specified project(s).

Appraising Agency

The Net Proceeds are not proposed to be utilized for any project and hence our Bank has not obtained any appraisal of the use of proceeds of the Issue.

Debenture Trustee

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

Issue Grading

As the Issue is a rights offering and a reservation for employees, grading of the Issue is not required.

Underwriting

The Issue is not underwritten.

Statement of responsibilities of the Lead Manager

As there is only one Lead Manager, inter-se allocation of responsibilities is not applicable. However, the list of major responsibilities of the Lead Manager in relation to the Issue, *inter alia*, is as follows:

Sr. No.	Activities
1.	Capital structuring with the relative components and formalities such as type of instruments, etc.
2.	Due Diligence of our Bank, drafting and design of offer documents and of the advertisement / publicity material including newspaper advertisements and brochure / memorandum containing salient features of the offer document
3.	Assistance in selection of various agencies connected with the Issue, namely Registrar to the Issue, Escrow Bankers, printers and advertising agency
4.	Drafting and approval of all publicity material including statutory advertisements, corporate advertisements, brochures, corporate films, etc
5.	Liaisoning with the Stock Exchanges and SEBI for pre-Issue activities, including for obtaining in-principle listing approval and completion of prescribed formalities with the Stock Exchanges and SEBI
6.	Marketing of the issue, which shall cover, inter alia, formulating marketing strategies, preparation of publicity budget, arrangements for selection of (i) ad-media, (ii) centres for holding conferences of stock brokers, investors, etc., (iii) collection centres, and (iv) distribution of publicity and issue material including application form, letter of offer and brochure and deciding upon the quantum of issue material
7.	Post-Issue activities, which shall involve essential follow-up steps including finalisation of basis of allotment, listing of instruments and dispatch of certificates or demat credit and refunds, with the various agencies connected with the post-Issue activities such as Registrar to the Issue and Escrow Collection Bank

Credit Rating

This being an issue of Equity Shares, no credit rating is required.

Principal Terms of Loans and Assets charged as Security

For details of the principal terms of loans and assets charged as security of our Bank, please see the section titled "*Financial Statements*" on page 69.

CAPITAL STRUCTURE

Our share capital as on the date of this Letter of Offer is as set forth below:

Particulars	Aggregate value at Face Value (In ₹ cr)	Aggregate value at Issue Price (In ₹ cr)
A) AUTHORISED SHARE CAPITAL		
1,00,00,00,000 Equity Shares of ₹ 2 each	200.00	-
B) ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL BEFORE THE ISSUE		
Issued capital⁽¹⁾:		
60,97,26,285 Equity Shares	121.95	-
Subscribed and paid up capital⁽²⁾:		
60,93,22,270 Equity Shares	121.86	-
C) PRESENT ISSUE BEING OFFERED THROUGH THIS LETTER OF OFFER⁽³⁾		
Up to 11,87,81,048 Equity Shares	23.76	902.74
D) ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL AFTER THE ISSUE⁽⁴⁾		
Issued capital:		
72,85,07,333 Equity Shares	145.70	-
Subscribed and paid up capital:		
72,81,03,318 Equity Shares	145.62	-
E) SECURITIES PREMIUM ACCOUNT		
Before the Issue	-	1,214.92
After the Issue ⁽⁴⁾	-	2,093.90

⁽¹⁾ Issued Capital

1. The issued share capital of 60,97,26,285 Equity Shares includes 4,04,015 Equity Shares which are kept in abeyance, as stated below:

- i. 33,120 equity shares kept in abeyance in the rights issue of equity shares during the fiscal year 2003.
- ii. 33,120 equity shares kept in abeyance in the bonus issue of equity shares during the fiscal year 2007.
- iii. 1,00,620 equity shares kept in abeyance in the rights issue of equity shares during the fiscal year 2007.
- iv. 66,740 equity shares kept in abeyance in the bonus issue of equity shares during the fiscal year 2011.
- v. 1,70,415 equity shares kept in abeyance in the rights issue of equity shares during the fiscal year 2011.

⁽²⁾ Paid up Capital

In addition to the subscribed and paid up capital of 60,93,22,270 Equity Shares, 4,04,015 Equity Shares kept in abeyance on account of earlier issues are considered to arrive at the adjusted paid up capital of 60,97,26,285 Equity Shares which is considered for the purpose of the Issue.

⁽³⁾ Our Board has pursuant to a resolution passed in its meeting held on May 29, 2017 authorized this Issue.

Our Board has, arrived at the Issue Price as ₹ 76 per Equity Share in consultation with the Lead Manager and determined the Rights Entitlement of 1 (one) fully paid-up Equity Share for every 6 (six) fully paid-up Equity Shares held on the Record Date. Our Board in its meeting held on May 29, 2017, has also approved the issue of the Equity Shares to the Eligible Employees of our Bank along with the Eligible Equity Shareholders, subject to the approval of the Shareholders, at the same price within the limits as prescribed under the SEBI ICDR Regulations.

The approval of the Shareholders for the issue of the Equity Shares to the Eligible Employees of our Bank has been obtained by way of special resolution at the AGM held on July 21, 2017.

Further, our Board at its meeting held on September 25, 2017 has resolved to issue up to 1,71,60,000 Equity Shares for the Eligible Employees pursuant to the reservation made along with the Equity Shares to be issued to the Eligible Equity Shareholders, at the same price as that of the Issue i.e. ₹ 76 per Equity Share (including a premium of ₹74 per Equity Share) aggregating up to ₹130.42 crores.

⁽⁴⁾ **Paid up capital after the Issue**

The post Issue paid up share capital is assuming the following: a) full subscription for and Allotment of the Equity Shares and b) to exclude rights entitlement for 4,04,015 Equity Shares kept in abeyance in earlier issues.

Notes to the Capital Structure

1. There are no outstanding warrants, options, convertible loans, debentures or right to convert loans or debentures or any other securities or instruments convertible at a later date into Equity Shares, as on the date of this Letter of Offer except the rights entitlements on the Equity Shares kept in abeyance and KVB ESOS 2011 (as stated below). As on the date of this Letter of Offer, all the Equity Shares are fully paid-up and there are no partly paid-up Equity Shares or call in arrears. Further, the Equity Shares when issued pursuant to the Issue, shall be fully paid-up.

KVB ESOS 2011

Our Bank, pursuant to the resolution passed by our Board and Shareholders on October 28, 2010 and July 27, 2011, respectively, approved KVB ESOS 2011 for grant of up to 40,00,000 employee stock options which on conversion, in one or more tranches, may aggregate up to 40,00,000 equity shares of face value of ₹ 10 each of our Bank. Further, our Bank has allotted 12,43,074 equity shares of face value of ₹ 10 each of our Bank arising out of conversion of 12,43,074 employee stock options between May 2, 2014 until April 29, 2015. Thereafter, pursuant to the split of the equity shares of face value of ₹ 10 each of our Bank into equity shares of face value of ₹ 2 each of our Bank, with effect from November 18, 2016, the number of options available for grant under KVB ESOS 2011 aggregated up to 1,37,84,630 employee stock options. Since April 30, 2015 until the date of this Letter of Offer, no Equity Shares have been issued out of conversion of employee stock options under KVB ESOS 2011. The KVB ESOS 2011 provides for issue of options to all the eligible employees of our Bank (including whole-time Directors).

Summary of options granted under KVB ESOS 2011 as on the date of this Letter of Offer:

Options granted	14,71,656
Options forfeited/lapsed/cancelled	2,28,582
Net options granted	12,43,074
Pricing formula	Exercise price per option shall not be less than the par value of equity share of our Bank and shall not be more than the market price as defined in the guidelines.
Options vested (excluding the options that have been granted)	13,41,449
Options exercised	12,43,074
Exercise price per equity share of face value of ₹ 10 each	275
Total number of equity shares of face value of ₹ 10 each issued pursuant to exercise of options (including options that have been exercised)	12,43,074
Money realized by exercise of options (₹)	34,18,45,350
Variation of terms of options	Balance options of equity shares of ₹ 10 each face value under KVB ESOS 2011 shall be proportionately converted into options for Equity Shares of face value of ₹ 2 each
Total number of options in force	1,37,84,630*

*Originally, 27,56,926 shares of face value of ₹ 10 each were in force, which after split increased to 1,37,84,630 options of face value of ₹ 2 each.

2. Shareholding Pattern of our Bank as on September 30, 2017:

Category (I)	Category of shareholder (II)	Nos. of shareholders (III)	No. of fully paid up equity shares held (IV)	No. of Partly paid-up equity shares held (V)	No. of shares underlying Depository Receipts (VI)	Total nos. shares held (VII)= (IV)+(V)+(VI)	Share holding as a % of total no. of shares (calculated as per SCRR, 1957) As a % of (A+B+C2) (VIII)	Number of Voting Rights held in each class of securities (IX)			No. of Shares Underlying Outstanding convertible securities (including Warrants) (X)	Share holding, as a % assuming full conversion of convertible securities (as a percentage of diluted share capital) (XI)=(VII)+(X) As a % of (A+B+C2)	Number of Locked in shares (XII)		Number of Shares pledged or otherwise encumbered (XIII)		Number of equity shares held in dematerialized form (XIV)	
								No. of Voting Rights					Total as a % of Total Voting Rights	No.	As a % of total Shares held	No.		As a % of total shares held
								Class eg. X	Class eg. Y	Total								
A	Promoter and Promoter Group	34	1,26,26,395	0	0	1,26,26,395	2.07	1,26,26,395	0	1,26,26,395	2.07	0	0	0	0	8,41,705	6.66	1,26,26,395

B	Public	1,09,770	59,66,95,875	0	0	59,66,95,875	97.93	59,66,95,875	0	59,66,95,875	97.93	0	97.93	0	0	0	0	57,08,26,383
C	Non Promoter Non Public	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
C1	Shares underlying DRs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
C2	Shares held by Employee Trustees	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total	1,09,804	60,93,22,270	0	0	60,93,22,270	100	60,93,22,270	0	60,93,22,270	100	0	100	0	0	8,41,705	0.138	58,34,52,778

3. Our Promoters have confirmed that they intend to, either through themselves or through other members of the Promoter and Promoter Group, subscribe to the full extent of their Rights Entitlement, including renunciation within the Promoter Group, if any, in compliance with Regulation 10(4) of Takeover Regulations. Any subscription to additional Equity Shares and the unsubscribed portion, if any, shall be in accordance with Regulation 10(4) of Takeover Regulations. Any subscription by our Promoters, for Equity Shares over and above their Rights Entitlement, if allotted, may result in an increase in their percentage shareholding, subject to their shareholding not exceeding 75% of the post- Issue paid-up Equity Share capital of our Bank. Further any such acquisition of additional Equity Shares by our Promoters, shall not result in a change of control of the management of our Bank in accordance with provisions of the Takeover Regulations and shall be exempt in terms of Regulation 10(4)(a) and 10(4)(b) of the Takeover Regulations.
4. Our Promoter and Promoter Group have not acquired any Equity Shares in the one year immediately preceding the date of filing of this Letter of Offer with the Designated Stock Exchange, except as stated below:

Sr. No.	Name of Promoter/Promoter Group	Total No. of Equity Shares	Consideration (₹ per Equity Share)	Nature of Consideration	Date of Transaction
1.	Mrs. A. P. Preetha	25,000	Not Applicable	Gift	November 29, 2016
2.	Mrs. R. Nageswari	4,000	80.00	Transfer	January 12, 2017
3.	Mr. A. J. Suriyanarayana	1,500	84.88	Market Purchase	January 30, 2017
4.	Mr. G. Mani	21,915	Not Applicable	Off-Market Transfer	February 27, 2017
5.	Mrs. Usha M.V.	50,000	Not Applicable	Off-Market Transfer	March 6, 2017
6.	Mrs. Usha M.V.	24,460	Not Applicable	Off-Market Transfer	March 6, 2017
7.	Mr. M.V. Prajeeth	2,50,000	Not Applicable	Off-Market Transfer	March 6, 2017
8.	R. Ramkumar (HUF)	3,50,000	Not Applicable	Off-Market Transfer	March 22, 2017
9.	Mrs. A. P. Preetha	1,000	120.60	Market Purchase	May 05, 2017
10.	Mr. A.J. Suriyanarayana	15,000	Not Applicable	Off-Market Transfer	June 23, 2017
11.	Mr. A S Jayanthkrishna	2,50,000	Not Applicable	Off-Market Transfer	July 05, 2017
12.	Mrs. A. S. Sudha	3,50,000	Not Applicable	Off-Market Transfer	July 05, 2017
13.	Mr. A. J. Suriyanarayana	9,40,240	Not Applicable	Off-Market Transfer	July 05, 2017
14.	A. J. Suriyanarayana (HUF)	16,54,565	Not Applicable	Off-Market Transfer	July 05, 2017
15.	Mr. A. S. Varunprasad	2,50,000	Not Applicable	Off-Market Transfer	July 12, 2017

5. None of the Equity Shares of our Bank are locked-in as on September 30, 2017.
6. Except as stated below, none of the Equity Shares held by our Promoter and Promoter Group are pledged or otherwise encumbered as on September 30, 2017:

Sr. No	Name of the Shareholder	Total Equity Shares held		Equity Shares pledged or otherwise encumbered	
		Number of Equity Shares	Equity Shares as a percentage of total number of Equity Shares	Number of Equity Shares	As a % of Equity Shares held
1.	Mr. A. J. Suriyanarayana	20,73,295	0.34	1,40,000	6.75
2.	Mr. G. Rajasekaran	12,85,120	0.21	60,000	4.67
3.	Mrs. R. Nageswari	8,45,810	0.14	60,000	7.09

Sr. No	Name of the Shareholder	Total Equity Shares held		Equity Shares pledged or otherwise encumbered	
		Number of Equity Shares	Equity Shares as a percentage of total number of Equity Shares	Number of Equity Shares	As a % of Equity Shares held
4.	Mr. R Ramkumar	2,06,945	0.03	60,000	28.99
5.	Mrs. Srimathi E.	77,000	0.01	77,000	100.00
6.	Mrs. M. V. Usha	2,77,135	0.05	59,510	21.47
7.	Mr. M. K. Srinivasan	3,76,565	0.06	2,22,695	59.14
8.	Mr. M. V. Srinivasamoorthy	1,65,000	0.03	1,62,500	98.48
	Total	53,06,870	0.87	8,41,705	6.67

7. None of our Directors or key managerial persons of our Bank have been granted options as on the date of the filing of this Letter of Offer under the KVB ESOS 2011.
8. The details of equity shareholders belonging to the public and holding more than 1% of the paid up capital of our Bank as on September 30, 2017 is as detailed below:

Sr. No.	Name of the Shareholder	Number of Equity Shares held	Percentage of total equity share capital (%)
1.	Franklin Templeton Franklin India (Various Funds)	2,98,60,245	4.90
2.	Reliance Capital Trustee Company	2,07,09,000	3.40
3.	Olympus India Holdings Ltd	1,81,77,482	2.98
4.	Jhunjhunwala Rakesh Radheshyam	1,54,14,485	2.53
5.	Saif India IV FII Holding Ltd	1,42,51,545	2.34
6.	Sundaram Mutual Fund (Various Funds)	1,40,16,151	2.30
7.	ICICI Prudential (Various Funds)	1,36,60,21	2.24
8.	HDFC Trustee Company Ltd., A/c HDFC MID	1,29,94,500	2.13
9.	HDFC Standard Life Insurance Company Limited	1,15,00,000	1.89
10.	Rakesh Jhunjhunwala (Rare Enterprises)	91,20,000	1.50
11.	Infina Finance Private Limited	75,18,310	1.23
12.	Acacia Partners, LP	61,74,820	1.01
	Total	15,97,36,538	28.45

9. The present Issue being a rights issue, as per regulation 34(c) of the SEBI ICDR Regulations, the requirements of promoters' contribution and lock-in are not applicable.
10. The ex-rights price arrived in accordance with Clause 4(b) of Regulation 10 of the Takeover Regulations, in connection with the Issue is ₹ 106.53.

OBJECTS OF THE ISSUE

Our Bank proposes to utilize the Net Proceeds from the Issue to augment our Bank's future capital requirements to support our growth in business and to ensure compliance of the Basel III norms and other regulatory requirements.

We intend to utilize the gross proceeds raised through the Issue (the "Issue Proceeds") after deducting the Issue related expenses ("Net Proceeds") for the abovementioned objects.

The main objects clause of our Memorandum enables our Bank to undertake its existing activities and the activities for which funds are being raised by our Bank through this Issue. Further, the Bank confirms that the activities which have been carried out until now by our Bank till date, are valid in terms of the objects clause of our Memorandum.

Issue Proceeds

The details of the Issue Proceeds are as follows:

Particulars	Estimated Amount (₹ in crores)
Gross proceeds to be raised through the Issue	902.74
Less: Estimated Issue related expenses	4.57
Net Proceeds	898.17

Requirement of Funds

Our Bank proposes to utilize the Net Proceeds from the Issue to augment our Bank's future capital requirements to support our growth in business and to ensure compliance of the Basel III norms and other regulatory requirements.

Details of the Objects of the Issue

As prescribed by the RBI, our Bank has adopted Basel III starting from April 1, 2013. The minimum capital to risk weighted assets ratio ("CRAR") required to be maintained by the Bank for fiscal 2016 was 9.625% including Capital Conservation Buffer ("CCB"), with common equity tier-1 CRAR of 6.125% (including CCB), under Pillar 1 of Basel III regulations of the RBI. The capital requirement is progressively going up under the Basel III regulations prescribed by RBI. The minimum capital requirement (including CCB) will increase from 9.625% as at March 31, 2016 to 11.50% by March 31, 2019; an increase of 0.625% every fiscal. In addition to the minimum capital prescribed under Pillar 1, under Pillar 2 of Basel III regulations, RBI requires banks to have an additional capital buffer for absorbing risks which are not covered under Pillar 1, such as liquidity risk, concentration risk, strategic risk, reputational risk etc.

The RBI has indicated that the capital requirements for implementation of the RBI Basel III Capital Regulations may be lower during the initial period and higher in later years. As on June 30, 2017, our Bank's total CAR and common equity tier-1 CAR was 11.71% and 11.04%, respectively. With the adoption of Basel III by our Bank and the ongoing implementation of BASEL III by RBI, the minimum capital requirements of our Bank is expected to increase in a phased manner over the next few years.

Accordingly, the objects of the Issue are to augment our Bank's future capital requirements to support our growth in business.

Schedule of Implementation and Deployment of Funds

Our Bank currently proposes to deploy the Net Proceeds in the aforesaid objects in the current fiscal.

Interim Use of Net Proceeds

Pending utilization for the purposes described above, we intend to deposit the Net Proceeds only in scheduled commercial banks included in the Second Schedule of the Reserve Bank of India Act, 1934, including The Karur Vysya Bank Limited.

Estimated Issue Expenses

The total expenses of the Issue are estimated to be approximately ₹ 4.57 crores. The expenses of the Issue include, among others, fees of the Lead Manager, fees of the Registrar to the Issue, fees of the other advisors, printing and stationery expenses, advertising, travelling and marketing expenses and other expenses.

The estimated Issue expenses are as under:

Particulars	Estimated Expenses (₹ in crores)	% of Estimated Issue size	% of Estimated Issue expenses
Fee to Intermediaries (Lead Manager, legal counsels, Registrar to the Issue)	1.51	0.17	33.05
Advertising, traveling and marketing expenses	0.12	0.01	2.58
Printing, postage and stationery expenses	1.24	0.14	27.13
Miscellaneous and other expenses	1.70	0.19	37.24
Total estimated Issue expenses	4.57	0.51	100.00

Appraisal of the Objects of the Issue

The objects of the Issue have not been appraised by any banks, financial institutions or agency and we have not raised any bridge loans against the Net Proceeds.

Means of Finance

The requirements of the objects detailed above are intended to be funded from the Net Proceeds. Accordingly, our Bank confirms that there is no requirement for it to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised through the Issue.

Monitoring Utilization of Funds from Issue

As we are a bank, in accordance with Regulation 16 of the SEBI ICDR Regulations, there is no requirement for appointment of a monitoring agency. Our Bank is raising capital to meet future capital adequacy related requirements and not for any specified project(s).

Other confirmations

There are no material existing or anticipated transactions and no part of the Net Proceeds will be paid as consideration to the members of our Promoter and Promoter Group, Directors or key managerial persons of our Bank.

The key industry regulations for the proposed objects of the Issue are not different from our existing business.

SECTION IV - STATEMENT OF TAX BENEFITS

To,

The Board of Directors,
The Karur Vysya Bank Limited
Registered & Central Office
Erode Road,
Karur 639002

Dear Sirs

Sub: Statement of special tax benefits ('the Statement') available to The Karur Vysya Bank Limited (the "Bank") and its shareholders prepared in accordance with the requirements under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended (the 'Regulations') in connection with the proposed issue of equity shares of face value of ₹ 2 each of the Bank to the eligible shareholders of the Bank on rights basis including a reservation for the eligible employees of the Bank (the "Issue").

We hereby report that the enclosed Annexure prepared by The Karur Vysya Bank Limited (the '**Bank**'), states the special tax benefits available to the Bank under the Income-tax Act, 1961 presently in force in India and to the shareholders of the Bank under the Income-tax Act, 1961. Several of these benefits are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of the Bank or its shareholders to derive the special tax benefits is dependent upon fulfilling such conditions, which is based on business imperatives the Bank may face in the future and accordingly, the Bank may or may not choose to fulfill.

The benefits discussed in the enclosed Annexure cover only special tax benefits available to the Bank and its shareholders and do not cover any general tax benefits available to the Bank and its shareholders. Further, the preparation of the enclosed statement and its contents is the responsibility of the management of the Bank. We were informed that, this statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional 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.

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

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

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

Our views expressed herein are based on the facts and assumptions indicated to us. 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 change from time to time. We do not assume responsibility to update the views consequent to such changes.

The enclosed annexure is intended solely for your information and for inclusion in the letter of offer or any other Issue related material in connection with the Issue and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours faithfully,

For **Abarna & Ananthan**
Chartered Accountants
Firm Registration No.000003S

S Ananthan
Partner

Membership No.: 026379

Place:-Karur

Date: September 25, 2017

STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO THE ISSUER BANK AND ITS SHAREHOLDERS

TO THE BANK

Special Tax Benefits

1. In terms of Section 36(1) (viia) of the Act, the Bank is entitled to claim deduction in respect of any provision for bad and doubtful debts made by the bank of an amount not exceeding 8.5% of the total income (computed before making any deduction under this clause and Chapter VIA of the Act) and an amount not exceeding 10% of the aggregate average advances made by rural branches computed in the manner prescribed under Rule 6ABA.
2. Under section 36(1) (vii) of the Act, the amount of any bad debts, or part thereof, written off as irrecoverable in the accounts of the bank for the previous year is allowable as deduction. However, the amount of the deduction relating to any such debt or part thereof shall be limited to the amount by which such debt or part thereof exceeds the credit balance in the provision for bad and doubtful debts account including provisions made towards rural advances made under section 36(1)(viia) of the Act. Further, if the amount subsequently recovered on any such debt or part is greater than the difference between the debt or part of debt and the amount so allowed, the excess shall be deemed to be profits and gains of business or profession and accordingly, chargeable to tax in accordance with Section 41(4) in the year in which it is recovered.
3. In terms of Section 36(1) (viii) of the Act, the Bank is allowed deduction in respect of any special reserve created and maintained by the Bank for an amount not exceeding 20% of the profits derived from the specified business of long term finance for industrial or agricultural development or development of infrastructure facility in India or development of housing in India. Further, if the aggregate amount carried to the Special Reserve account from time to time exceeds twice the paid-up capital and general reserves, no deduction shall be allowed on the excess amount under the Section. The amount withdrawn from such a Special Reserve Account would be chargeable to income tax in the year of withdrawal, in accordance with the provisions for Section 41(4A) of the Act.
4. In terms of section 43D of the Act, interest on certain categories of bad and doubtful debts as specified in Rule 6EA of the Income-tax Rules, 1962, shall be chargeable to tax only in the year of receipt or credit to Profit and Loss Account, whichever is earlier.
5. Under Section 47(xv), no capital gain is chargeable on any transfer in a scheme of lending of any securities under an agreement or arrangement, which the assessee has entered into with the borrower of such securities and which is subjected to the guidelines issued by the Securities and Exchange Board of India or Reserve Bank of India, in this regard.

TO SHAREHOLDERS OF THE BANK

Special Tax Benefits:

There are no special tax benefits available to the shareholders of the Bank, other than in respect of dividend income which is exempt to the extent of ₹ 10 lakh for individuals under Section 10 (34) of the Act, and long term capital gains under Section 10(38) of the Act.

SECTION V – ABOUT OUR BANK

OUR MANAGEMENT

Board of Directors

The composition of our Board is governed by the provisions of the Companies Act, the Banking Regulation Act, 1949, the SEBI Listing Regulations, the Listing Agreements and our Articles of Association. Under our Articles of Association, we are required to have not less than seven directors and not more than twelve directors. As on the date of this Letter of Offer, we have eleven Directors on our Board.

The Banking Regulation Act requires that at least 51% of Directors have specialised knowledge or practical experience in one or more of the following areas: accountancy, agriculture and rural economy, banking, co-operation, economics, finance, law, small-scale industry, information technology, payment & settlement systems, human resources, risk management, business management and any other matter RBI may specify. Out of the aforesaid number of Directors, not less than two Directors are required to have specialised knowledge or practical experience in agriculture and rural economy, co-operation or small-scale industry. All of the Bank's Directors are professionals with specialised knowledge of one or more of the above areas. Further, under the Banking Regulation Act, the appointment of whole-time Directors requires the approval of the RBI. The RBI has also prescribed "fit and proper" criteria to be considered when appointing directors of banks, with the Bank's Directors being required to make declarations confirming their on-going compliance with such criteria.

Pursuant to the provisions of the Companies Act, at least two-thirds of the total number of Directors excluding the Independent Directors, are liable to retire by rotation, with one-third of such number retiring at each annual general meeting. Our Board presently has the requisite number of directors liable to retire by rotation to strictly comply with the Companies Act.

The Board of Directors of our Bank comprises of the following members:

Sr. No.	Name, Age, Address, Occupation, DIN and Nationality	Designation and Term	Other Directorships
1.	<p>Mr. B. Swaminathan</p> <p>Age: 71</p> <p>Address: A/8, Anand Flats, 97/60, Dr. Rangachari Road, Mylapore, Chennai – 600004, Tamil Nadu, India</p> <p>Occupation: Retired Bank Executive</p> <p>DIN: 00245189</p> <p>Nationality: Indian</p>	<p>Designation: Non - Executive Independent Director and Part-time Chairman</p> <p>Term: For a period of 3 years w.e.f. January 20, 2016 till January 19, 2019</p>	Nil
2.	<p>Mr. P. R. Seshadri</p> <p>Age: 54</p> <p>Address: B7, Siruvani Nagar, Kovaipudur, Coimbatore – 641 042, Tamil Nadu, India</p> <p>Occupation: Service</p> <p>DIN: 07820690</p> <p>Nationality: Indian</p>	<p>Designation: Managing Director and Chief Executive Officer</p> <p>Term: For a period of 3 years w.e.f. September 04, 2017 till September 3, 2020</p>	Nil

Sr. No.	Name, Age, Address, Occupation, DIN and Nationality	Designation and Term	Other Directorships
3.	<p>Mr. G. Rajasekaran</p> <p>Age: 67</p> <p>Address: No. 1, Rajaji Street, Karur – 639001, Tamil Nadu, India</p> <p>Occupation: Business</p> <p>DIN: 00035582</p> <p>Nationality: Indian</p>	<p>Designation: Non - Executive Independent Director</p> <p>Term: Until June 19, 2018, liable to retire by rotation.</p>	Nil
4.	<p>Mr. A. J. Suriyanarayana</p> <p>Age: 45</p> <p>Address: No. 13, North Madavilagam, Karur – 639001, Tamil Nadu, India</p> <p>Occupation: Business</p> <p>DIN: 02251823</p> <p>Nationality: Indian</p>	<p>Designation: Non - Executive Independent Director</p> <p>Term: Until October 26, 2018, liable to retire by rotation.</p>	Nil
5.	<p>Mr. N. S. Srinath</p> <p>Age: 65</p> <p>Address: 302, Rashmi Rise, 149-150 Double Road, BEML Layout 4th Stage, Rararajeswari Nagar, Bangalore – 560040, Karnataka, India</p> <p>Occupation: Retired Bank Executive</p> <p>DIN: 01493217</p> <p>Nationality: Indian</p>	<p>Designation: Non - Executive Independent Director</p> <p>Term: For a period, w.e.f. July 23, 2017 till June 28, 2020</p>	Nil
6.	<p>Dr. V. G. Mohan Prasad</p> <p>Age: 59</p> <p>Address: 316 G V Residency, Sowripalayam, Coimbatore – 641028, Tamil Nadu, India</p> <p>Occupation: Agriculturist and Medical Practitioner</p> <p>DIN: 00002802</p> <p>Nationality: Indian</p>	<p>Designation: Non - Executive Independent Director</p> <p>Term: : For a period, w.e.f. July 23, 2017 till June 14, 2022</p>	<p>i. Madhura Pharmaceuticals Private Limited; and</p> <p>ii. VGM Healthcare Private Limited</p>

Sr. No.	Name, Age, Address, Occupation, DIN and Nationality	Designation and Term	Other Directorships
7.	<p>Mr. M. K. Venkatesan</p> <p>Age: 60</p> <p>Address: No 14. Vasavi Nagar, LNS Post, Karur – 639002, Tamil Nadu, India</p> <p>Occupation: Business - MSME</p> <p>DIN: 00032235</p> <p>Nationality: Indian</p>	<p>Designation: Non - Executive Non - Independent Director</p> <p>Term: Until December 8, 2022, liable to retire by rotation.</p>	Nil
8.	<p>Mr. A. K. Praburaj</p> <p>Age: 46</p> <p>Address: Subendra, No. 7 Vasavi Nagar, L N S Post, Erode Road, Karur – 639002, Tamil Nadu, India</p> <p>Occupation: Business</p> <p>DIN: 07004825</p> <p>Nationality: Indian</p>	<p>Designation: Non - Executive Non - Independent Director</p> <p>Term: Until December 8, 2022, liable to retire by rotation.</p>	Nil
9.	<p>Mrs. K. L. Vijayalakshmi</p> <p>Age: 52</p> <p>Address: 530, Kesavan Chambers, 2nd Floor, Vysial Street, Coimbatore – 641001, Tamil Nadu, India</p> <p>Occupation: Practicing - Chartered Accountant</p> <p>DIN: 07116809</p> <p>Nationality: Indian</p>	<p>Designation: Non - Executive Independent Director</p> <p>Term: For a period of 3 years w.e.f. July 21, 2016 till July 20, 2019</p>	Nil
10.	<p>Mr. M. V. Srinivasamoorthi</p> <p>Age: 54</p> <p>Address: 5/70, LRG Nagar, AndanKoil, Kovai Main Road, Karur – 639002, Tamil Nadu, India</p> <p>Occupation: Business</p> <p>DIN: 00694618</p> <p>Nationality: Indian</p>	<p>Designation: Non - Executive Non - Independent Director</p> <p>Term: Until August 26, 2023, liable to retire by rotation.</p>	Nil

Sr. No.	Name, Age, Address, Occupation, DIN and Nationality	Designation and Term	Other Directorships
11.	<p>Dr. K. S. Ravichandran</p> <p>Age: 55</p> <p>Address: 1 C, Block – E, Cyprus Oaks, Puliyakulam Main Road, Coimbatore – 641037, Tamil Nadu, India</p> <p>Occupation: Practicing Company Secretary</p> <p>DIN: 00002713</p> <p>Nationality: Indian</p>	<p>Designation: Non - Executive Independent Director</p> <p>Term: For a period of 3 years w.e.f. July 21, 2016 till July 20, 2019</p>	<p>i. Indus Corporate Services Private Limited; and</p> <p>ii. Quantum Management Consultants Private Limited</p>

Brief Biographies of the Directors

Mr. B. Swaminathan is a non - executive independent Director and part-time chairman of our Bank. He holds a bachelor's degree in law and a master's degree in science. He is also a certified associate of Indian Institute of Bankers. He has several years of experience in the field of banking. He was a general manager of Indian Overseas Bank. He was a director on the board of Bharat Overseas Bank Limited, an executive director of Canara Bank from January 22, 2005 until January 31, 2006, and was the managing director and chief executive officer of erstwhile Lord Krishna Bank. He has been a Director of our Bank since January 31, 2013. In the fiscal year 2017, he received remuneration/sitting fees of ₹ 22,55,000 from our Bank.

Mr. P. R. Seshadri is the managing director and chief executive officer of our Bank, and has been co-opted as an additional director of the Bank. He holds a bachelor's degree in engineering from the Delhi College of Engineering and a post graduate diploma in management from the Indian Institute of Management, Bangalore. He has over 25 years of experience in the field of retail banking. He was part of the wider Citi Group as the managing director of the Citi Financial Consumer Finance India Limited, marketing director, head of banking collections at Citibank. He was also the chief executive officer of the BFC Bank Limited, United Kingdom from June 1, 2016 until April 30, 2017. He has been the managing director and chief executive officer of our Bank since September 4, 2017.

Mr. G. Rajasekaran is a non - executive non - independent Director and a promoter of our Bank. He holds a bachelor's degree in arts. He has vast experience in the field of textile business. He has been a Director of our Bank since June 20, 2010. In the fiscal year 2017, he received a remuneration/sitting fees of ₹ 15,20,000 from our Bank.

Mr. A. J. Suriyanarayana is a non - executive non - independent Director and a promoter of our Bank. He holds a bachelor's degree in economics and a master's degree in business administration from Bharathiar University. He has several years of experience as a dealer in petroleum products. He has been a Director of our Bank since October 27, 2010. In the fiscal year 2017, he received a remuneration/sitting fees of ₹ 15,65,000 from our Bank.

Mr. N. S. Srinath is a non - executive independent Director of our Bank. He holds a bachelor's degree in science and in law. He is also a certified associate of the Indian Institute of Bankers. He has several years of experience in the field of banking. He was the general manager in Canara Bank. He has been the executive director of the Bank of Baroda. He was on the Board of Bank of Baroda (Trinidad and Tobago) Limited and Bank of Baroda (Ghana) Limited. He has been a Director of our Bank since June 29, 2012. In the fiscal year 2017, he received a remuneration/sitting fees of ₹ 15,45,000 from our Bank.

Dr. V. G. Mohan Prasad is the non - executive independent Director of our Bank. He holds a bachelor's degree in medicine and surgery and a degree of doctor of medicine (gastroenterology) from the University of Madras. Further, he also holds a degree of doctor of medicine (general medicine) from Bharathiar University. He has 30 years of experience in the field of gastroenterology. He is the founder & chairman of VGM Gastro Centre, Coimbatore. He has been a Director of our Bank since June 15, 2014. In the fiscal year 2017, he received a remuneration/sitting fees of ₹ 5,60,000 from our Bank.

Mr. M. K. Venkatesan is the non - executive non - independent Director and a promoter of our Bank. He holds a bachelor's degree in economics. He has several years of experience in the field of 'Mundy' business (dealing in agricultural commodities including seed processing). He has been a Director of our Bank since December 9, 2014. In the fiscal year 2017, he received a remuneration/sitting fees of ₹ 16,65,000 from our Bank.

Mr. A. K. Praburaj is the non - executive non - independent Director and a promoter of our Bank. He holds a bachelor's degree in commerce. He has several years of experience in the field of petroleum products. He is a dealer of petroleum products. He has been a Director of our Bank since December 09, 2014. In the fiscal year 2017, he received a remuneration/sitting fees of ₹ 16,65,000 from our Bank.

Mrs. K. L. Vijayalakshmi is the non - executive independent Director of our Bank. She holds a bachelor's degree in business management from the University of Mysore and is a fellow member of the Institute of Chartered Accountants of India. She has over several years of experience in financial audits for various banks. She has been a partner in M/s Khicha and Prabu Kesavan, Chartered Accountants since 1995. She has been a Director of our Bank since March 22, 2015. In the fiscal year 2017, she received a remuneration/sitting fees of ₹ 13,40,000 from our Bank.

Mr. M. V. Srinivasamoorthi is the non - executive non - independent Director of our Bank. He holds a bachelor's degree in chemistry. He has several years of experience in textile business and exporting readymade garments and home textiles. He has been a Director of our Bank since August 27, 2015. In the fiscal year 2017, he received a remuneration/sitting fees of ₹ 11,80,000 from our Bank.

Dr. K. S. Ravichandran is the non - executive independent Director of our Bank. He holds a master's degree in commerce from the Madurai Kamaraj University. He also holds a bachelor's degree in law from the Sardar Patel University. Further, he holds a doctorate in Corporate Secretaryship from Alagappa University. He is also a fellow member of the Institute of Company Secretaries of India. He has been a practicing company secretary since 1994. He was a specialist in Russian radar systems in the Indian Air Force for 9 years. He has been a Director of our Bank since May 26, 2016. In the fiscal year 2017, he received a remuneration/sitting fees of ₹ 9,10,000 from our Bank.

Relationships between Directors

None of our Directors are related to each other.

Details of Service Contracts

There are no service contracts entered into with any of the Directors for provision of benefits or payments of any amount upon termination of employment.

Details of current and past directorship(s) in listed companies whose shares have been/ were suspended from being traded on the BSE/ NSE and reasons for suspension

None of our Directors are currently or have been, in the past five years, on the board of directors of a listed company whose shares have been or were suspended from being traded on the BSE or NSE.

Details of current and past directorship(s) in listed companies which have been/ were delisted from the stock exchange(s) and reasons for delisting.

None of our Directors are currently or have been on the board of directors of a public listed company whose shares have been or were delisted from being traded on any stock exchange.

Arrangements and Understanding with Major Shareholders, Customers, Suppliers or others.

None of our Directors or members of our senior management have been appointed pursuant to any arrangement or understanding with our major shareholders, customers, suppliers or others.

SECTION VI – FINANCIAL INFORMATION

FINANCIAL STATEMENTS

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REFORMATTED FINANCIAL STATEMENTS EXAMINATION REPORT

To,
The Board of Directors,
The Karur Vysya Bank Limited
Registered & Central Office
Erode Road,
Karur 639002

Dear Sirs,

1. We have examined the Reformatted Financial Statements (the “**Reformatted Financial Statements**”) of The Karur Vysya Bank Limited (“**Bank**”) annexed to this report for the purpose of inclusion in the Letter Of Offer (herein after referred to as the “**Offering Document**”) prepared by the Bank in connection with the proposed Rights issue of its equity shares along with a reservation for the eligible employees of the Bank (“**Rights Issue**”) in accordance with the provisions of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time (the “**SEBI ICDR Regulations**”). The preparation of the financial statements is the responsibility of the company’s management.

Our responsibility is to report on the statements based on our procedures.

2. We have examined the reformatted statements taking in to consideration:
 - (a) the terms of reference dated August 11, 2017, received from Bank, in connection with the offering Document being issued by Bank for the Rights Issue of its equity shares; and
 - (b) the Guidance Note on Reports in Company Prospectus (**Revised**) issued by the Institute of Chartered Accountants of India

We report that the figures disclosed in the Reformatted Financial Statements of the Bank have been extracted from the Audited Financial Statements of the Bank for the year ended March 31, 2017 that had been approved by the Board of Directors of the Bank. The amounts reported in the Reformatted Financial Statements and notes to accounts have been modified from thousands to crores rounded to two decimals in Indian rupees. The Reformatted Financial Statements are only a reproduction of the Audited Financial Statements and are not reclassified. The accounting policies and notes to accounts have been reproduced as they were disclosed in the financial statement for the year. The financial statements of the Bank for the year ended March 31, 2017 have been audited by us and in respect of which we have issued an audit report dated May 18, 2017. In the presentation of the Reformatted Financial Statements based on the Audited Financial Statements as referred to in paragraphs above, no adjustment have been made for any events occurring subsequent to the date of the audit report specified herein. The Audited Financial Statements were prepared in accordance with Indian GAAP and as per Banking Regulation Act, 1949.

As stated in our audit report referred to in paragraph 2 above, we conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedure to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the bank’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also included evaluating the appropriateness of accounting polices used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. We have not audited any financial statements of the Bank for any period subsequent to March 31, 2017. Accordingly, we express no opinion on the financial position, results of operations or cash flows of the Bank of any period subsequent to March 31, 2017.

4. This report should not be in any way construed as a re-issuance or re-dating of any of the previous audit report issued by us nor should this report be construed as a new opinion on the Financial Statements referred to herein.

5. We have no responsibility to update our report for events and circumstances occurring after the date of our last audit report dated May18, 2017.
6. This report is intended solely for your information and for inclusion in the Offering Document in connection with the proposed Rights Issue by the Bank and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **Abarna & Ananthan**
Chartered Accountants

Firm Registration No.000003S

S Ananthan

Partner

Membership No.: 026379

Place:-Karur

Date: September 25, 2017

THE KARUR VYSYA BANK LTD.
CENTRAL OFFICE, ERODE ROAD, KARUR 639002
BALANCE SHEET AS AT 31st MARCH 2017

(₹ in crore)

	SCHEDULE	AS ON 31.03.2017 ₹	AS ON 31.03.2016 ₹
CAPITAL & LIABILITIES			
Capital	1	121.86	121.86
Reserves & Surplus	2	4913.83	4451.09
Deposits	3	53699.81	50078.90
Borrowings	4	1695.65	2894.24
Other Liabilities and Provisions	5	1376.47	1438.63
TOTAL		61807.62	58984.72
ASSETS			
Cash and Bank Balances with Reserve Bank of India	6	2790.47	2529.06
Balances with Banks and Money at call and short notice	7	1554.62	362.54
Investments	8	14857.48	14442.67
Advances	9	40907.72	39084.38
Fixed Assets	10	418.61	420.12
Other Assets	11	1278.72	2145.95
TOTAL		61807.62	58984.72
Contingent Liabilities	12	11957.59	10358.33
Bills for collection		2921.43	2720.22
Significant Accounting Policies	17		
Notes on Accounts	18		

The schedules referred to above form an integral part of Balance Sheet.

THE KARUR VYSYA BANK LTD.
CENTRAL OFFICE, ERODE ROAD, KARUR 639002
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2017

(₹ in crore)

	SCHEDULE	Y E 31.03.2017 ₹	Y E 31.03.2016 ₹
I INCOME			
Interest earned	13	5622.35	5443.43
Other Income	14	782.22	706.78
TOTAL		6404.57	6150.21
II EXPENDITURE			
Interest expended	15	3548.65	3662.03
Operating expenses	16	1284.95	1185.13
Provisions and Contingencies		964.99	735.42
TOTAL		5798.59	5582.58
III PROFIT			
Net Profit from ordinary activities		605.98	567.63
Exceptional item		Nil	Nil
Net Profit for the year		605.98	567.63
Profit brought forward		2.20	1.49
TOTAL		608.18	569.12
IV APPROPRIATIONS			
Transfers to			
Statutory Reserve		152.00	145.00
Capital Reserve		73.87	4.61
Revenue & Other Reserves		164.00	181.63
Investment Reserve		Nil	0.34
Special Reserve U/s 36(1)(viii) of IT Act		25.00	30.00
Proposed Dividend (Including Interim Dividend)		Nil	170.61
Dividend Tax		Nil	34.73
		414.87	566.92
BALANCE OF PROFIT		193.31	2.20
TOTAL		608.18	569.12
Basic Earnings Per Share	(in ₹)	9.95 (*)	46.59
Diluted Earnings Per Share	(in ₹)	9.95 (*)	46.59
<i>(Face value Rs. 2/- per share as of March 2017 & Rs. 10/- per share as of March 2016)</i>			

(*) Please refer point no.4.6 of Notes on Accounts

(Face value ₹ 2/- per share as of March 2017 & ₹ 10/- per share as of March 2016

The schedules referred to above form an integral part of Statement of Profit and Loss.

(₹ in crore)

SCHEDULE 1 - CAPITAL	AS ON 31.03.2017	AS ON 31.03.2016
	₹	₹
Authorised Capital 100,00,00,000 Equity Shares of Rs.2 each (20,00,00,000) Equity Shares of Rs. 10 each)	200.00	200.00
Issued Capital: 60,97,26,285 Equity Shares of Rs. 2/- each / 12,19,45,257 Equity Shares of Rs. 10/-each	121.95	121.95
Subscribed & Paid up Capital: 60,93,22,270 Equity Shares of Rs. 2/- each 12,18,64,454 Equity shares of Rs. 10/- each	121.86	121.86
TOTAL	121.86	121.86

SCHEDULE 2 - RESERVES AND SURPLUS	AS ON 31.03.2017	AS ON 31.03.2016
	₹	₹
I Statutory Reserve		
Opening Balance	1416.53	1271.53
Addition during the year	152.00	145.00
TOTAL	1568.53	1416.53
II Capital Reserve		
Opening Balance	94.89	90.28
Addition during the year	73.87	4.61
TOTAL	168.76	94.89
III Share Premium		
Opening Balance	1214.92	1204.17
Add : Addition during the year (ESOS 2011-234845 @ 457.65)	Nil	10.75
TOTAL	1214.92	1214.92
IV Revenue and Other Reserve		
a) General Reserve		
Opening Balance	1434.20	1291.95
Add : Write back of unamortise Fraud provision	41.83	Nil
Add: Addition during the year	164.00	181.63
Add: Transferred from Employee Stock Option	Nil	2.45
Less: Provision for Unamortised Fraud Account	Nil	41.83
Less: Provision for Loss on sale to ARC	185.07	Nil
TOTAL	1454.96	1434.20
b) Investment Reserve		
Opening Balance	53.34	53.00
Addition during the year	Nil	0.34
TOTAL	53.34	53.34
c) Employee Stock Option outstanding		
Opening Balance	Nil	6.98
Addition during the year	Nil	Nil
Deduction during the year	Nil	4.52
Less : Transferred to General reserve	Nil	2.45
TOTAL	0.00	0.00

d) Special Reserve U/s 36(1) (viii) of Income Tax Act, 1961		
Opening Balance	235.00	205.00
Addition during the year	25.00	30.00
Add: transferred from General Reserve	Nil	Nil
TOTAL	260.00	235.00
V Balance of Profit :	193.31	2.20
TOTAL I, II, III, IV & V	4913.83	4451.09

(₹ in crore)

SCHEDULE 3 - DEPOSITS	AS ON 31.03.2017	AS ON 31.03.2016
	₹	₹
A I. Demand Deposits :		
i) From Banks	5.51	7.03
ii) From Others	4914.84	4020.17
TOTAL	4920.35	4027.20
II. Savings Bank Deposits	9968.28	7647.32
III. Term Deposits		
i) From Banks	4.94	27.68
ii) From Others	38806.24	38376.71
TOTAL	38811.18	38404.39
TOTAL I, II & III	53699.81	50078.90
B Deposits from Branches :		
i) In India	53699.81	50078.90
ii) Outside India	Nil	Nil
TOTAL	53699.81	50078.90

SCHEDULE 4 - BORROWINGS	AS ON 31.03.2017	AS ON 31.03.2016
	₹	₹
I Borrowings in India		
i) Reserve Bank of India	Nil	1321.00
ii) Other Banks	Nil	Nil
iii) Other Institutions and Agencies	1357.16	1224.47
iv) Other borrowings Subordinated debt bonds	150.00	150.00
TOTAL	1507.16	2695.47
II Borrowings outside India	188.49	198.77
TOTAL I & II	1695.65	2894.24
Secured Borrowings included in I and II above	982.26	2147.38

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS	AS ON 31.03.2017	AS ON 31.03.2016
	₹	₹
I Bills Payable	353.89	253.17
II Inter Office Adjustments (Net)	Nil	Nil
III Interest Accrued	171.39	225.01
IV Deferred Tax	65.58	182.97
V Other liabilities (including provisions)	785.61	777.48
TOTAL I, II, III, IV & V	1376.47	1438.63

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA	AS ON 31.03.2017	AS ON 31.03.2016
	₹	₹
I Cash in Hand (Including Foreign Currency Notes)	564.86	523.78
II Balances with Reserve Bank of India In Current Account	2225.61	2005.28
TOTAL I & II	2790.47	2529.06

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICES	AS ON 31.03.2017	AS ON 31.03.2016
	₹	₹
I In India		
i) Balances with Banks :		
a) In Current Accounts	40.16	31.66
b) In Other Deposit Accounts	100.72	0.44
ii) Money at Call and Short Notice with Banks		
(a) in RBI Reverse Repo	410.00	100.00
(b) with Banks	Nil	30.00
(c) with Other Institution	Nil	Nil
TOTAL	550.88	162.10
II Outside India		
In Current Accounts	Nil	1.33
In Other Deposit Accounts	1003.74	199.10
TOTAL	1003.74	200.44
TOTAL I & II	1554.62	362.54

(₹ in crore)

SCHEDULE 8 - INVESTMENTS	AS ON 31.03.2017	AS ON 31.03.2016
	₹	₹
I Investments in India		
Break-up		
i) Government Securities	12895.54	13384.99
ii) Other Approved Securities	Nil	Nil
iii) Shares	93.87	90.62
iv) Debentures and Bonds	798.52	574.21
v) Subsidiaries & Joint Ventures	Nil	Nil
vi) Mutual Fund Units & Others	1069.55	392.85
	14857.48	14442.67

I Investments in India	14955.47	14502.39
Less : Provision for Investment Depreciation	97.99	59.72
TOTAL	14857.48	14442.67
II Investments outside India	Nil	Nil
TOTAL I & II	14857.48	14442.67
SCCHEDULE 9- ADVANCES	₹	₹
A i) Bills purchased and discounted	1589.36	1349.35
ii) Cash Credits, Overdrafts and Loans repayable on demand	30799.78	29447.39
iii) Term Loans	8518.58	8287.64
TOTAL	40907.72	39084.38
B i) Secured by tangible assets (incl. Book Debts)	39941.25	37338.59
ii) Covered by Bank / Government guarantees	643.88	1273.80
iii) Unsecured	322.59	471.99
TOTAL	40907.72	39084.38
C I Advances in India		
i) Priority Sector	18362.58	16988.73
ii) Public Sector	1156.92	1938.16
iii) Banks	Nil	Nil
iv) Others	21388.22	20157.49
TOTAL	40907.72	39084.38
C II Advances outside India	Nil	Nil
TOTAL CI & CII	40907.72	39084.38
SCCHEDULE 10 - FIXED ASSETS	AS ON 31.03.2017	AS ON 31.03.2016
	₹	₹
I Premises :		
At cost as on 31st March of the preceding year	197.37	152.86
Addition during the year	0.96	44.53
	198.33	197.39
Deduction during the year	0.00	0.02
	198.33	197.37
Depreciation to date	46.30	41.87
TOTAL	152.03	155.50
II Building under construction	7.67	3.58
III Other Fixed Assets (including Furniture & Fixtures) :		
At cost as on 31st March of the preceding year	763.34	703.03
Addition during the year	80.06	60.36
	843.40	763.39
Deduction during the year	0.83	0.05
	842.57	763.34
Depreciation to date	583.66	502.30
TOTAL	258.91	261.04
TOTAL I, II & III	418.61	420.12

SCHEDULE 11 - OTHER ASSETS	AS ON 31.03.2017	AS ON 31.03.2016
	₹	₹
I Inter Office Adjustments (Net)	51.85	56.41
II Interest Accrued	295.06	265.37
III Tax paid in advance / Tax deducted at source (Net)	9.29	333.72
IV Stationery and Stamps	7.26	7.47
V Deferred Tax	Nil	Nil
VI Non Banking Assets acquired in satisfaction of claims	Nil	Nil
VII Others	915.26	1482.98
TOTAL	1278.72	2145.95

(₹ in crore)

SCHEDULE 12 - CONTINGENT LIABILITIES	AS ON 31.03.2017	AS ON 31.03.2016
	₹	₹
I Claims against the Bank not acknowledged as debts	1.56	3.97
II Liability on account of outstanding		
a) Forward Exchange Contracts	5788.64	4861.50
b) Derivatives (Including Forex Derivation)	Nil	Nil
III Guarantees given on behalf of constituents in India	3309.69	3081.62
IV Acceptances, Endorsements and other Obligations	2118.49	2346.50
V Other items for which the Bank is contingently liable	739.21	64.74
TOTAL	11957.59	10358.33

SCHEDULE 13 - INTEREST EARNED	Y E 31.03.2017	Y E 31.03.2016
	₹	₹
I Interest / discount on advances/bills	4401.69	4329.37
II Income on Investments	1106.03	1095.78
III Interest on balances with Reserve Bank of India & other inter-bank funds	87.77	2.25
IV Others	26.86	16.03
TOTAL	5622.35	5443.43

(₹ in crore)

SCHEDULE 14 - OTHER INCOME	Y E 31.03.2017	Y E 31.03.2016
	₹	₹
I Commission, Exchange and Brokerage	480.24	459.53
II Profit/Loss on sale of investments - Net	204.64	94.41
III Profit on sale of land, buildings and other assets	0.52	0.11
IV Profit on exchange transactions - Net	38.54	54.62
V Miscellaneous Income	58.28	98.11
TOTAL	782.22	706.78

SCHEDULE 15 - INTEREST EXPENDED	Y E 31.03.2017	Y E 31.03.2016
	₹	₹
I Interest on Deposits	3445.02	3432.73
II Interest on Reserve Bank of India/ Inter-bank borrowings	19.71	34.98
III Others	83.92	194.32
TOTAL	3548.65	3662.03

SCHEDULE 16 - OPERATING EXPENSES	Y E 31.03.2017	Y E 31.03.2016
	₹	₹
I Payments to and Provisions for employees	607.96	547.38
II Rent, Taxes and Lighting	132.76	119.49
III Printing and Stationery	15.68	12.97
IV Advertisement and Publicity	27.16	32.97
V Depreciation on Bank's Property	85.89	82.81
VI Directors' fees, allowances and expenses	1.69	2.33
VII Auditors' fees and expenses (including branch auditors fees and expenses)	2.47	2.23
VIII Law Charges	1.48	1.46
IX Postages, Telegrams, Telephones, etc.	25.11	23.28
X Repairs and maintenance	44.11	45.07
XI Insurance	55.17	44.76
XII Other Expenditure	285.47	270.38
TOTAL	1284.95	1185.13

SCHEDULE 17 - SIGNIFICANT ACCOUNTING POLICIES

A. BACKGROUND

The Karur Vysya Bank Limited, incorporated in Karur, India is a publicly held banking company governed by the Banking Regulation Act, 1949 and is engaged in providing a wide range of banking and financial services including commercial banking and treasury operations.

B. BASIS OF PREPARATION

The financial statements are prepared following the going concern concept, on historical cost basis and conform to the Generally Accepted Accounting Principles (GAAP) in India which encompasses applicable statutory provisions, regulatory norms prescribed by the Reserve Bank of India (RBI) from time to time, notified Accounting Standards (AS) issued under Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 to the extent applicable and current practices prevailing in the banking industry in India.

Use of Estimates:

The preparation of the financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statement and the reported income and expenses during the reported period. The Management believes that the estimates and assumptions used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. The differences, if any between estimates and actual will be dealt appropriately in future periods.

C. PRINCIPAL ACCOUNTING POLICIES

1. Revenue Recognition

Income and expenses are generally accounted on accrual basis, except otherwise stated.

Interest income other than on non-performing assets is recognized on accrual basis. In respect of non-performing assets as well as restructured Funded Interest Term Loans (FITL) accounts / Strategic Debt Restructure (SDR) accounts, the interest income is recognized upon realisation, as per prudential norms prescribed by the RBI.

Commission on Bank Guarantees, Letter of Credit and insurance business, Loan Processing Fees, annual / renewal fees on cards, and locker rent are accounted on cash basis. Dividend income and interest on tax refund is recognised when the right to receive payment is established.

2. Investments

Investments are categorized into three categories – (i) Held to Maturity, (ii) Held for Trading and (iii) Available for sale, in accordance with the guidelines issued by Reserve Bank of India.

The category under which the investments would be classified is decided at the time of acquisition.

Shifting of securities among the categories is accounted at the least of the acquisition cost / book value / market price prevailing on the date of shifting and depreciation, if any, on such shifting is fully provided for. Investments classified under HTM category are carried at acquisition cost except in cases where the acquisition cost is higher than the face value, in which case the premium is amortized over the remaining period to maturity.

Investments classified under HFT and AFS categories are marked to market at regular intervals and net depreciation within each sub-classification is recognized and provided for, while net appreciation is ignored. The Bank follows the weighted average cost method for determining cost and accounting of profit on sale of investments.

Brokerage, commission and STT etc., pertaining to investments, paid at the time of acquisition are charged to the profit and loss account.

3. Advances

Advances are classified as Performing and Non-performing Assets and provisions are made as per the prudential norms prescribed by RBI. Advances stated in the Balance Sheet are net of provisions, claims received from credit guarantee institutions etc. Amounts recovered against debts written off is recognised as income and provisions no longer considered necessary based on the current status of the borrower, is reversed in the profit and loss account.

4. Fixed Assets

Premises and other fixed assets are accounted for at historical cost as reduced by depreciation written off.

5. Depreciation

Depreciation on Fixed Assets are provided on Straight Line Method (SLM) in respect of all fixed assets other than buildings. Computers, including software are depreciated under SLM at the rate of 33.33% as per the guidelines issued by the Reserve Bank of India.

Depreciation on assets purchased and sold during the year is provided on pro rata basis.

Useful life of the assets has been estimated in line with Schedule II of the Companies Act, 2013, as determined by the management, as under –

Class of Asset	Useful life (years)	Method
a. BUILDING	58	WDV
b. PLANT & MACHINERY		SLM
ATM, Cash Deposit Machine, Cash Dispenser, Cash / Currency Sorting Machine, Air-conditioner / Air Coolers, Generator, General electrical works, and other Plant & Machinery etc.	10	
Safe Deposit Lockers, Safe / Strong Room Door / Cage, Wind Mill	15	
c. FURNITURE & FIXTURES		
Furniture & Fixtures at bank premises	10	
Furniture & Fixtures at staff quarters / guest house	5	
Electric & Electronic items, Cellular / Mobile phones etc.	3	
d. MOTOR VEHICLES	8	
e. COMPUTERS	3	

6. Foreign Exchange Transactions

Monetary Assets and Liabilities in Foreign Currencies, Outstanding Forward Contracts and Spot and Forward Positions are translated at the Exchange Rates prevailing at the year end as notified by FEDAI and the resultant Profit/ Loss is recognised in the Profit and Loss Account.

Income and expenditure items are translated at the exchange rates ruling on the respective dates of the transaction.

Guarantees, Letters of Credit, Acceptances, Endorsements and other obligations in foreign currencies are translated at Closing Spot Rates notified by FEDAI at the year-end.

7. Derivatives

Interest rate swaps pertaining to trading position and which are outstanding as on Balance Sheet date are marked to market and net appreciation is ignored and net depreciation is recognized in the Profit & Loss Account. Foreign Currency Options and Swaps are accounted in accordance with the guidelines issued by FEDAI.

8. Employee Benefits

Contributions to the Provident Fund and 'Defined Contributory Pension Scheme' are charged to the Profit and Loss account. Contributions to the recognised Gratuity Fund, Pension Fund and other defined employee benefits are made on accrual basis as per Actuarial valuation done as at the Balance Sheet date and net actuarial gains/losses are recognised as per the Accounting Standard 15. Short term benefits are accounted for as and when the liability becomes due.

Options granted under Employee Stock Option Scheme (ESOS) are valued and accounted for using Intrinsic Value Method.

9. Segment Reporting

The Bank recognises the Business Segment as the Primary Reporting Segment and Geographical Segment as the Secondary Reporting Segment, in accordance with the RBI guidelines and in compliance with the Accounting Standard 17.

Business Segment is classified into (a) Treasury (b) Corporate and Wholesale Banking, (c) Retail Banking and (d) Other Banking Operations.

10. Earnings per Share

Earnings per share are calculated by dividing the net profit or loss for the year attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted Earnings per equity share are computed by using the weighted average number of equity shares and dilutive potential equity share outstanding as at the year end.

11. Income-tax

Tax expenses comprise current and deferred taxes. Provision for current Income tax is made after due consideration of the judicial pronouncements and legal opinion.

Deferred income tax recognizes timing differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred Tax Assets are recognized in the books of account to the extent of their future reversibility. Deferred Tax Liabilities are recognized fully in the year of accrual

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date.

12. Impairment of Assets

The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Profit and Loss Account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

13. Provisions and Contingent Liabilities

A provision is recognised when there is an obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions are determined based on the best estimate required to settle the obligation as at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

In case where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements.

Contingent Assets are not recognized since this may result in the recognition of income that may never be realized.

14. Net Profit

The net profit disclosed in the Profit and Loss Account is after providing for:

- Provision for Taxes, Standard Assets and Non Performing Assets;
- Provision for Depreciation on investments, employee benefits; and
- Other usual and necessary provisions

SCHEDULE : 18 NOTES ON ACCOUNTS

1. INTER BRANCH TRANSACTIONS:

Inter Branch/Office accounts reconciliation has been completed upto 31.03.2017 and all the inter branch entries have been reconciled upto 31.03.2017.

2. BALANCING OF BOOKS:

The books of accounts have been balanced and tallied in all branches of the Bank as on 31.03.2017.

3. DISCLOSURES AS PER RESERVE BANK OF INDIA REQUIREMENTS:

3.1 Capital:

SN	Particulars	2016-17		2015-16	
		Basel III	Basel II	Basel III	Basel II
1	Common Equity Tier 1 capital ratio (%)	11.85		11.26	--
2	Tier 1 capital ratio (%)	11.85		11.26	11.22
3	Tier 2 capital ratio (%)	0.69		0.91	1.04
4	Total Capital ratio (CRAR) (%)	12.54		12.17	12.26
5	Amount of equity capital raised (Rs.in Cr)	----		0.23	0.23
6	Amount of additional Tier 1 capital raised of which	NIL			
	- PNCPS				
	- PDI				
7	Amount of Tier 2 capital raised <i>Of which</i>	NIL			
	- Debt capital instruments				
	- Preference share capital instruments				
	- Perpetual cumulative preference shares (PCPS)				
	- Redeemable non cumulative preference shares (RNCPS)				
- Redeemable cumulative preference shares (RCPS)					

3.2 Investments:

Particulars	(Rs. in crore)	
	2016-17	2015-16
(1) Value of Investments		
(i) Gross Value of Investments		
a) In India	14955.48	14502.40
b) Outside India	Nil	Nil
(ii) Provisions for Depreciation / NPI		
a) In India	97.99	59.72
b) Outside India	Nil	Nil
(iii) Net Value of Investments		
a) In India	14857.49	14442.68
b) Outside India	Nil	Nil
(2) Movement of provisions held towards depreciation on investments and Non Performing Investments		
i. Opening balance	59.72	60.03
ii. Add: Provisions made during the year	46.60	22.73
iii. Less: Write-off/ write-back of excess provisions during the year	8.33	23.04
iv. Closing balance	97.99	59.72

3.2.1 Repo Transactions : (in face value terms)

Particulars	(Rs. in crore)			
	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on 31.03.2017

1. Securities sold under repos				
a. Government Securities	34.28	2622.34	146.34	235.00
b. Corporate Debt Securities	Nil	Nil	Nil	Nil
2. Securities purchased under reverse repos				
a. Government Securities	9.36	3484.00	508.48	374.58
b. Corporate Debt Securities	Nil	Nil	Nil	Nil

3.2.2 Non-SLR Investment Portfolio:

(Rs. in crore)

Issuer	Amount	Extent of Private Placement	Extent of Below Investment Grade Securities	Extent of unrated securities	Extent of unlisted Securities
1. PSUs	329.87	284.90	Nil	24.33	70.64
2. FIs	673.89	548.95	Nil	0.22	0.22
3. Banks	447.19	377.32	Nil	Nil	Nil
4. Private Corporates	104.66	41.28	Nil	39.36	44.36
5. Subsidiaries / Joint Ventures	Nil	Nil	Nil	Nil	Nil
6. Others	504.33	504.33	Nil	Nil	504.33
Sub Total	2059.94	1756.78	Nil	63.91	619.55
Less: Provision held towards depreciation and non performing investments	97.99	Nil	Nil	Nil	Nil
Total	1961.95	1756.78	Nil	63.91	619.55

Note: Amounts reported under columns 4, 5, 6 and 7 above are not mutually exclusive.

ii) Non performing Non-SLR investments:

(Rs. in crore)

Particulars	2016-17	2015-16
Opening balance	38.15	13.14
Additions during the year since 1st April	25.15	25.01
Reductions during the above period	0.67	Nil
Closing balance	62.63	38.15
Total provisions held	25.63	16.90

3.2.3 Sale and transfers to / from HTM Category

During the year, the bank has sold Government securities from Held to Maturity (HTM) category exceeding 5% of the book value of investments in HTM category at the beginning of the year. The Bank sold securities aggregating Rs. 2,696.83 crore from the HTM category during FY 2016-17, and by sale of securities from HTM category, the Bank has booked a profit of Rs. 150.26 crore. An amount of Rs. 73.87 crore (being net of tax & statutory reserve) is transferred to capital reserve. As on 31st March 2017, the book value of SLR investment held under Held to Maturity category was Rs.10,378.52 crore which shows marked to market appreciation of Rs. 314.78 crore.

3.2.4 The percentage of SLR investment under Held to Maturity Category as on 31.03.2017 was 18.49 % of Demand and Time Liability of the bank (previous year 20.51%) which is within permissible limit as per RBI guidelines.

3.2.5 In accordance with RBI guidelines, securities amounting to Rs. 106.76 crore have been shifted from AFS to HTM category and Rs.406.31 crore from HTM to AFS category and the resultant depreciation of Rs. 0.93 crore has been charged to Profit and Loss account during the first quarter of the current financial year.

3.2.6 Pursuant to RBI circular FMRD DIRD.10/14.03.002/2015-16 dated May 19, 2016, as amended, the Bank has with effect from November 26, 2016 considered its repo / reverse repo transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) of RBI as Borrowings/Lendings, as the case may be. Hitherto, the repo/reverse repo transactions were included under Investments. Figures for the previous periods/year have been regrouped/ reclassified to conform to current periods/year classification. The above regrouping/ reclassification has no impact on the profit of the Bank for the quarter/year ended 31st March, 2017 or the previous periods/year.

3.3 Derivatives

3.3.1. Forward Rate Agreement/ Interest Rate Swap:

(Rs. in crore)

Particulars	2016-17	2015-16
1. The notional principal of swap agreements	Nil	Nil

2. Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements		
3. Collateral required by the bank upon entering into swaps		
4. Concentration of credit risk arising from the swaps		
5. The fair value of the swap book		

3.3.2 Exchange Traded Interest Rate Derivatives:

Particulars	(Rs. in crore)	
	2016-17	2015-16
1. Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument wise)		
2. Notional principal amount of exchange traded interest rate derivatives outstanding as on 31.03.2017(instrument wise)		
3. Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument wise)	Nil	Nil
4. Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument wise)		

3.3.3 Disclosures on risk exposure in derivatives:

Qualitative Disclosure:

Structure, Organisation, Scope, Nature of risk management in derivatives:

The organization structure consists of Treasury Department which is segregated into three functional areas i.e., front office, mid office and back office.

Rupee derivative deals are executed for hedging or for trading. The risk in the derivatives portfolio is monitored by assessing the mark to market (MTM) position of the portfolio on a daily basis and the impact on account of probable market movements. The overall portfolio is operated within the risk limit fixed by the Bank.

Forex derivative deals are offered to clients on back-to-back basis. The outstanding deals are marked to market on monthly basis. The MTM values are informed to the clients every month and margin topped up where required.

The Board reviews the risk profile of the outstanding portfolio at regular intervals.

Accounting:

Accounting Policies as per RBI guidelines have been adopted. The hedge swaps are accounted for like a hedge of the asset or liability. The income / expense on hedge swaps are accounted on accrual basis except where swap transactions whose underlying is subjected to mark to market. Such hedge swaps are marked to market on a monthly basis and the gain / losses are recorded as an adjustment to the designated asset / liability. The Non hedge swaps are marked to market every month and the MTM losses in the basket are accounted in the books while MTM profits are ignored.

Collateral Security:

As per market practice, no collateral security is insisted on for the contracts with counter parties like Banks / PDs etc. For deals with Corporate Clients, appropriate collateral security / margin etc. are stipulated whenever considered necessary.

Credit Risk Mitigation:

Most of the deals are contracted with Banks / major PDs/highly rated clients and no default risk is anticipated on the deals with them.

Dealing in derivatives is centralized in the treasury of the Bank. Derivative transactions are entered into by the treasury front office. Treasury middle office conducts an independent check of the transactions entered into by the front office and ensures compliance with various internal and regulatory guidelines. Back Office undertakes activities such as confirmation, settlement, accounting, risk monitoring and reporting.

The market making and the proprietary trading activities in derivatives are governed by the derivatives policy of the Bank, which lays down the position limits, stop loss limits as well as other risk limits. As far as forex derivatives are concerned, they are undertaken on back-to-back basis only.

Risk monitoring on derivatives portfolio is done on a daily basis. The Bank measures and monitors risk using PVBP (Price Value of a Basis Point) approach. Risk reporting on derivatives forms an integral part of the management information system and the marked to market position and the PVBP of the derivatives portfolio is reported on a daily basis to the top management.

Risk monitoring on forex derivatives is done on a monthly basis. It is reported to the top management and related clients on monthly basis.

Quantitative Disclosures:

(Rs. in crore)

Particulars	2016-17		2015-16	
	Currency Derivatives	Interest rate Derivatives	Currency Derivatives	Interest rate Derivatives
1. Derivatives (Notional Principal Amount)				
a) For hedging	Nil		Nil	
b) For trading				
2. Marked to Market Positions				
a) Asset (+)	Nil		Nil	
b) Liability (-)				
3. Credit Exposure	Nil		Nil	
4. Likely impact of one percentage change in interest rate (100*PV01)				
a) on hedging derivatives	Nil		Nil	
b) on trading derivatives				
5. Maximum and Minimum of 100*PV01 observed during the year				
a) on hedging	Nil		Nil	
b) on trading				

3.4 Asset Quality

3.4.1 Non-Performing Asset:

(Rs. in crore)

Particulars	2016-17	2015-16
1. Net NPAs to Net Advances (%)	2.53%	0.55%
2. Movement of NPAs (Gross)		
a. Opening balance	511.18	677.78
b. Additions during the year	1330.83	1133.41
c. Reductions during the year	358.20	1300.01
d. Closing balance	1483.81	511.18
3. Movement of Net NPAs		
a. Opening balance	216.17	280.97
b. Additions during the year	940.83	877.26
c. Reductions during the year	123.54	942.06
d. Closing balance	1033.46	216.17
4. Movement of provisions for NPAs (excluding provision on Standard Assets)		
a. Opening balance	285.00	380.00
b. Provisions made during the year	484.17	350.12
c. Write off/Write back of excess provisions	340.43	445.12
d. Closing balance	428.74	285.00

3.4.1.1 Disclosure related to divergence in provision in respect of NPAs identified by RBI inspection

(Rs. in crore)

SN	Particulars	Amount
1	Gross NPAs as on March 31, 2016* as reported by the bank	511.18
2	Gross NPAs as on March 31, 2016* as assessed by RBI	731.10
3	Divergence in Gross NPAs (2-1)	219.92
4	Net NPAs as on March 31, 2016 as reported by the bank	216.17
5	Net NPAs as on March 31, 2016 as assessed by RBI	436.09
6	Divergence in Net NPAs (5-4)	219.92
7	Provisions for NPAs as on March 31, 2016 as reported by the bank	285.00
8	Provisions for NPAs as on March 31, 2016 as assessed by RBI	390.89
9	Divergence in provisioning (8-7)	105.89

10	Reported Net Profit after Tax (PAT) for the year ended March 31, 2016	567.63
11	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2016 after taking into account the divergence in provisioning	496.49

* The above divergence is due to two borrowal accounts, of which, one account with an outstanding balance of Rs. 175.38 crore was treated as a Standard Asset as on 31.03.2016 by the bank in compliance of the RBI guidelines relating to “Stand Still” clause under the Strategic Debt Restructuring (SDR) scheme, since the scheme was under implementation. As the time limit for implementation of the scheme was complete during the year, the Bank classified this account as NPA. However, in the subsequent inspection by the RBI, the effective date of NPA was deemed as 30th June 2014, thereby treating the same as a divergence as on 31.03.2016.

3.4.2 Disclosures related to Restructured Advances (enclosed separately)

3.4.3 Strategic Debt Restructuring (SDR)

During the year, the Bank has been allotted 9,29,640 number of shares with a face value of Rs. 10/- at the rate of Rs.11.09 per share amounting to a book value of Rs.1.03 crore on account of SDR mechanism in respect of one borrowal account with an aggregate exposure of Rs.30.02 crore under consortium arrangement.

3.4.3.1. Disclosures on Flexible Structuring of Existing Loans

(Rs. in Crore)

Period	No. of borrowers taken up for flexibly structuring	Amount of loans taken up for flexible structuring		Exposure weighted average duration of loans taken up for flexible structuring	
		Classified as Standard	Classified as NPA	Before applying flexible structuring	After applying flexible structuring
Previous Financial Year	2	204.45 *	Nil	3.15 years	22.08 years
Current Financial Year	Nil	Nil	Nil	Nil	Nil

* Out of the two accounts, one account with the outstanding of Rs.155.43 crore as on 31.03.2016 has slipped into substandard category during the current financial year 2016-17.

3.4.3.2. Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period) as on 31.03.2017.

(Rs. in Crore)

No. of accounts where SDR has been invoked	Amount outstanding as on the reporting date		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity has taken place	
	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA
3	104.64	Nil	35.79	Nil	68.85	Nil

3.4.3.3. Disclosures on Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period) as on 31.03.2017

(Rs. in Crore)

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as on the reporting date		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity/invocation of pledge of equity shares is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity/invocation of pledge of equity shares has taken place		Amount outstanding as on the reporting date with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale of promoters equity	
	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA	Classified as standard	Classified as NPA
1	32.42	--	32.42	--	--	--	--	--

3.4.3.4. Disclosures on Change in Ownership of Projects Under Implementation (accounts which are currently under the stand-still period) as on 31.03.2017

(Rs. in Crore)

No. of project loan accounts where banks have decided to effect change in ownership	Amount outstanding as on the reporting date		
	Classified as standard	Classified as standard restructured	Classified as NPA
Nil	Nil	Nil	Nil

3.4.3.5. Disclosures on the Scheme for Sustainable Structuring of Stresses Assets (S4A), as on 31.03.2017

(Rs. in Crore)					
No of accounts where S4A has been applied		Aggregate amount outstanding	Amount Outstanding @		Provision Held
Classified as Standard			In Part A	In Part B	
	1	54.10	-	-	1.97

@ Conversion yet to take place.

3.4.4 Details of financial assets sold to Securitisation / Reconstruction Company for Asset Reconstruction:

(Rs. in crore)		
Particulars	2016-17	2015-16
1. No. of accounts	Nil	564
2. Aggregate value (net of provisions) of accounts sold to SC/RC		788.82
3. Aggregate consideration		308.30
4. Additional consideration realized in respect of accounts transferred in earlier years		Nil
5. Aggregate gain / (loss) over net book value.		(490.89)

During the Financial Year 2015-16, Bank has sold NPAs to ARCs resulting in loss of Rs. 505.46 crore of which Rs. 252.76 crore has been amortised in the current FY 2016-17 and balance un amortised amount of Rs. 185.07 crore is debited to General Reserve and credited to Other Provisions as per RBI guidelines vide DBR.No.BP.BC.102/21.04.048/2015-16 dated 13.06.2016. (Refer to note 5.3 below)

3.4.4.1 Investments in Security Receipts

Details of Book Value of Investments in Security Receipts

(Rs. in crore)

Particulars	2016-17	2015-16
1. Backed by NPAs sold by the bank as underlying	504.33	262.82 *
2. Backed by NPAs sold by other banks / financial institutions / non banking financial companies as underlying	Nil	Nil
Total	504.33	262.82

* In addition, Rs. 253.73 crore was held under 'Share & Other Application money' under 'Other Assets' pending receipt of Security Receipts towards sale of NPAs to ARC in financial year 2015-16.

3.4.5 Details of Non Performing Financial Assets Purchased / Sold - (sold / purchased to / from other banks)

A. Details of non performing financial assets purchased:

(Rs. in crore)

Particulars	2016-17	2015-16
1. (a) No. of accounts purchased during the year (b) Aggregate outstanding	NIL	
2. (a) Of these, number of accounts restructured during the year (b) Aggregate outstanding		

B. Details of non performing financial assets sold:

(Rs. in crore)

Particulars	2016-17	2015-16
1. No. of accounts sold	NIL	
2. Aggregate outstanding		
3. Aggregate consideration received		

3.4.6 Provisions on Standard Asset:

(Rs. in crore)

Particulars	2016-17	2015-16
Provisions towards Standard Assets	185.48	196.66

3.5 Business Ratios:

Particulars	2016-17	2015-16
1. Interest Income as a percentage to Working Funds	9.28%	9.85%
2. Non-interest income as a percentage to Working Funds	1.29%	1.28%
3. Operating Profit as a percentage to Working Funds	2.59%	2.24%
4. Return on Assets	1.00%	1.03%
5. Business (Deposits plus advances) per employee (Rs. in crore)	12.85	12.41
6. Profit per employee (Rs. in Lakh)	8.19	7.87

3.6 Asset Liability Management:

Maturity pattern of certain items of assets and liabilities:

(Rs. in crore)

Particulars	Deposits	Gross Advances	Gross Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
1 day	120.18	2884.47	1773.10	271.97	593.21	416.80
2 to 7 days	626.61	193.33	546.93	1014.69	40.93	33.14
8 to 14 days	573.69	227.17	345.60	32.42	67.59	32.51
15 to 28 days	1274.09	1082.86	434.85	64.85	129.11	65.31
29 days to 3 months	3730.32	2890.40	1384.38	0.00	889.40	21.49
Over 3 months to 6 months	3319.73	3322.66	1867.35	32.42	449.89	48.92
Over 6 months to 1 year	6586.42	5048.85	2339.80	0.00	79.71	74.30
Over 1 year to 3 years	10853.29	17373.06	2863.79	243.86	4.11	258.83
Over 3 years to 5 years	8580.96	4272.49	1597.92	35.43	15.29	64.11
Over 5 years	18034.52	4139.69	1801.77	0.00	6.21	2.00
Total	53699.81	41434.98	14955.49	1695.64	2275.45	1017.41

The above data has been compiled on the basis of the guidelines of RBI and certain assumptions made by management and have been relied upon by auditors.

3.7 Exposures

3.7.1 Exposure to Real Estate Sector:

(Rs. in crore)

Category	2016-17	2015-16
<i>a) Direct exposure</i> (i) Residential Mortgages – Lendings fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented (individual housing loans eligible for priority sector advances may be shown separately)	2712.43	2422.28

(ii) Commercial Real Estate – Lendings secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	2469.04	2300.04
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures – a. Residential, b. Commercial Real Estate.	Nil Nil	Nil Nil
b) Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	109.43	242.52
Total Exposure to Real Estate Sector	5290.90	4964.84

3.7.2 Exposure to Capital Market:

<i>Particulars</i>	(Rs. in crore)	
	2016-17	2015-16
1. Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	110.30	104.80
2. Advances against shares/bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	1.09	1.58
3. Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	Nil	Nil
4. Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	Nil	Nil
5. Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	145.77	170.33
6. Loans sanctioned to corporates against the security of shares / bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	60.17	61.66
7. Bridge loans to companies against expected equity flows/issues;	Nil	Nil
8. Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	Nil	Nil
9. Financing to stockbrokers for margin trading;	Nil	Nil
10. All exposures to Venture Capital Funds (both registered and unregistered)	Nil	50.33
Total Exposure to Capital Market	317.33	388.70

3.7.3 Risk Category wise Country Exposure

(Rs. in crore)

Risk Category	31.03.2017	31.03.2016
---------------	------------	------------

	Exposure (net)	Provision held	Exposure (net)	Provision held
Insignificant	1147.45	Nil	392.72	Nil
Low	387.65		195.05	
Moderate	24.54		10.89	
High	5.23		2.30	
Very High	Nil		Nil	
Restricted	12.82		5.45	
Off-credit	Nil		Nil	
Total	1577.69	Nil	606.41	Nil

The net funded exposure of the bank in respect of foreign exchange transactions with each country is within 1% of the total assets of the Bank and hence no provision is required in terms of RBI guidelines.

3.7.4. Details of Single Borrower Limit (SBL), Group Borrower Limit (GBL) exceeded by the bank.

The Bank has not exceeded the prudential credit exposure limits in respect of Single Borrower Limit and Group Borrower Limit other than food credit.

3.7.5. Unsecured Advances:

The total of advances for which intangible securities such as charge over the rights, licenses, authorisations, etc. have been taken as securities is NIL.

3.8 Disclosure of penalties imposed by RBI:

During the year RBI has levied penalty of Rs. 0.01 crore emanated out of deficiencies found while processing the currency notes remitted by currency chests.

4. Disclosure requirement as per Accounting Standards (AS):

In compliance with the guidelines issued by the RBI regarding disclosure requirements of the various Accounting Standards, the following information is disclosed:

4.1 Net Profit or loss for the period, Prior Period Items and Changes in Accounting Policies (AS-5):

There are no material prior period income and expenditure included in the Profit & Loss account, which requires a disclosure as per AS-5.

For the preparation of these financial results, the bank has followed the same accounting policies and generally accepted practices adopted for the preparation of audited financial statements for the year ended March 31, 2017.

4.2 Revenue Recognition (AS-9):

Income / Expenditure items recognized on cash basis are either not material or does not require disclosure under AS-9.

4.3. Employee Benefits (AS -15) :

The Bank is following AS-15 (Revised 2005) 'Employee Benefits' as under:

- In respect of Contributory Plan, viz., Provident Fund, the Bank pays fixed contribution at pre-determined rates to a separate trust, which invests in permitted securities. The obligation of the Bank is limited to such fixed contribution.
- In respect of Defined Benefit Plans, viz., Gratuity and Pension, provision has been made based on actuarial valuation as per the guidelines.
- In respect of Leave encashment, provisioning requirement has been made based on actuarial valuation.

The disclosure requirements as per the Accounting Standards are given below:

Principal Actuarial Assumptions

Particulars	Gratuity	Pension	Privilege Leave
Discount Rate	7.50%	7.30%	7.50%
Salary escalation rate	5.50%	5.50%	5.50%

Attrition rate	1.59%	3.00%	1.28%
Expected rate of return on Plan Assets	8.74%	8.21%	----

Expenses recognized in Profit and Loss Account

(Rs. in crore)

Particulars	Gratuity	Pension	Privilege Leave
Current Service Cost	7.02	13.58	0.74
Interest cost on benefit obligation	8.59	26.83	6.43
Expected return on plan assets	(10.91)	(35.14)	--
Net Actuarial gain / (loss) recognised in the year	1.96	54.63	20.31
Expenses recognised in the Profit and Loss Account	6.66	59.90	27.48

Changes in the present value of the defined benefit obligation

(Rs. in crore)

Particulars	Gratuity	Pension	Privilege Leave
Present value of obligation as at 01.4.2016	115.24	350.95	85.65
Interest cost	8.59	26.82	6.43
Current Service Cost	7.02	13.58	0.73
Benefits paid	(8.79)	(9.65)	(5.28)
Net actuarial gain / (loss) on obligation	1.03	41.97	20.31
Present value of the defined benefit obligation as at 31.3.2017	123.09	423.67	107.84

Change in the fair value of plan assets

(Rs. in crore)

Particulars	Gratuity	Pension	Privilege Leave
Fair value of plan assets as at 01.4.2016	116.46	352.87	---
Expected Return on plan assets	10.91	35.14	--
Contribution by employer	8.88	71.91	5.28
Benefits Paid	(8.79)	(9.65)	(5.28)
Actuarial gain / (loss)	(0.92)	(12.66)	--
Fair value of plan assets as at 31.3.2017	126.54	437.61	--

4.4 Segment Reporting: (AS-17)

Part A: Business segments

(Rs. in crore)

SN	Particulars	2016-17 (Audited)	2015-16 (Audited)
	Segment Revenue		
a	1. Treasury Operations	1437.54	1247.51
	2. Corporate/Wholesale Banking Operations	1755.76	1786.07
	3. Retail Banking Operations	3199.98	3105.66
	4. Other Banking Operations	11.28	10.98
	Total	6404.56	6150.22
	Segment Results		
b	1. Treasury Operations	416.50	256.85
	2. Corporate/Wholesale Banking Operations	544.32	472.89
	3. Retail Banking Operations	835.08	791.22
	4. Other Banking Operations	10.20	10.00
	Total	1806.10	1530.96
c	Unallocated Expenses	235.13	227.90

SN	Particulars	2016-17 (Audited)	2015-16 (Audited)
d	Operating Profit	1570.97	1303.06
e	Income Taxes	277.49	344.00
f	Other Provisions	687.50	391.43
g	Exceptional Item	Nil	Nil
h	Net Profit	605.98	567.63
i	Other Information	Nil	Nil
	Segment Assets		
j	1. Treasury Operations	14958.21	14573.11
	2. Corporate/Wholesale Banking Operations	13511.62	13991.59
	3. Retail Banking Operations	27396.10	25092.79
	4. Other Banking Operations	Nil	Nil
	5. Unallocated Assets	5941.69	5327.23
	Total	61807.62	58984.72
	Segment Liabilities		
k	1. Treasury Operations	14487.11	14179.05
	2. Corporate/Wholesale Banking Operations	12194.54	12672.63
	3. Retail Banking Operations	24723.78	22733.42
	4. Other Banking Operations	Nil	Nil
	5. Unallocated Liabilities	5366.49	4826.67
	Capital Employed	5035.70	4572.95
Total	61807.62	58984.72	

Part B: Geographic segments

Geographical Segment consists only of the Domestic Segment since the Bank does not have any foreign branch.

4.5 Related Party Transactions (AS-18):

Disclosure about transactions with Key Management Personnel

Key Management Personnel	Designation	Item	Amount (Rs.)
Shri B. Swaminathan	Chairman	Honorarium	9,00,000.00
Shri K. Venkataraman	MD & CEO	Remuneration	80,16,467.93

(Rs. in crore)

Items/ Related Party	Parent (as per ownership or control)		Subsidiaries		Associates/ Joint ventures		Key Management Personnel		Relatives of Key Management Personnel		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
March 31st	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Borrowings	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Deposit	Nil	Nil	Nil	Nil	Nil	Nil	1.83 (max during the year 1.83)	1.58 (max during the year 1.58)	Nil	Nil	1.83	1.58
Placement of deposits	NIL											
Advances												
Investments												
Non-funded commitments												
Leasing/HP arrangements availed												

Leasing/HP arrangements provided													
Purchase of fixed assets													
Sale of fixed assets													
Interest paid	Nil	Nil	Nil	Nil	Nil	Nil	0.15	0.12	Nil	Nil	0.15	0.12	
Interest received													
Rendering of services													
Receiving of services													
Management contracts													

NIL

4.6 Earnings per Share (AS-20):

S N	Particulars	2016-17	2015-16
1	Basic EPS after Extraordinary items (Rs.)	(*) 9.95	46.59
2	Basic EPS before Extraordinary items (Rs.)	(*) 9.95	46.59
3	Diluted EPS after Extraordinary items (Rs.)	(*) 9.95	46.59
4	Diluted EPS before Extraordinary items (Rs.)	(*) 9.95	46.59
Computation of Basic EPS (after Extraordinary items)			
S N	Particulars	2016-17	2015-16
1	Net Profit (Rs. in crore)	605.98	567.63
2	Weighted number of shares	609322270	121846438
3	Basic EPS (A/B) (Rs.)	(*) 9.95	46.59
4	Nominal Value per share (Rs.)	2.00	10.00
Computation of Diluted EPS (after Extraordinary items)			
S N	Particulars	2016-17	2015-16
1	Net Profit (Rs. in crore)	605.98	567.63
2	Weighted number of shares (including Potential Equity Shares)	609322270	121846438
3	Diluted EPS (A/B) (Rs.)	(*) 9.95	46.59
4	Nominal Value per share (Rs.)	2.00	10.00
Computation of Basic EPS (before Extraordinary items)			
S N	Particulars	2016-17	2015-16
1	Net Profit (Rs. in crore)	605.98	567.63
2	Weighted number of shares	609322270	121846438
3	Basic EPS (A/B) (Rs.)	(*) 9.95	46.59
4	Nominal Value per share (Rs.)	2.00	10.00
Computation of Diluted EPS (before Extraordinary items)			
S N	Particulars	2016-17	2015-16
1	Net Profit (Rs. in crore)	605.98	567.63
2	Weighted number of shares (including Potential Equity Shares)	609322270	121846438
3	Diluted EPS (A/B) (Rs.)	(*) 9.95	46.59
4	Nominal Value per share (Rs.)	2.00	10.00

(*) During the year ended March 31, 2017, one Equity Share of face value Rs. 10/- each was sub-divided into five Equity Shares of face value Rs. 2/- each with effect from 18th November 2016. The EPS calculations reported above for the year ended 31st March 2017 have been calculated taking into account face value of Rs. 2/- each. The EPS calculations reported therein for the corresponding previous year ended March 31, 2016 are based on the face value of Rs 10/- each as it existed as on the said date.

4.7 Accounting for Taxes on Income (AS-22):

The Bank has recognized Deferred Tax Asset / Liability (DTA/DTL) and has accounted for the Net Deferred Tax as on 31.03.2017.

Major components of Deferred Tax Assets and Deferred Tax Liabilities are as under:

Deferred Tax Liabilities

(Rs. in crore)

Particulars	As on 31.03.2017	As on 31.03.2016
1. Depreciation on Fixed Asset	22.68	25.66
2. Interest received but not due	0	3.29
3. Special Reserve u/s 36(1)(viii) of the Income Tax Act,1961	89.98	81.33
4. Others	64.05	151.52
TOTAL	176.71	261.80

Deferred Tax Assets

(Rs. in crore)

Particulars	As on 31.03.2017	As on 31.03.2016
1. Provision for leave encashment	41.58	30.30
2. Provision for Bad and doubtful debts	36.24	36.24
3. Others	33.31	12.29
TOTAL	111.13	78.83

Note : The provision for Income Tax has been worked based on the Income Computation and Disclosures Standards (ICDS).

4.8. Impairment of Assets (AS – 28) :

In the opinion of the Management, there is no impairment of its Fixed Asset to any material extent as at 31.03.2017 requiring recognition in terms of Accounting Standard 28.

4.9. The Bank has deposited an amount of Rs. 251.39 crore towards disputed tax liability. In the opinion of the Bank, no provision is considered necessary based on favourable decisions by various courts.

5. ADDITIONAL DISCLOSURES

5.1 Provisions and Contingencies:

(Rs. in crore)

Break-up of 'Provision and Contingencies' shown under the head Expenditure in Profit & Loss Account	2016-17	2015-16
Provision for Standard Assets	(11.18)	(5.28)
Provision for Bad & Doubtful Debts	417.30	349.59
Provision for loss on sale of assets to ARC	252.76	67.63
Provision for Depreciation on Investments	30.47	(0.69)
Provision towards sacrifice of Interest on Restructured Advances	(12.06)	(61.26)
Provision for Frauds and Other provision	9.16	4.91
Provision for SDR	12.18	--
Provision for food credit @	(12.68)	35.52
Provision for unhedged Foreign Currency Exposure	1.54	1.00
Provision for Income Tax	394.88	161.31
Provision for Deferred Tax	(117.39)	182.69
Total	964.98	735.42

@The Bank had made a provision of Rs.35.52 crore being 15% of the outstanding food credit availed by the State Government of Punjab as at 31.03.2016. During the year ended March 31, 2017 an excess provision of Rs. 12.68 crore was written back.

5.2. Movement of Floating Provision/Counter Cyclical Buffer

(Rs. in crore)

Particulars	2016-17	2015-16
Floating Provision at the beginning of the year	9.69	9.69

Floating Provision made during the year	Nil	Nil
Amount transferred to counter cyclical buffer as per RBI guidelines	Nil	Nil
Floating Provision at the end of the year	9.69	9.69

5.3 Draw Down from Reserves

General Reserve

In terms of RBI circular DBR.No.BP.BC.102/21.04.048/2015-16 dated 13.06.2016, the bank has debited to General Reserve an amount of Rs.185.07 crore, being unamortised amount of loss on sale of assets to ARCs during the Financial Year 2015-16. (Refer Note No. 3.4.4)

5.4. Disclosure of Complaints

(a) Customer Complaints (including ATM transaction complaints) as on 31.03.2017

Particulars	2016 – 17	2015 – 16
No. of complaints pending at the beginning of the year	55	32
No. of complaints received during the year #	18335	18937
No. of complaints redressed #	18338	18914
No. of complaints pending at the end of the year	52	55

Includes ATM failed transactions complaints received and redressed of 17742 during FY 2016-17 (Previous Year 18388 complaints)

(b) Awards passed by Banking Ombudsman

Particulars	2016-17	2015-16
1. No. of unimplemented awards at the beginning of the year	Nil	Nil
2. No. of awards passed by Banking Ombudsman during the year		
3. No. of awards implemented during the year		
4. No. of unimplemented awards at the end of the year		

Note: The above data has been compiled on the basis of the guidelines of RBI and certain assumptions made by management and have been relied upon by auditors.

5.5 Disclosure of Letter of Comfort (LOCs) :

The amount of Letter of comfort issued during the year 2016-17 was Rs. 3664.13 crore (Previous year Rs. 3395.57 crore) and outstanding as on 31.03.2017 was Rs. 1284.61 crore (Previous year Rs. 1447.19 crore)

5.6 Provision Coverage Ratio (PCR)

The Provision Coverage Ratio as on 31.03.2017 is 57.83%.

5.7 Bancassurance Business:

The bank has received an amount of Rs. 9.36 crore (Life Insurance Rs. 6.66 crore and Non-Life Insurance Rs. 2.70 crore) towards fee/remuneration in respect of the bancassurance business undertaken during 01.04.2016 to 31.03.2017.

5.8.1 Concentration of Deposits:

(Rs. in crore)

Particulars	As on 31.03.2017	As on 31.03.2016
Total Deposits of twenty largest depositors	3540.20	4706.57
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	6.59%	9.40%

5.8.2 Concentration of Advances

(Rs. in crore)

Particulars	As on 31.03.2017	As on 31.03.2016
Total Advances to Twenty Largest Borrowers	5041.57	5682.60

Percentage of Advances to Twenty Largest Borrowers to Total Advances of the Bank.	10.01%	9.81%
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5.8.3 Concentration of Exposures

(Rs. in crore)

Particulars	As on 31.03.2017	As on 31.03.2016
Total Exposures to Twenty Largest Borrowers / Customers	5136.01	5769.62
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	9.80%	9.78%

5.8.4 Concentration of NPAs

(Rs. in crore)

Particulars	As on 31.03.2017	As on 31.03.2016
Total Exposure to top four NPA Accounts	567.52	204.03

5.9 Sector-wise Advances

(Rs. in crore)

SN	Sector	As on 31.03.2017			As on 31.03.2016		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	Priority Sector						
1	Agriculture and allied Activities	7551.68	194.60	2.58%	7604.82	56.72	0.75%
2	Advances to industries sector eligible as priority sector lending	3983.92	97.71	2.45%	3302.07	41.59	1.26%
3	Services	5559.10	133.36	2.40%	4636.78	76.26	1.64%
4	Personal Loans	1216.00	44.83	3.69%	1207.15	29.01	2.40%
	Subtotal (A)	18310.70	470.50	2.57%	16750.82	203.58	1.21%
B.	Non Priority Sector						
1	Agriculture and allied Activities	627.18	2.69	0.43%	584.01	Nil	Nil
2	Industry	12746.05	604.75	4.74%	12707.03	195.11	1.54%
3	Services	7557.06	351.23	4.65%	7215.18	60.66	0.84%
4	Personal Loans	2193.99	54.64	2.49%	2218.66	51.83	2.34%
	Subtotal (B)	23124.28	1013.31	4.38%	22724.88	307.60	1.35%
	Total(A+B)	41434.98	1483.81	3.58%	39475.70	511.18	1.30%

The above data has been furnished by the management and have been relied upon by the auditors.

5.10 (i) Movement of NPAs

(Rs. in crore)

Particulars	2016-17	2015-16
Gross NPAs * as on the beginning of the year	511.18	677.78
Additions (Fresh NPA) during the year	1330.83	1133.41
Sub-total (A)	1842.01	1811.19
Less : -(i) Up gradations	28.52	26.14

(ii) Recoveries (excluding recoveries made from upgraded accounts)	65.91	331.28
(iii) Technical/Prudential write-offs/Sale to ARC	260.42	942.59
(iv) Write off other than those (iii) above	3.35	Nil
Sub-total (B)	358.20	1300.01
Gross NPAs as at the end of the year	1483.81	511.18

*Gross NPAs arrived at as per item 2 of Annex to RBI Circular DBOD.BP.BC.No.46/21.04.048/2009-10 dated September 24, 2009

(ii) Movements in Technical write off

(Rs. in crore)

Particulars	2016-17	2015-16
Opening balance of Technical/prudential write-off accounts as at beginning of the year	721.50	455.38
Add: Technical/prudential write-offs during the year	260.42	292.25
Sub-total (A)	981.92	747.63
Less: Recoveries / Sale made from previously technical/prudential written-off accounts during the year (B)	14.96	26.13
Closing balance (A-B)	966.96	721.50

5.11 Overseas Asset, NPAs and Revenue:

(Rs. in crore)

Particulars	2016 - 17	2015 - 16
Total Assets	1003.74	199.10
Total NPAs	Nil	Nil
Total Revenue	0.30	0.06

5.12 Off-balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

NIL

5.13 Unamortised Pension and Gratuity Liabilities

NIL

5.14 Disclosures on Remuneration

Qualitative Disclosure

(a) Information relating to the composition and mandate of the Nomination & Remuneration (NRC) Committee:

Nomination and Remuneration Committee of the Board consists of five directors and its composition complies with RBI guidelines, provisions of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015.

The mandate of the Nomination & Remuneration Committee includes:

Recommendation of appointment/ reappointment of Directors, MD&CEO/WTD of the Bank.

Recommending to the Board a policy relating to the remuneration for the MD&CEO/WTD, Non-Executive Independent (Part-time) Chairman of the Bank and President & COO.

Framing of guidelines for the ESOS and considering granting of ESOS administering and supervising the ESOS with particular reference to quantum of options to be granted, grant price, vesting period, exercise period etc., to the eligible employees.

No external consultants' advice had been sought by the Bank in the remuneration process.

Compensation policy of the Bank, approved by the Board, pursuant to the guidelines issued by RBI. The policy is applicable to the MD&CEO/WTD, Non-Executive Independent (Part-time) Chairman and President & COO. All other employees up to Scale VII cadre are covered under Industry level Bi-partite Settlements of IBA.

(b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy

NRC is entrusted with the responsibility of recommending to the Board an appropriate compensation payable to the Non-Executive Independent (Part-time) Chairman, MD&CEO/WTD and the President & COO in the light of the guidance from the regulator from time to time.

The Compensation payable to MD&CEO/ WTD of the Bank is divided into fixed and variable components. The fixed remuneration represents a significant proportion of total remuneration taking into account all relevant factors including the prevalent industry practices. Variable pay shall relate to the performance of the Bank and there is proper balance between fixed pay and variable pay. Variable pay must be paid on the basis of achievement of certain basic targets such as reaching business figures including net profits and other qualitative factors taking into account the

extraordinary items, appropriate risk management and efficient consumption of capital and comparison of results with industry performance.

As the Bank is a party to the Bipartite settlements of IBA, the compensation of staff engaged in control functions like Risk and Compliance are covered under these Bipartite settlements which cover all employees upto the Scale VII cadre.

The Nomination and Remuneration Committee of the Board reviewed the Compensation policy of the Bank on 21.03.2017. There were no changes made in the Compensation policy during the year.

(c) Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks:

NRC may use a wide variety of measures of credit, market and liquidity risks in implementation of risk adjustment. The risk adjustment methods should preferably have both quantitative and judgmental elements. Bank has system of measuring and reviewing these risks.

The risk parameters used for setting of performance objectives and for measuring performance which includes besides financial performance, adherence to internal processes and compliance. Compensation is effectively aligned in both fixed and variable pay. There is a proper balance between fixed and variable pay. Bank shall not offer any guaranteed bonus based on its performance in tune with the sound risk management principles. The Bank shall not grant any severance pay to the MD&CEO/ WTD and Bank shall not provide any facility or fund or permit MD&CEO/ WTD to insure or hedge his/her compensation structure to offset the risk alignment effects embedded in the compensation package.

(d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration:

Bank would ensure that the compensation is adjusted to all types of risk, symmetrical with risk outcomes as well as sensitive to the time horizon of risk.

The variable pay could be in cash, stock linked instruments or a mix of both. Variable pay shall relate to the performance of the Bank.

Variable pay is considered only for MD & CEO/WTD of the Bank. Variable pay shall not exceed 40% of the fixed pay in any year.

For the Non-Executive Independent (Part-time) Chairman of the Bank, only fixed pay/salary is payable apart from the sitting fees payable for attending the Board or Board Committee Meetings.

In the event of negative growth of the bank and or the relevant line of business in any year, the deferred compensation shall be subjected to malus and clawback arrangements in tune with the RBI guidelines..

(e) A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting:

For MD & CEO/WTD: If the variable pay is significant, then the bank would defer the payment over a period of three years.

(f) Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms:

The Bank has paid only fixed remuneration to MD&CEO/WTD for the year 2016-17 as per RBI approval.

NRC may recommend a reasonable number of Stock Options under the ESOS to MD&CEO/WTD while granting ESOS as per SEBI Regulation. ESOS shall not form part of the total compensation of MD&CEO/WTD as per the Compensation Policy.

The Bank shall not grant any severance pay (other than the terminal benefits and gratuity as per the provisions) to the MD&CEO/WTD.

Bank shall not provide any facility or funds or permit MD&CEO/WTD to insure or hedge his/her compensation structure to offset the risk alignment effects embedded in the compensation package.

Quantitative Disclosures:

Particulars	2016-17	2015-16
a) Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	3 Meetings and Remuneration of Rs. 2.80 lakh	2 Meetings and Remuneration of Rs.1.80 lakh
b) Number of employees having received a variable remuneration award during the financial year	Nil	Nil
c) Number and total amount of sign-on awards made during the financial year		
d) Details of guaranteed bonus, if any, paid as joining / sign on bonus		
e) Details of severance pay, in addition to accrued benefits, if any		

f) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms		
g) Total amount of deferred remuneration paid out in the financial year		
h) Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred		
i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments		
j) Total amount of reductions during the financial year due to ex-post explicit adjustments		
k) Total amount of reductions during the financial year due to ex-post implicit adjustments		

5.15 Disclosures relating to Securitisation

The bank has not sponsored any SPVs for Securitization transactions.

5.16 Credit Default Swaps

Bank has not initiated any trade in Credit Default Swaps.

5.17 Intra Group Exposures

NIL

5.18 Transfers to Depositor Education and Awareness Fund (DEAF) :

(Rs. in crore)

Particulars	2016-17	2015-16
Opening balance of amounts transferred to DEAF	64.73	50.36
Add : Amounts transferred to DEAF during the year	20.17	15.22
Less : Amounts reimbursed by DEAF towards claims	1.30	0.85
Closing balance of amounts transferred to DEAF	83.60	64.73

5.19 Provision for Unhedged forex Exposure :

The Bank has made a provision of Rs. 1.54 crore (Previous Year Rs. 1 crore) towards unhedged forex exposure for its clients for the year ended 31.03.2017.

5.20 During the financial year 2016-17, the Bank has not granted any stock options.

6. Liquidity Coverage Ratio (LCR)

(Rs. in crore)

Particulars	2016-17		2015-16	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets				
1 Total High Quality Liquid Assets (HQLA)		8796.38		6903.22
Cash Outflows				
2 Retail deposits and deposits from small business customers, of which:	35265.65	3363.55	30249.05	2883.18
(i) Stable deposits	3260.36	163.02	2834.60	141.73
(ii) Less stable deposits	32005.29	3200.53	27414.45	2741.45
3 Unsecured wholesale funding, of which:	5503.54	790.77	4387.33	581.45
(i) Operational deposits (all counterparties)	0	0	0	0
(ii) Non-operational deposits (all counterparties)	5503.54	790.77	4387.33	581.45
(iii) Unsecured debt	0	0	0	0
4 Secured wholesale funding		1158.21		2059.40

5	Additional requirements, of which	6773.30	559.84	3985.70	355.71
(i)	Outflows related to derivative exposures and other collateral requirements	0	0	0	0
(ii)	Outflows related to loss of funding on debt products	0	0	0	0
(iii)	Credit and liquidity facilities	6773.30	559.84	3985.70	355.71
6	Other contractual funding obligations	85.41	85.41	48.35	48.35
7	Other contingent funding obligations	408.99	12.27	440.62	22.03
8	Total Cash Outflows		4811.84		3890.71
Cash Inflows					
9	Secured lending (e.g. reverse repos)	240.22	0	33.42	0
10	Inflows from fully performing exposures	0	0	0	0
11	Other cash inflows	1136.37	751.64	2038.70	1149.11
12	Total Cash Inflows	1376.58	751.64	2067.12	1149.11
			Total Adjusted Value		
13	TOTAL HQLA		8796.38		6903.22
14	Total Net Cash Outflows		4060.20		2741.60
15	Liquidity Coverage Ratio (%)		216.65%		251.80%

6.1 Qualitative disclosure around LCR

The LCR promotes short term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days.

Objective:

The LCR standard aims to ensure that a bank maintains an adequate level of unencumbered HQLAs that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario specified by supervisors. At a minimum, the stock of liquid assets should enable the bank to survive until day 30 of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken.

The LCR requirement is binding on banks from January 1, 2015; with a view to provide a transition time for banks, the requirement has been fixed at minimum 60% for the calendar year 2015 i.e. with effect from January 1, 2015 and rise in equal steps to reach the minimum required level of 100% from January 1, 2019 as per the time line given below:

	January 1, 2015	January 1, 2016	January 1, 2017	January 1, 2018	January 1, 2019
Minimum LCR	60%	70%	80%	90%	100%

Composition of HQLA:

- Cash in hand
- Excess CRR balance as on that particular day
- Excess Government Securities in excess of minimum SLR requirement
- Government Securities within the mandatory SLR requirement to the extent allowed by RBI under MSF (Presently to the extent of 2% of NDTL as allowed for MSF)
- Facility to avail liquidity for liquidity coverage ratio at 8% of NDTL
- AAA rated bonds and AA- & above bonds and adding marketable securities representing claims guaranteed by sovereigns having risk weights higher than 20% but not higher than 50%
- Common equity shares not issued by the bank/financial institution/NBFC or any of its affiliated entities and included in NSE CNX Nifty and / or S & P BSE Sensex indices.

For FY 2015-16, the values were arrived based on simple averages of monthly observations over the previous quarter. (i.e. the average is calculated over a period of 90 days.)

As specified in the RBI Circular RBI/2014-15/529 DBR.No.BP.BC.80/21.06.201/2014-15 dated March 31, 2015 “Prudential Guidelines on Capital Adequacy and Liquidity Standards – Amendments”, for FY 2016-17 upto Q3, the values were arrived based on simple averages of monthly observations while for Q4 (i.e. from 01/01/2017 to 31/03/2017) the values were calculated simple averages on daily observations. After considering all the 4 quarters average values, the “Total un-weighted Values (average)” and “Total weighted Values (average)” has been calculated.

7. Basel III disclosures

In accordance with RBI circular DBOD. No. BPBC.1/21.06.201/2015-16 dated 01.07.2015, read together with RBI circular DBR.No.BP.BC.80/21.06.201/2014-15 dated 31.03.2015, Banks are required to make Pillar 3 disclosures under Basel III capital regulations.

Accordingly, Pillar 3 disclosures under Basel III capital regulations have been made available on the Bank's website at the following link - http://www.kvb.co.in/footer/pillarIII_disclosures.html.

These disclosures have not been subjected to audit by the Statutory Central Auditors.

8. Corporate Social Responsibility

The bank has incurred an amount of Rs. 1.60 crore towards Corporate Social Responsibility and is in the process of identifying various projects and its appropriateness for spending in future.

9. UDAY Scheme

In compliance with RBI communication DBR.BP.No.11657/21.04.132/2015-16 dated 17th March 2016, the investments in DISCOM bonds of Rs. 24.33 crore (which were envisaged to be converted into SDL) have been classified as Non Performing Investments and provision of Rs.6.08 crore has been made therefor.

10. The Bank had made a provision of Rs.35.52 crore being 15% of the outstanding food credit availed by the State Government of Punjab as at 31.03.2016. During the year ended March 31, 2017 an excess provision of Rs.12.68 crore was written back.

11. The Bank was grouping loss on sale of assets to ARC under Operating Expenses upto December 2016. However, from the quarter ended 31.03.2017, it has been regrouped under Provisions & Contingencies. Accordingly, the figures of the previous year have also been regrouped.

12. Status with regard to Ind AS Implementation

As per RBI notification DBR.BP.BC.No.76/21.07.001/2015-16 dated February 11, 2016, Bank has to disclose the strategy for Ind AS implementation, including the progress made in this regard.

Implementation Strategy

The Bank has formulated a Steering Committee for implementation of Ind AS. The Steering Committee of Bank is analyzing the current accounting framework and Ind AS for changes in significant accounting policies, preparation of disclosures, documentation.

Progress on Ind AS implementation.

The bank has submitted Proforma Ind AS Financial Statement to RBI for the half year ended September 30, 2016 on 31st December 2016.

13. Figures of the previous year have been regrouped/rearranged/reclassified wherever necessary.

3.4.2 Disclosure of Restructured Accounts																						
(Rs. in Crore)																						
SI No	Type of Restructuring	Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total					
	Asset Classification	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	
	Details																					
1	Restructured Accounts as on April 1 of the FY (opening figures*)	No. of borrowers	9	0	0	2	11	20	2	1	1	24	88	9	5	32	134	117	11	6	35	169
		Amount outstanding	358.77	0.00	0.00	1.15	359.92	22.33	0.48	0.01	0.00	22.82	973.87	0.56	4.14	0.65	979.22	1354.97	1.04	4.15	1.80	1361.96
		Provision thereon	59.08	0.00	0.00	1.15	60.23	3.28	0.07	0.01	0.00	3.36	79.97	0.08	4.14	0.65	84.84	142.33	0.15	4.15	1.80	148.43
2	Fresh Restructuring during the year ¹	No. of borrowers	0	0	0	0	0	0	0	0	0	0	2	0	0	0	2	2	0	0	0	2
		Amount outstanding	9.36	0.00	0.00	0.00	9.36	0.01	0.00	0.00	0.00	0.01	99.58	0.00	1.45	0.00	101.03	108.95	0.00	1.45	0.00	110.40
		Provision thereon	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16.26	0.00	0.00	0.00	16.26	16.26	0.00	0.00	0.00	16.26
3	Upgradations to restructured standard category during the FY	No. of borrowers	0	0	0	0	0	0	0	0	0	0	1	0	0	-1	0	1	0	0	-1	0
		Amount outstanding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	-0.02	0.00	0.02	0.00	0.00	-0.02	0.00
		Provision thereon	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	Restructured standard advanced which cease to attract higher provisioning and / or additional weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-1	0	0	0	-1	-5	0	0	0	-5	-22	0	0	0	-22	-28	0	0	0	-28
		Amount outstanding	-37.71	0.00	0.00	0.00	-37.71	-2.41	0.00	0.00	0.00	-2.41	-38.22	0.00	0.00	0.00	-38.22	-78.34	0.00	0.00	0.00	-78.34
		Provision thereon	-4.58	0.00	0.00	0.00	-4.58	-0.03	0.00	0.00	0.00	-0.03	-2.29	0.00	0.00	0.00	-2.29	-6.90	0.00	0.00	0.00	-6.90
5	Downgradations of restructured accounts during the FY	No. of borrowers	0	0	0	0	0	-3	1	3	0	1	-22	-4	9	17	0	-25	-3	12	17	1
		Amount outstanding	0.00	0.00	0.00	0.00	0.00	-0.43	0.10	0.57	0.00	0.24	-80.57	-0.15	80.39	0.34	0.01	-81.00	-0.05	80.96	0.34	0.25
		Provision thereon	0.00	0.00	0.00	0.00	0.00	-0.02	0.05	0.07	0.00	0.10	-13.37	0.03	19.15	0.02	5.83	-13.39	0.08	19.22	0.02	5.93
6	Write-offs of restructured accounts during the FY ²	No. of borrowers	-1	0	0	-2	-3	-9	0	0	-1	-10	-24	-4	-1	-5	-34	-34	-4	-1	-8	-47
		Amount outstanding	-81.52	0.00	0.00	-1.15	-82.67	-6.76	-0.12	-0.13	0.00	-7.01	-374.52	-0.26	-29.95	-0.17	-	-462.80	-0.38	-30.08	-1.32	-494.58
		Provision thereon	-19.75	0.00	0.00	-1.15	-20.90	-2.61	-0.05	-0.01	0.00	-2.67	-10.81	-0.10	-2.92	-0.55	-14.38	-33.17	-0.15	-2.93	-1.70	-37.95
7	Restructured Accounts as on March 31 of the FY (closing figures* ³)	No. of borrowers	7	0	0	0	7	3	3	4	0	10	23	1	13	43	80	33	4	17	43	97
		Amount outstanding	248.90	0.00	0.00	0.00	248.90	12.74	0.46	0.45	0.00	13.65	580.16	0.15	56.03	0.80	637.14	841.80	0.61	56.48	0.79	899.68
		Provision thereon	34.75	0.00	0.00	0.00	34.75	0.62	0.07	0.07	0.00	0.76	69.76	0.01	20.37	0.12	90.26	105.13	0.08	20.44	0.12	125.77

* - Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable).

Foot Note 1 - The figures under Sr. No.2 include fresh accounts restructured under Tamil Nadu Flood Relief Package (A/c - 2, Amt. Rs 1.75 Cr. & additions to existing restructured accounts (Rs 108.65 Cr.).

Foot Note 2 - The figures under Sr.No.6 include Rs 63.85 crore of reduction from existing restructured accounts by way of Partial closure/Recovery/Write-off.

Foot Note 3 - The provision under Sr. No.7 includes total provision held on restructured accounts.

Foot Note 4 - Accounts restructured under Flexible Structuring, SDR, Change of ownership outside SDR etc., are disclosed separately.

(₹ in Crore)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2017	As at 31.03.2017	As at 31.03.2016
	₹	₹
Cash Flow from Operating Activities		
Net Profit as per Profit and Loss account	605.98	567.63
Adjustments for		
Exceptional items	Nil	Nil
Depreciation	85.89	82.81
Interest Paid on TIER II Bond issued	14.76	14.82
Provisions and Contingencies	956.58	664.03
Provision for Leave Encashment	26.74	26.49
Amortization of HTM Securities	27.67	22.74
Provision for Impairment on investments	8.40	3.76
Profit / (Loss) on Sale of Investments	-204.64	-94.41
Profit / (Loss) on Sale of Assets	-0.52	-0.11
	-----	-----
	--	-----
Operating Profit before Working Capital changes	1520.88	1287.76
(Increase) /Decrease in Operating Assets		
Purchase and Sale of Investments	-276.72	-1998.93
Funds Advanced to Customers	-2227.99	-3263.77
Other Operating Assets	-172.37	-770.78
	-----	-----
	--	-
	-1156.21	-4745.72
Increase / (Decrease) in Operating Liabilities		
Deposits from Customers	3620.91	5388.63
Borrowings from Banks	-1198.59	-6.51
Other Operating Liabilities	130.14	118.47
	-----	-----
	--	-
Cash generated from Operations	1396.25	754.87
Direct Taxes Paid	-215.00	-175.00
	-----	-----
	--	-
Net Cash Generated from Operations	1611.25	579.87
	=====	=====
Cash Flow from Investing Activities		
Purchase of Fixed Assets	-85.21	-91.83
Sale of Fixed Assets / Other Assets	1.35	0.18
	-----	-----
	--	-
Net Cash Generated from Investing Activities	-83.86	-91.65
	=====	=====
Cash Flow from Financing Activities		
Proceeds from Share Capital	Nil	0.23
Proceeds from Share Premium	Nil	6.22
Interest paid on TIER II Bond issued	-14.76	-14.82
Dividend paid (Incl Interim dividend and Dividend Distribution Tax)	-59.14	-337.35

	-----	-----
	-	-
Net Cash Flow from Financing Activities	-73.90	-345.71
	=====	=====
Cash Flow From Operating Activities	1611.25	579.87
Cash Flow from investing Activities	-83.86	-91.65
Cash Flow from Financing Activities	-73.90	-345.71
	-----	-----
	--	-
Increase in Cash & Cash Equivalent	1453.49	142.51
Cash and Cash Equivalents at the beginning	2891.60	2749.09
	-----	-----
	--	-
Cash and Cash Equivalents at the end	4345.09	2891.60
	=====	=====

The above Cash Flow Statement is followed based on indirect method.

REFORMATTED FINANCIAL STATEMENTS EXAMINATION REPORT

To,
The Board of Directors,
The Karur Vysya Bank Limited
Registered & Central Office
Erode Road,
Karur 639002

Dear Sirs,

1. We are engaged to report on the reformatted financial statements (“**Financial Statements**”) of The Karur Vysya Bank Limited (“**Bank**”) for the quarter ended June 30, 2017 annexed to this report for the purpose of inclusion in the Letter Of Offer (herein after referred to as the “**Offering Document**”) prepared by the Bank in connection with the proposed Rights issue of its equity shares along with a reservation for the eligible employees of the Bank (“**Rights Issue**”) in accordance with the provisions of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time (the “**SEBI ICDR Regulations**”). The preparation of the financial statements is the responsibility of the company’s management.

Our responsibility is to report on the statements based on our procedures.

2. We have examined such statements taking in to consideration:
 - (a) the terms of reference dated August 11, 2017 received from Bank, in connection with the Offering Document being issued by the Bank for the Rights Issue of its equity shares; and
 - (b) the Guidance Note on Reports in Company Prospectus (Revised) issued by the Institute of Chartered Accountants of India.
3. We report that the figures disclosed in the “Financial Statements” of the Bank have been extracted by the Management from the financial statements of the Bank for the quarter ended June 30, 2017 that had been approved by the Board of Directors of the Bank. The financial statements for the quarter ended June 30, 2017 have been subjected to limited review by us and in respect of which we have issued an unqualified opinion.
4. For the purpose of this report, we have not performed any additional audit procedures on the above referred limited reviewed financial statements of the Bank for the quarter ended June 30, 2017, including evaluating the possible impact, if any, of subsequent events on the earlier audited financial statements of the Bank.
5. The “Financial Statements” annexed to this report are extracted from the limited reviewed financial statements for the quarter ended June 30, 2017. These “Financial Statements” have been prepared using the same set of accounting policies used for preparing the audited financial statements as at March 31, 2017.
6. In our opinion, the financial information contained in this report have been prepared in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, Section 129 of the Companies Act, 2013 and the requirements of the Securities and Exchange Board of India (Issue of Capital & Disclosure Requirement) Regulations, 2009 as amended from time to time.
7. At the Bank’s request, we have also examined the following information proposed to be included in the Offering Document prepared by the Management and annexed to this report:
 - (i) Accounting Ratios, and
 - (ii) Capitalization statement.
8. This report should not in any way construed as a re-reading of any of the previous audit report issued by us nor should this report be construed as a new opinion on any of the financial statements referred to herein.
9. This report is intended solely for your information and for inclusion in the Offering Document in connection with the proposed Rights issue by the Bank and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **Abarna & Ananthan**
Chartered Accountants

Firm Registration No.000003S

S Ananthan
Partner
Membership No.: 026379

Place:-Karur
Date: September 25, 2017

THE KARUR VYSYA BANK LTD.
CENTRAL OFFICE, ERODE ROAD, KARUR 639002
BALANCE SHEET AS ON 30TH JUNE 2017

(₹ in crore)

	SCHEDULE	AS ON 30.06.2017 ₹	AS ON 30.06.2016 ₹
CAPITAL & LIABILITIES			
Capital	1	121.86	121.86
Reserves & Surplus	2	5125.00	4623.73
Deposits	3	54668.17	50714.83
Borrowings	4	1180.05	1786.68
Other Liabilities and Provisions	5	1433.48	1382.75
TOTAL		62528.55	58629.85
ASSETS			
Cash and Bank Balances with Reserve Bank of India	6	3107.30	2626.26
Balances with Banks and Money at call and short notice	7	733.86	285.68
Investments	8	15190.93	14568.90
Advances	9	41697.72	38893.83
Fixed Assets	10	426.80	415.90
Other Assets	11	1371.96	1839.29
TOTAL		62528.55	58629.85
Contingent Liabilities	12	11527.11	10746.47
Bills for collection		3029.29	2785.91

The schedules referred to above form an integral part of Balance Sheet.

THE KARUR VYSYA BANK LTD.
CENTRAL OFFICE, ERODE ROAD, KARUR 639002
PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED 30TH JUNE 2017

(₹ in crore)

	SCHEDULE	Q E 30.06.2017 ₹	Q E 30.06.2016 ₹
I INCOME			
Interest earned	13	1384.08	1385.04
Other Income	14	236.30	162.26
TOTAL		1620.38	1547.31
II EXPENDITURE			
Interest expended	15	845.51	903.91
Operating expenses	16	325.46	297.19
Provisions and Contingencies		301.44	199.86
TOTAL		1472.41	1400.96
III PROFIT			
Net Profit from ordinary activities		147.97	146.35
Exceptional item		Nil	Nil
Net Profit for the quarter		147.97	146.35
Profit brought forward		193.31	2.20
TOTAL		341.28	148.55
IV APPROPRIATIONS			
Transfers to			
Statutory Reserve		Nil	Nil
Capital Reserve		Nil	Nil
Revenue & Other Reserves		Nil	Nil
Investment Reserve		Nil	Nil
Special Reserve U/s 36(1)(viii) of IT Act		Nil	Nil
Proposed Dividend (Including Interim Dividend)		Nil	Nil
Dividend Tax			
		Nil	Nil
BALANCE OF PROFIT		341.28	148.55
TOTAL		341.28	148.55
Basic Earnings Per Share	(in ₹)	2.43	(*) 12.01
Diluted Earnings Per Share	(in ₹)	2.43	(*) 12.01
<i>(Face value Rs. 2/- per share as of June 2017 & Rs. 10/- per share as of June 2016)</i>			

(*) Face value of Rs.10/- each

(₹ in crore)

SCHEDULE 1 - CAPITAL	AS ON 30.06.2017	AS ON 30.06.2016
	₹	₹
Authorised Capital 100,00,00,000 Equity Shares of Rs.2 each (20,00,00,000) Equity Shares of Rs. 10 each	200.00	200.00
Issued Capital: 60,97,26,285 Equity Shares of Rs. 2/- each / 12,19,45,257 Equity Shares of ` 10/-each	121.95	121.95
Subscribed & Paid up Capital: 60,93,22,270 Equity Shares of Rs. 2/- each 12,18,64,454 Equity shares of Rs. 10/- each	121.86	121.86
TOTAL	121.86	121.86
SCHEDULE 2 - RESERVES AND SURPLUS	AS ON 30.06.2017	AS ON 30.06.2016
	₹	₹
I Statutory Reserve		
Opening Balance	1568.53	1416.53
Addition during the quarter	Nil	Nil
TOTAL	1568.53	1416.53
II Capital Reserve		
Opening Balance	168.76	94.89
Addition during the quarter	Nil	Nil
TOTAL	168.76	94.89
III Share Premium		
Opening Balance	1214.92	1214.92
Add : Addition during the quarter (ESOS 2011-234845 @ 457.65)	Nil	Nil
TOTAL	1214.92	1214.92
IV Revenue and Other Reserve		
a) General Reserve		
Opening Balance	1454.96	1460.50
Add : Write back of unamortise Fraud provision	Nil	Nil
Add: Addition during the quarter	63.19	Nil
TOTAL	1518.15	1460.50
b) Investment Reserve		
Opening Balance	53.34	53.34
Addition during the quarter	Nil	Nil
TOTAL	53.34	53.34
c) Employee Stock Option outstanding		
Opening Balance	Nil	Nil
TOTAL	Nil	Nil

d) Special Reserve U/s 36(1) (viii) of Income Tax Act, 1961		
Opening Balance	260.00	235.00
Addition during the quarter		
Add: transferred from General Reserve		
TOTAL	260.00	235.00
V Balance of Profit :	341.28	148.55
TOTAL I, II, III, IV & V	5124.99	4623.73

SCHEDULE 3 - DEPOSITS	AS ON 30.06.2017	AS ON 30.06.2016
	₹	₹
A I. Demand Deposits :		
i) From Banks	16.08	21.82
ii) From Others	5854.98	4227.22
TOTAL	5871.05	4249.04
II. Savings Bank Deposits	10073.68	8069.12
III. Term Deposits		
i) From Banks	4.74	23.06
ii) From Others	38718.70	38373.60
TOTAL	38723.44	38396.66
TOTAL I, II & III	54668.17	50714.83
B Deposits from Branches :		
i) In India	54668.17	50714.83
ii) Outside India	Nil	Nil
TOTAL	54668.17	50714.83
SCHEDULE 4 - BORROWINGS	AS ON 30.06.2017	AS ON 30.06.2016
	₹	₹
I Borrowings in India		
i) Reserve Bank of India	Nil	200.00
ii) Other Banks	Nil	Nil
iii) Other Institutions and Agencies	886.23	1245.05
iv) Other borrowings Subordinated debt bonds	150.00	150.00
TOTAL	1036.23	1595.05
II Borrowings outside India	143.81	191.63
TOTAL I & II	1180.05	1786.68
Secured Borrowings included in I and II above	401.15	846.95

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS	AS ON 30.06.2017	AS ON 30.06.2016
	₹	₹
I Bills Payable	391.82	241.21
II Inter Office Adjustments (Net)	Nil	Nil
III Interest Accrued	183.79	254.94
IV Deferred Tax	37.88	172.89
V Other liabilities (including provisions)	819.98	713.70
TOTAL I, II, III, IV & V	1433.48	1382.75

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA	AS ON 30.06.2017	AS ON 30.06.2016
	₹	₹
I Cash in Hand (Including Foreign Currency Notes)	683.42	487.84
II Balances with Reserve Bank of India In Current Account	2423.88	2138.42
TOTAL I & II	3107.30	2626.26

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL & SHORT NOTICES	AS ON 30.06.2017	AS ON 30.06.2016
	₹	₹
I In India		
i) Balances with Banks :		
a) In Current Accounts	41.79	50.04
b) In Other Deposit Accounts	300.72	0.44
ii) Money at Call and Short Notice with Banks		
(a) in RBI Reverse Repo	Nil	Nil
(b) with Banks	Nil	Nil
(c) with Other Institution	Nil	Nil
TOTAL	342.51	50.48
II Outside India		
In Current Accounts	Nil	Nil
In Other Deposit Accounts	391.35	235.20
TOTAL	391.35	235.20
TOTAL I & II	733.86	285.68

SCHEDULE 8 - INVESTMENTS	AS ON 30.06.2017	AS ON 30.06.2016
	₹	₹
I Investments in India		
Break-up		
i) Government Securities	12812.57	12718.10
ii) Other Approved Securities	Nil	Nil
iii) Shares	115.41	96.20
iv) Debentures and Bonds	1015.66	620.21
v) Subsidiaries & Joint Ventures	Nil	Nil
vi) Mutual Fund Units & Others	1247.29	1134.38
	15190.93	14568.90
I Investments in India	15293.08	14620.97
Less : Provision for Investment Depreciation	102.15	52.07
TOTAL	15190.93	14568.90
II Investments outside India	Nil	Nil
TOTAL I & II	15190.93	14568.90

SCHEDULE 9 - ADVANCES	AS ON 30.06.2017	AS ON 30.06.2016
	₹	₹
A i) Bills purchased and discounted	1593.13	1360.94
ii) Cash Credits, Overdrafts and Loans repayable on demand	32007.43	29376.81
iii) Term Loans	8097.15	8156.08
TOTAL	41697.72	38893.83
B i) Secured by tangible assets (incl. Book Debts)	40983.67	37327.08
ii) Covered by Bank / Government guarantees	449.16	1250.78
iii) Unsecured	264.89	315.96
TOTAL	41697.72	38893.83
C I Advances in India		
i) Priority Sector	18917.59	16601.92
ii) Public Sector	923.79	1814.42
iii) Banks	Nil	Nil
iv) Others	21856.33	20477.48
TOTAL	41697.72	38893.83
C II Advances outside India	Nil	Nil
TOTAL CI & CII	41697.72	38893.83

SCHEDULE 10 - FIXED ASSETS	AS ON 30.06.2017	AS ON 30.06.2016
	₹	₹
I Premises : (After Depreciation)	160.11	155.55
II Building under construction	0.15	4.46
III Other Fixed Assets (including Furniture & Fixtures) : (After Depreciation)	266.54	255.89
TOTAL	426.80	415.90
TOTAL I, II & III	426.80	415.90

SCHEDULE 11 - OTHER ASSETS	AS ON 30.06.2017	AS ON 30.06.2016
	₹	₹
I Inter Office Adjustments (Net)	88.05	67.01
II Interest Accrued	306.98	297.35
III Tax paid in advance / Tax deducted at source (Net)	Nil	284.65
IV Stationery and Stamps	7.68	7.73
V Deferred Tax	Nil	Nil
VI Non Banking Assets acquired in satisfaction of claims	Nil	Nil
VII Others	969.25	1182.55
TOTAL	1371.96	1839.29

SCHEDULE 12 - CONTINGENT LIABILITIES	AS ON 30.06.2017	AS ON 30.06.2016
	₹	₹
I Claims against the Bank not acknowledged as debts	1.53	3.53
II Liability on account of outstanding		
a) Forward Exchange Contracts	5197.60	5121.84
b) Derivatives (Including Forex Derivation)	Nil	Nil
III Guarantees given on behalf of constituents in India	3415.07	3125.82
IV Acceptances, Endorsements and other Obligations	2562.94	2424.71
V Other items for which the Bank is contingently liable	349.98	70.56
TOTAL	11527.11	10746.47

SCHEDULE 13 - INTEREST EARNED	Q E 30.06.2017	Q E 30.06.2016
	₹	₹
I Interest / discount on advances/bills	1088.55	1106.39
II Income on Investments	274.15	266.09
III Interest on balances with Reserve Bank of India & other inter-bank funds	18.75	3.60
IV Others	2.63	8.96
TOTAL	1384.08	1385.04

SCHEDULE 14 - OTHER INCOME	Q E 30.06.2017	Q E 30.06.2016
	₹	₹
I Commission, Exchange and Brokerage	161.07	124.17
II Profit/Loss on sale of investments - Net	47.00	15.12
III Profit on sale of land, buildings and other assets	0.18	0.08
IV Profit on exchange transactions - Net	10.64	10.08
V Miscellaneous Income	17.40	12.82
TOTAL	236.30	162.26

SCHEDULE 15 - INTEREST EXPENDED	Q E 30.06.2017	Q E 30.06.2016
	₹	₹
I Interest on Deposits	822.16	878.33
II Interest on Reserve Bank of India/ Inter-bank borrowings	Nil 3.97	Nil 4.50
III Others	19.38	21.09
TOTAL	845.50	903.91

SCHEDULE 16 - OPERATING EXPENSES	Q E 30.06.2017	Q E 30.06.2016
	₹	₹
I Payments to and Provisions for employees	151.45	139.96
II Rent, Taxes and Lighting	38.10	27.72
III Printing and Stationery	4.08	1.95
IV Advertisement and Publicity	3.49	5.91
V Depreciation on Bank's Property	19.77	20.01
VI Directors' fees, allowances and expenses	0.38	0.31
VII Auditors' fees and expenses (including branch auditors fees and expenses)	-0.12	0.21
VIII Law Charges	0.43	0.23
IX Postages, Telegrams, Telephones, etc.	6.17	3.56
X Repairs and maintenance	12.83	8.48
XI Insurance	11.95	16.30
XII Other Expenditure	76.93	72.52
TOTAL	325.45	297.19

(₹ in Crore)

CASH FLOW STATEMENT	As at 30.06.2017	As at 30.06.2016
	₹	₹
Cash Flow from Operating Activities		
Net Profit as per Profit and Loss account	147.97	146.35
Adjustments for		
Exceptional items	Nil	Nil
Depreciation	19.78	20.01
Interest Paid on TIER II Bond issued	3.69	3.68
Provisions and Contingencies	297.43	199.86
Provision for Leave Encashment	8.04	6.84
Amortization of HTM Securities	7.70	5.22
Provision for Impairment on investments	4.01	0.00
Profit / (Loss) on Sale of Investments	-47.00	-15.12
Profit / (Loss) on Sale of Assets	-0.18	-0.08
	=====	=====
Operating Profit before Working Capital changes	441.45	366.76
(Increase) /Decrease in Operating Assets		
Purchase and Sale of Investments	-298.30	-1330.61
Funds Advanced to Customers	-945.53	102.26
Other Operating Assets	-136.94	193.64
	-----	-----
	-939.32	-667.94
Increase / (Decrease) in Operating Liabilities		
Deposits from Customers	968.36	635.93
Borrowings from Banks	-515.60	213.44
Other Operating Liabilities	66.12	-11.69
	-----	-----
Cash generated from Operations	-420.45	169.73
Direct Taxes Paid	-52.00	-30.00
	-----	-----
Net Cash Generated from Operations	-472.45	139.73
	=====	=====
Cash Flow from Investing Activities		
Purchase of Fixed Assets	-27.96	-15.86
Sale of Fixed Assets / Other Assets	0.18	0.15
	-----	-----
Net Cash Generated from Investing Activities	-27.79	-15.71
	=====	=====

Cash Flow from Financing Activities

Proceeds from Share Capital	Nil	Nil
Proceeds from Share Premium	Nil	Nil
Interest paid on TIER II Bond issued	-3.69	-3.68
Dividend paid (Incl Interim dividend and Dividend Distribution Tax)	Nil	Nil
	-----	-----
Net Cash Flow from Financing Activities	-3.69	-3.68
	=====	=====
Cash Flow From Operating Activities	-472.45	139.73
Cash Flow from investing Activities	-27.79	-15.71
Cash Flow from Financing Activities	-3.69	-3.68
	-----	-----
Increase in Cash & Cash Equivalent	-503.93	120.34
Cash and Cash Equivalentents at the beginning of the Quarter/Year	4345.09	2791.60
	-----	-----
Cash and Cash Equivalentents at the end of the Quarter / Year	3841.16	2911.94
	=====	=====

The above Cash Flow Statement is followed based on indirect method.

ACCOUNTING RATIOS AND CAPITALISATION STATEMENT

A. Accounting Ratios:

The following tables present the accounting and other ratios derived from the Financial Statements included in the section titled “Financial Information” beginning on page 69. These tables below should be read in conjunction with the sections titled “Financial Information” and “Risk Factors” beginning on pages 69 and 10, respectively.

Particulars	As on March 31, 2017	As on March 31, 2016	As on June 30, 2017	As on June 30, 2016
Earnings per equity share				
(a) Basic Earnings per equity share (₹) ^s	9.95	46.59	2.43	12.01
(b) Diluted Earnings per equity share (₹) ^s	9.95	46.59	2.43	12.01
Return on Net Worth	12.03%	12.41%	2.82%	3.08%
Net Asset Value / Book Value per equity share each (₹) ^s	82.64	375.25	86.11	389.42

The ratios have been computed as under:

Basic Earnings per equity share (₹)	Profit after tax / Number of equity shares outstanding at the end of the period
Return on Net Worth (%)	Profit after tax / Net worth i.e. (Share capital, reserves and surplus excluding revaluation reserve) at the end of the period
Net Asset Value per equity share (₹)	(Share capital, reserves and surplus excluding revaluation reserve) / (Number of equity shares outstanding at the end of the year)

Net worth as detailed below:-

Particulars	As on March 31, 2017	As on March 31, 2016	As on June 30, 2017	As on June 30, 2016
Paid up share capital	121.86	121.86	121.86	121.86
Statutory Reserve	1,568.53	1,416.53	1,568.53	1,416.53
Capital Reserve	168.76	94.89	168.76	94.89
Share Premium	1,214.92	1,214.92	1,214.92	1,214.92
Revenue Reserve	1,454.96	1,434.20	1,518.15	1,460.50
Investment Reserve Account	53.34	53.34	53.34	53.34
Special Reserve	260.00	235.00	260.00	235.00
Employee Stock Option outstanding	0.00	0.00	0.00	0.00
Balance in Profit & Loss Account	193.31*	2.20	341.29*	148.55
Total	5,035.68	4,572.94	5,246.85	4,745.59

(₹ in crores)
 \$ Face value ₹ 2 per equity share as of March 2017 & June 2017 and ₹ 10/- per equity share as of March 2016 & June 2016
 * Included the proposed dividend of ₹ 190.68 crores for the fiscal 2016-17 as approved by the board of directors and the shareholders, of the Bank, vide their resolutions dated May 18, 2017 and July 21, 2017, respectively.

B. Capitalisation Statement:

The statement on capitalisation as per the Reformatted Audited Financial Statements of our Bank as on March 31, 2017 is set out below:

Particulars	Pre Issue (as on March 31, 2017)	Post Issue*
Indebtedness		
Short- term ^s		
- Secured Borrowings	1,227.87	1,227.87
- Unsecured Borrowings	188.49	188.49
Long- term		
- Secured Borrowings	0	0
- Unsecured Borrowings	215.53	215.53

Particulars	Pre Issue (as on March 31, 2017)	Post Issue*
Current Maturity of long term Borrowings		
- Secured Borrowings	0	0
- Unsecured Borrowings	63.76	63.76
Total Indebtedness (A)	1,695.65	1,695.65
Shareholder's Funds		
Share capital	121.86	145.62
Reserve and surplus [@]	3,508.23	3,508.23
Securities Premium	1,214.92	2,093.90
Total Shareholder's fund (B)	4,845.01	5,747.75
Total Capitalization (A + B)	6,540.66	7,443.40
Long- term borrowings / Total Shareholder's Funds	4.45%	3.75%
Total borrowings / Total Shareholder's Funds	35.00%	29.50%

*Assuming full subscription in the Issue

[§] Short term debts and current maturities of long term borrowings are debts maturing within next one year from the date as per above table

[@] Reserves & Surplus excluding Revaluation Reserves and Securities Premium

Note: 'KVB ESOS 2011' scheme will not have any impact on capitalization statement unless and until the Bank grants vesting approval to employees again.

STOCK MARKET DATA FOR EQUITY SHARES

The Equity Shares of our Bank are listed and traded on the NSE since July 26, 2000 and are traded under the 'Permitted Securities' category on BSE since April 22, 2002. Stock market data for our Equity Shares has been presented below:

For the purpose of this section:

- Year is a Financial Year;
- Average price is the average of the daily closing prices of the Equity Shares for the year, or the month, as the case may be;
- High price is the maximum of the daily closing prices and low price is the minimum of the daily closing prices of the Equity Shares, as the case may be, for the year, or the month, as the case may be; and
- In case of two days with the same high / low / closing price, the date with higher volume has been considered.

The following table sets forth the high, low and average market prices of the Equity Shares recorded on the NSE and BSE during the preceding three financial years and the number of the Equity Shares traded on the days of the high and low prices were recorded:

NSE:

Financial Year	High (₹)	Date of high	Volume on date of High (No. of Equity Shares)	Turnover on date of High (₹ in crores)	Low (₹)	Date of low	Volume on date of Low (No. of Equity Shares)	Turnover on date of Low (₹ in crores)	Average price for the year (₹)
NSE									
April 1, 2016 to November 16, 2016 ⁽¹⁾	538.70	July 11, 2016	1,43,833	7.75	442.05	April 1, 2016	38,220	1.69	481.84
November 17, 2016 to March 31, 2017 ⁽¹⁾	112.00	March 31, 2017	10,99,161	12.30	80.10	December 27, 2016	5,12,316	4.12	90.16
2016	555.80	April 8, 2015	54,167	3.01	394.95	March 1, 2016	1,79,008	7.12	458.70
2015	606.30	January 28, 2015	2,00,735	12.19	356.35	April 4, 2014	1,39,937	5.01	508.26

Source: www.nseindia.com

⁽¹⁾ On November 17, 2016, our Bank split the face value of its equity shares from ₹ 10 to ₹ 2.

BSE:

Financial Year	High (₹)	Date of high	Volume on date of High (No. of Equity Shares)	Turnover on date of High (₹ in crores)	Low (₹)	Date of low	Volume on date of Low (No. of Equity Shares)	Turnover on date of Low (₹ in crores)	Average price for the year (₹)
BSE									
April 1, 2016 to November 16, 2016 ⁽¹⁾	538.30	July 11, 2016	9,859	0.53	442.80	April 1, 2016	2,998	0.13	481.88
November 17, 2016 to March 31, 2017 ⁽¹⁾	112.15	March 31, 2017	1,09,669	1.23	80.35	December 27, 2016	38,208	0.31	90.16
2016	554.75	April 8, 2015	3,533	0.20	396.40	February 26, 2016	7,379	0.29	458.83

Financial Year	High (₹)	Date of high	Volume on date of High (No. of Equity Shares)	Turnover on date of High (₹ in crores)	Low (₹)	Date of low	Volume on date of Low (No. of Equity Shares)	Turnover on date of Low (₹ in crores)	Average price for the year (₹)
2015	607.40	January 28, 2015	21,043	1.28	355.55	April 7, 2014	11,994	0.43	508.25

Source: www.bseindia.com

(1) On November 17, 2016, our Bank split the face value of its equity shares from ₹ 10 to ₹ 2.

The following table sets forth the monthly high and low prices and trading volumes on the NSE and the BSE for the six months preceding the date of filing of this Letter of Offer:

NSE:

Month	Date of high	High (₹)	Volume (No. of shares)	Date of Low	Low (₹)	Volume (No. of shares)	Average (₹)
NSE							
September 2017	September 20, 2017	159.05	908,036	September 28, 2017	142.85	839,715	150.05
August 2017	August 17, 2017	144.85	22,85,182	August 11, 2017	131.2	7,80,898	138.67
July 2017	July 6, 2017	145.50	9,06,081	July 18, 2017	134.35	8,03,368	140.45
June 2017	June 19, 2017	149.95	23,95,752	June 1, 2017	118.50	9,04,347	137.39
May 2017	May 2, 2017	120.75	12,41,322	May 19, 2017	115.50	12,57,428	118.08
April 2017	April 11, 2017	121.20	21,46,155	April 7 2017	113.80	5,94,182	117.81

Source: www.nseindia.com

Notes:

- High, low and average prices are of the daily closing prices
- In case of two days with the same closing price, the date with higher volume has been considered.

BSE:

Month	Date of high	High (₹)	Volume (No. of shares)	Date of Low	Low (₹)	Volume (No. of shares)	Average (₹)
BSE							
September 2017	September 20, 2017	159.15	79,847	September 28, 2017	143.00	77,582	150.06
August 2017	August 17, 2017	144.70	1,45,578	August 11, 2017	131.30	79,529	138.55
July 2017	July 6, 2017	145.05	63,203	July 18, 2017	133.80	10,0061	140.35
June 2017	June 19, 2017	149.90	27,84,215	June 1, 2017	118.65	42,753	137.26
May 2017	May , 2017	120.90	80,847	May 19, 2017	115.65	90,171	118.12
April 2017	April 11, 2017	121.05	2,55,270	April 7, 2017	113.70	73,088	117.75

Source: www.bseindia.com

Notes:

- High, low and average prices are of the daily closing prices
- In case of two days with the same closing price, the date with higher volume has been considered.

Week end prices of the Equity Shares along with the highest and lowest closing prices on the NSE and the BSE for the last four weeks preceding the date of filing of this Letter of Offer is as stated below:

NSE:

For the week ended on	Closing Price (₹)	High (₹)	Date of High	Low (₹)	Date of Low
NSE					
October 6, 2017	142.95	144.00	October 4, 2017	142.95	October 6, 2017
September 29, 2017	144.20	147.75	September 26, 2017	142.85	September 28, 2017
September 22, 2017	149.30	159.05	September 20, 2017	149.30	September 22, 2017
September 15, 2017	157.10	157.10	September 15, 2017	146.70	September 11, 2017

Source: www.nseindia.com

BSE:

For the week ended on	Closing Price (₹)	High (₹)	Date of High	Low (₹)	Date of Low
BSE					
October 6, 2017	143.05	144.05	October 4, 2017	142.75	October 3, 2017
September 29, 2017	143.80	147.95	September 26, 2017	143.00	September 28, 2017
September 22, 2017	148.80	159.15	September 20, 2017	148.80	September 22, 2017
September 15, 2017	156.85	156.85	September 15, 2017	146.75	September 11, 2017

Source: www.bseindia.com

The closing market price of the Equity Shares as on one day prior to the date of this Letter of Offer was ₹ 146.20 and ₹ 146.25 on NSE and BSE, respectively.

The closing price of our Equity Shares on NSE as on May 30, 2017 and September 26, 2017 (the trading day immediately following the day on which the Board resolution in relation to the Issue was passed) was ₹ 116.65 and ₹ 147.75, respectively.

The closing price of our Equity Shares on BSE as on May 30, 2017 and September 26, 2017 (the trading day immediately following the day on which the Board resolution in relation to the Issue was passed) was ₹ 117.00 and ₹ 147.95, respectively.

MATERIAL DEVELOPMENTS

Material changes and commitments, affecting the financial position of our Bank for the period from April 1, 2017 to June 30, 2017:

There have been no material changes and commitments in the period from April 1, 2017 to June 30, 2017, which are likely to affect the financial position of our Bank.

Further, except as stated in this Letter of Offer, there have been no material developments since June 30, 2017 (i.e. date of the latest financial information incorporated in this Letter of Offer).

WORKING RESULTS

In accordance with Circular No.F.2/5/SE/76 dated February 5, 1977 issued by the Ministry of Finance, Government of India, as amended by Ministry of Finance, Government of India through its circular dated March 8, 1977 and in accordance with sub-item (B) of item X of Part E of Schedule VIII of the SEBI ICDR Regulation, the information relating to the working results for the period between the last date of the balance sheet and the profit and loss account provided to the shareholders (i.e. for the financial year ended March 31, 2017) and up to the end of the last but one month preceding the date of this Letter of Offer (i.e. August 31, 2017), is provided below:

Working Results of our Bank for the period from April 1, 2017 to August 31, 2017:

Particulars	₹ in crores
Interest Income	2,333.92
Other Income	345.06
Total Income	2,678.97
Estimated Profit Before Depreciation, Taxations & Provisions	352.90
Provision for Depreciation	35.93
Provision for Taxation	109.00
Estimated Net Profit after Tax	207.97

SECTION VII – LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND OTHER DEFAULTS

Except as stated below, there are no (i) outstanding litigations, suits, criminal or civil prosecutions, statutory or legal proceedings including those for economic offences, tax liabilities, show cause notices or legal notices pending against our Bank, whose outcome could have a materially adverse effect on our operations or financial position; (ii) outstanding cases involving criminal liability or moral turpitude on the part of our Bank, proceedings involving material violations of statutory regulations by our Bank or economic offences where proceedings have been initiated against our Bank that are pending or which have arisen in the immediately preceding ten years. Further, our Bank has no outstanding defaults in relation to, undisputed statutory dues payable, dues payable to holders of any debentures and interest thereon, deposits and interest thereon and repayment of loans from any bank or financial institution and interest thereon.

Except as stated below, there is no outstanding litigation involving a monetary claim that is more than ₹ 50.36 crores (being the lower of 1% of our net worth i.e. ₹ 5,035.68 crores and 1% of our total revenue i.e. ₹ 6,404.57 crores), as per our audited financial statements for the year ended March 31, 2017.

Litigation involving our Bank

Criminal litigation

Against our Bank

Nil

By our Bank

1. Our Bank filed a criminal complaint on March 2, 2013 before Additional Metropolitan Magistrate Nampally under Section 138 of the Negotiable Instruments Act, 1881 read with Section 141 and 142 of the Negotiable Instruments Act, 1881 against the dishonour of a cheque of ₹ 50.00 crores issued by Deccan Chronicle Holdings Limited. The matter is currently pending.

Civil litigation

Against our Bank

1. An original application no. 189 of 2015 dated July 1, 2015 was filed against our Bank and Spanco Limited and others (“**Defendants**”) before the Debt Recovery Tribunal, Delhi by State Bank of India and its consortium members (“**SBI Consortium**”). Bank of India and Punjab National Bank, i.e. defendant nos. 2 and 3, mortgaged the properties located at Flat Nos. 602 and 701 of Menaka Apartments, 5th Road, next to RBI colony, MLA House, Chembur, Mumbai, as well as hypothecated all the current assets in favour of our Bank and others, to inter alia avail ₹ 60.00 crores. SBI Consortium sought to prevent our Bank from selling the aforementioned properties. The matter is currently pending.

By our Bank

1. Our Bank filed an original application no. 430 of 2013 dated November 23, 2013 before the Debt Recovery Tribunal-II at Ahmedabad against Kemrock Industries & Exports Limited (“**Kemrock**”), Mr. Kalpesh Patel and others (Kemrock and others collectively referred herein as “**Defendants**”) seeking an issuance of a recovery certificate under section 19(22) of the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 against Kemrock and Mr. Kalpesh Patel for recovery of aggregate sum of ₹ 78.35 crores, along with interest of 17%, 16% and 14.75% per annum for cash credit limit, letter of credit/bank guarantee limit and remaining facilities, respectively from November 23, 2013 till the date of realization, allowing sale of assets charged as security and to direct Kemrock and Mr. Kalpesh Patel to furnish solvent security to the tune of ₹ 85.00 crores or any other amount as may deem fit and interim relief for restraining Kemrock and Mr. Kalpesh Patel from transferring or disposing of assets charged as security with our Bank. The Debt Recovery Tribunal-II issued ex-parte injunction vide interim order dated December 16, 2013 directing Kemrock to furnish solvent security to the tune of ₹ 85.00 crores (or any other amount as may be deemed fit) and restraining Kemrock and Mr. Kalpesh Patel from alienating with the mortgaged and hypothecated properties.

Further, through an auction held on August 30, 2017 by Allahabad Bank, the properties were auctioned to a sole bidder, wherein our Bank received a sum of ₹ 22.08 crores out of the aggregate sum of ₹ 78.35 crores. The balance amount has been written off by our Bank. The matter is currently pending.

2. Our Bank filed an original application no. 407 of 2013 dated April 29, 2013 before the Debt Recovery Tribunal, Hyderabad against Deccan Chronicle Holdings Private Limited (“**DCHL**”) and T. Vinayak Ravi Reddy (vice chairman of DCHL), T. Venkatram Reddy (chairman of DCHL), P. K. Iyer (vice-chairman of DCHL), N. Krishnan (managing director of DCHL), M. Sukumar Reddy (director of DCHL), Krishnan Premnarayan (director of DCHL), G. Kumar (director of DCHL) and V. Suresh (director of DCHL) (DCHL and others collectively referred herein as “**Defendants**”) seeking a recovery of an amount aggregating to ₹ 52.69 crores along with the interest of 18% per annum compounded monthly from April 1, 2013 till the date of full realization, allowing sale of movable property of the uniliner machinery, passing an order against the person and property of other defendants for repayment of debt and in default thereof allowing sale of movable properties and interim relief for restraining the Defendants from transferring or disposing of the uniliner machinery charged as security with our Bank. Our Bank also filed criminal complaint on March 2, 2013 before Additional Metropolitan Magistrate Nampally under Section 138 of the Negotiable Instruments Act, 1881 read with Section 141 and 142 of the Negotiable Instruments Act, 1881 against the dishonour of cheque of ₹ 50.00 crores issued by DCHL. The matter is currently pending.
3. Our Bank, along with other parties, filed an original application no. 298 of 2016 dated February 23, 2016 before the Debt Recovery Tribunal, Chennai against Arvind Remedies Limited (“**ARL**”) Mr. Arvind Shah (managing director of ARL) and IDBI Bank Limited (collectively referred herein as “**Defendants**”) seeking a recovery of an amount aggregating to ₹ 58.93 crores (including term loan and cash credit) payable to our Bank as on January 31, 2016. ARL was required to pay the entire aforesaid amount along with an interest rate of 13.40% per annum plus a penal interest of 3% per annum from the date of filing the original application, till recovery of the full amount by our Bank. The matter is currently pending.

A joint lenders forum meeting with lead bank being Punjab National Bank and consisting of certain other banks including our Bank, was held on July 4, 2015. In the said meeting, the account of ARL was declared to be fraudulent in view of falsification of book of accounts and non-cooperation with the lender agencies. Punjab National Bank, as the lead bank of the aforesaid consortium, filed a complaint dated January 13, 2016 before the CBI on behalf of the aforesaid consortium, for the alleged cheating and forgery committed by ARL on November 05, 2009. Furthermore, in this regard, a committee of the Board of Directors of our Bank vide a resolution dated August 30, 2016 classified ARL and its directors as wilful defaulters. The amount involved in the aforesaid fraud is ₹ 54.36 crores.

4. Our Bank filed an original application no. 44 of 2015 dated January 28, 2015, as part of a consortium led by State Bank of Travancore, before the Debt Recovery Tribunal, Delhi against Abhijeet Projects Limited, Abhijeet Infrastructure Limited, Abhijeet Ventures Limited, Mr. Manoj Jayswal and Mr. Abhishek Jayswal (collectively referred to as “**Defendants**”) seeking a recovery of an amount aggregating to ₹ 54.15 crores availed by the Defendants through a hypothecation of all their current assets, bank accounts as well as monies receivable. Our Bank in its said original application prayed for recovery for the aforesaid amount with a future interest rate of 17.25% w.e.f February 1, 2015 together with all costs and charges till the actual realization of the outstanding amount. The matter is currently pending.
5. Our Bank filed an original application no. 522 of 2015 dated October 27, 2015 before the Debt Recovery Tribunal, Kolkata against REI Agro Limited (“**REI**”) seeking a recovery of an amount aggregating to ₹ 122.19 crores availed by REI against the hypothecation of their stocks, book debts, other movable assets, including a second charge on all fixed assets. The amount is sought to be recovered inclusive of the interest, as on March 31, 2015, with a further interest from April 01, 2015 to be paid till the date of realization of the outstanding dues. The National Company Law Tribunal, Kolkata passed an order dated August 24, 2017 for liquidation of REI in accordance with applicable law. The matter is currently pending.

A joint lenders forum meeting with lead bank being UCO Bank and consisting of six other lenders including our Bank, was held on January 22, 2015, and a ‘Recovery Committee’ was set up comprising of the aforesaid banks. The RBI issued directions vide its letter dated January 21, 2015 to all the banks in the consortium to declare the account of REI as fraudulent, in view of reported diversion of funds and other irregularities.. UCO Bank as the lead bank of the aforesaid consortium, filed a complaint dated March 24, 2015 before the CBI for the alleged cheating and forgery committed by REI on November 05, 2014. The amount involved in the aforesaid fraud is ₹ 115.30 crores.

6. Our Bank filed an original application no. 690 of 2016 dated November 20, 2016 before the Debt Recovery Tribunal, Delhi against Mahesh Industries Private Limited and others (“**Defendants**”) seeking a recovery of an amount aggregating to ₹ 98.06 crores as on the date of application, availed through the mortgage of the Defendants’ immovable properties including non-agricultural land, residential property, commercial plots in order to secure the repayment of the loan amount availed by the Defendants along with an interest of 12.55% per annum, compounded with a monthly interest, plus a simple penal interest of 3% per annum. The matter is currently pending.
7. Our Bank, along with Canara Bank as the lead bank of the consortium, filed an original application no. 471 of 2015 dated June 26, 2015 before the Debt Recovery Tribunal, Ahmedabad against Nakoda Limited (“**Nakoda**”) seeking a recovery of an amount aggregating to ₹ 123.74 crores availed by Nakoda through the hypothecation of plant and machinery, current assets, book debts as well as various pieces of non-agricultural land situated at Mandvi Taluka in Suart, Gujarat. The aforesaid amount is sought to be recovered, inclusive of interest, as on May 31, 2015, with a further interest of 17.25% compounded monthly from June 01, 2015 till the date of realization of the outstanding dues. The matter is currently pending.

A joint lenders forum meeting with lead bank being Canara Bank and consisting of certain other banks including our Bank, was held on December 28, 2015. In the said meeting, the account of Nakoda was declared to be fraudulent in view of suspicious transactions, mismatches in the books of accounts, irregularities in the KYC forms and circular rotation of money between a certain group of vendors. Canara Bank, as the lead bank of the aforesaid consortium, filed a complaint dated May 02, 2016 before the CBI on behalf of aforesaid consortium, for the alleged cheating and forgery committed by Nakoda on September 07, 2015. A first information report dated October 4, 2016, was also filed by Canara Bank, on behalf of the aforesaid consortium before the Enforcement Directorate in Surat, against Nakoda, and the investigation for the same is currently ongoing. The amount involved in the aforesaid fraud is ₹ 105.88 crores.

8. Our Bank filed an original application no. 522 of 2015 dated September 28, 2015 before the Debt Recovery Tribunal, Madurai against Shri Renuga Textiles Limited (“**SRTL**”) seeking a recovery of an amount aggregating to ₹ 74.27 crores. The said amount was availed by SRTL by way of hypothecation of their current assets and mortgage of immovable properties inclusive of interest as on September 27, 2015, with a further interest ranging from 13.50% per annum to 19% per annum from September 28, 2015 to be paid till the date of realization of the outstanding dues. The matter is currently pending.
9. Our Bank filed an original application no. 160 of 2017 dated May 5, 2017 before the Debt Recovery Tribunal, Coimbatore against Maharaja Industries (“**Maharaja**”) seeking a recovery of an amount aggregating to ₹ 171.15 crores. The said amount was availed by way of financial facilities from our Bank through the hypothecation of Maharaja’s current assets, movable goods as well as mortgage of certain pieces of land located at Neelampur Village, Sulur Taluk, Coimbatore, Tamil Nadu, along with an interest of 16.80% per annum along with a monthly compounded rests from April 01, 2017 till the date of realization of the outstanding dues. The matter is currently pending.
10. Our Bank filed an original application no. 247 of 2016 dated March 11, 2016 before the Debt Recovery Tribunal, Delhi against Birla Surya Limited (“**Birla**”) seeking a recovery of an amount aggregating to ₹ 98.37 crores. The said amount was availed by Birla through the mortgage of their immovable properties, plant and machinery, all rights, title, interest and claims on the project for which the facility was taken with a compounded interest of 17.90% with monthly rests from December 01, 2015, along with a penal interest of 2% from December 01, 2015 till actual realization. The matter is currently pending.

Tax Proceedings involving our Bank

1. Our Bank filed an appeal on June 12, 2013 under Section 253 read with rule 47(1) of the Income Tax Act, 1961 before the Income Tax Appellate Tribunal, Chennai, against an order dated March 25, 2013 passed under Section 250 of the Income Tax Act, 1961 by the Commissioner of Income tax (Appeals) (the “**Order**”). The appeal has been filed by our Bank seeking reduction in the total income for the purpose of computation of income tax by ₹ 111.30 crores assessed by the Additional Commissioner of Income Tax and partly allowed by the Commissioner of Income Tax (Appeals) in the Order resulting in total tax liability of our Bank amounting to ₹ 63.23 crores for the assessment year 2005-06 on the grounds that certain disallowances resulting from depreciation in value of securities, ex-gratia payment made out of commercial expediency, interest paid on purchase of securities, interest on non-performing assets, expenses on entertainment were not

accounted for by the Commissioner of Income Tax (Appeals) in the Order. The appeal was heard and an order dated April 27, 2017 was passed allowing the entire claims of our Bank. The consequential order by the Deputy Commissioner (Trichy) is awaited. The matter is currently pending.

2. Our Bank filed an appeal on April 25, 2016 under Section 246A of the Income Tax Act, 1961 before Commissioner of Income Tax (Appeals), Trichy, against an order dated March 30, 2016 passed under Section 143(3) of the Income Tax Act, 1961 by the Deputy Commissioner of Income Tax, Trichy. The appeal has been filed by our Bank seeking reduction in the total income for the purpose of computation of income tax by ₹ 510.86 crores resulting in total tax liability of our Bank amounting to ₹ 177.98 crores for the assessment year 2013-14 on the ground that certain disallowances resulting from expenses incurred in connection with depreciation on investments, ex-gratia, entertainment expenses, interest accrued on NPA, disallowance under Section 14A of the of the Income Tax Act, 1961, stale drafts, pooja expenses, deduction of bad debts & provision for bad & doubtful debts, for computation of total income taxable of our Bank by the Deputy Commissioner of Income Tax, Trichy. Our Bank has a received order dated September 14, 2017 from the Commissioner of Income Tax (Appeals) allowing an amount of ₹ 486.12 crores as against an appealed sum of ₹ 510.86 crores. Consequential order by the Deputy Commissioner of Income Tax, Trichy is awaited. The matter is currently pending.

Frauds committed against our Bank

1. As on September 30, 2017, there are 3 material counts of frauds aggregating to ₹ 275.54 crores (individually involving an amount of ₹ 50.36 crores or more) committed against our Bank, by the below mentioned parties:
 - a) Arvind Remedies Limited;
 - b) REI Agro Limited; and
 - c) Nakoda Limited.

For further details, please see herein above, ‘*Outstanding Litigations and Other Defaults - Litigation involving our Bank - Civil litigation - By our Bank - sr. nos. 3, 5 and 7*’.

2. As on September 30, 2017, there were a total of 105 counts of frauds aggregating to ₹ 75.17 crores committed against our Bank in the following manner:

Sr. No.	Committed by	No. of counts	Amount involved (in ₹ crores)
1.	Employees	31	28.26
2.	Customers/third party and appraisers of jewellery (held as security by our Bank)	74	46.91
Total		105	75.17

The nature of frauds committed against our Bank involves misappropriation and criminal breach of trust, cheating and forgery, jewel appraiser's fraud and stolen jewels pledged as security.

In relation to frauds committed against our Bank, our Bank initiates investigation in relation to the reported frauds, takes necessary departmental action against employees as per regulations and legal action as required/warranted.

GOVERNMENT AND OTHER STATUTORY APPROVALS

Our Bank has received all material consents, licenses, permissions and approvals from the government and various regulatory agencies, including RBI, required by our top 50 branches, identified on the basis of total business (advances and deposits) as on June 30, 2017 ("**Top 50 Branches**"), to undertake our current business activities.

Pursuant to RBI Circular No. DBOD.No.BAPD.BC.54/22.01.001/2013-14 dated September 19, 2013, domestic scheduled commercial banks (other than regional rural banks) are permitted to open branches in Tier 2 to Tier 6 centres and in the rural, semi-urban and urban centres in north-eastern states and Sikkim, without any permission from RBI in each case, subject to certain conditions. The general permission has been extended to branches in Tier 1 centres as well, subject to fulfilment of criteria laid down under the circular.

Additionally, there are 21 leases of branch/ATM/office premises of our Bank which have expired as on June 30, 2017 and renewal of the same is under process.

Further, our Bank has obtained the following approvals for the Issue:

1. Board resolution dated May 29, 2017 and September 25, 2017, in relation to the Issue and other related matters.
2. Board resolution dated September 25, 2017 approving the issue of up to 1,71,60,000 Equity Shares to the Eligible Employees of our Bank.
3. Special resolution passed by the Shareholders of our Bank at its AGM held on July 21, 2017, authorizing the issue of the Equity Shares to the Eligible Employees of our Bank.
4. In-principle listing approval dated September 29, 2017, from the NSE.
5. RBI letter dated September 27, 2017, approving renunciation of rights entitlement by and to persons/entities resident outside India for the Issue.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

Our Board has pursuant to a resolution passed in its meeting held on May 29, 2017 authorized this Issue.

Our Board has, arrived at the Issue Price as ₹ 76 per Equity Share in consultation with the Lead Manager and determined the Entitlement of 1 (one) fully paid-up Equity Share for every 6 (six) fully paid-up Equity Shares held on the Record Date. Our Board in its meeting held on May 29, 2017, has also approved the issue of the Equity Shares to the Eligible Employees of our Bank along with the Eligible Equity Shareholders, subject to the approval of the Shareholders, at the same price within the limits as prescribed under the SEBI ICDR Regulations.

The approval of the Shareholders for the issue of the Equity Shares to the Eligible Employees of our Bank has been obtained by way of special resolution at the AGM held on July 21, 2017.

Further, our Board in its meeting held on September 25, 2017 has resolved to issue up to 1,71,60,000 Equity Shares for the Eligible Employees pursuant to the reservation made along with the Equity Shares to be issued to the Eligible Equity Shareholders, at the same price as that of the Issue i.e. ₹ 76 per Equity Share (including a premium of ₹ 74 per Equity Share) aggregating up to ₹ 130.42 crores.

Our Bank has received 'in-principle' approval from NSE for listing of the Equity Shares to be allotted in the Issue pursuant to their letter dated September 29, 2017.

Prohibition by SEBI or RBI

Our Bank, the Promoter and Promoter Group, the Directors and the persons in control of our Bank have not been prohibited or 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 the Promoters, the Directors, persons in control of our Bank was or is a promoter, director or person in control of any other company, which has been prohibited or 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.

Other than pursuant to their directorship in our Bank, none of the Directors of our Bank are associated with the securities market in any manner. SEBI has not initiated action against any entity with which the Directors are associated.

Further, none of our Bank, the Directors, the Promoters and the relatives (as defined in the Companies Act) of the Promoters have been categorized as a wilful defaulter by any bank or financial institution or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the RBI.

Eligibility for the Issue

Our Bank is an existing listed company whose Equity Shares are listed on the NSE. Our Bank is eligible to offer the Equity Shares pursuant to the Issue in terms of Chapter IV of the SEBI ICDR Regulations.

Compliance with Regulation 4(2) of the SEBI ICDR Regulations

Our Bank is in compliance with requirements of Reg. 4(2) of the SEBI ICDR Regulations, 2009 to the extent applicable. Further, in relation to compliance with Regulation 4(2)(d) of the SEBI ICDR Regulations, our Bank undertakes to make an application to the Stock Exchange for listing of the Equity Shares to be issued pursuant to this Issue. Our Bank has chosen NSE as the Designated Stock Exchange in relation to the Issue.

Compliance with Regulation 10 of the SEBI ICDR Regulations

Our Bank satisfies the following conditions specified in Regulation 10 of the SEBI ICDR Regulations and accordingly, our Bank is eligible to make this Issue by way of a 'fast track issue':

- a) The Equity Shares have been listed on NSE, being a recognised stock exchange having nationwide trading terminals, for a period of at least three years immediately preceding the date of filing of this Letter of Offer with the Designated Stock Exchange;
- b) The average market capitalisation of the public shareholding of our Bank is at least ₹ 250 crores;
- c) The annualised trading turnover of the Equity Shares during the six calendar months immediately preceding the month of filing of this Letter of Offer with the Designated Stock Exchange has been at least 2% of the weighted average number of Equity Shares listed during such six months' period;
- d) Our Bank has redressed at least 95% of the complaints received from the investors till the end of the quarter immediately preceding the month of filing of this Letter of Offer with the Designated Stock Exchange;
- e) Our Bank has been in compliance with the Listing Agreement for a period of at least three years immediately preceding the date of filing of this Letter of Offer with the Designated Stock Exchange;
- f) The impact of auditor qualifications, if any, on the audited financial statements of our Bank for Fiscal 2017 does not exceed 5% of the net profit or loss after tax for the respective years/ period;
- g) No show-cause notices have been issued or prosecution proceedings initiated by the SEBI or pending against our Bank or the Promoters or whole time directors as of the date of filing of this Letter of Offer with the Designated Stock Exchange;
- h) Our Bank or Promoters or members of the Promoter Group or Directors have not settled any alleged violation of securities laws through the consent or settlement mechanism with SEBI during three years immediately preceding the date of filing of this Letter of Offer with the Designated Stock Exchange;
- i) The Promoters and members of the Promoter Group shall mandatorily subscribe to their Rights Entitlement and shall not renounce their rights, except to the extent of renunciation within the Promoter Group or for the purpose of complying with minimum public shareholding norms prescribed under Rule 19A of the Securities Contracts (Regulation) Rules, 1957;
- j) The entire shareholding of the Promoter Group is held in dematerialised form as on the date of filing of this Letter of Offer with the Designated Stock Exchange.
- k) The Equity Shares have not been suspended from trading as a disciplinary measure during last three years immediately preceding the date of filing of this Letter of Offer with the Designated Stock Exchange;
- l) The annualized delivery-based trading turnover of the Equity Shares during six calendar months immediately preceding the date of filing of this Letter of Offer with the Designated Stock Exchange has been at least ten per cent of the weighted average number of Equity Shares listed during such six months' period; and
- m) There has been no conflict of interest between the Lead Manager and our Bank or its group or associate company in accordance with securities laws.

Compliance with Part E of Schedule VIII of SEBI ICDR Regulations

Our Bank is in compliance with the provisions specified in Clause (1) of Part E of Schedule VIII of the SEBI ICDR Regulations as explained below:

- a) Our Bank has been filing periodic reports, statements and information in compliance with the Listing Agreements for the last three years immediately preceding the date of filing of this Letter of Offer with the Designated Stock Exchange;
- b) The reports, statements and information referred to in sub-clause (a) above are available on the website of the NSE with nationwide trading terminals or on a common e-filing platform specified by SEBI; and

- c) Our Bank has investor grievance-handling mechanism which includes meeting of the Shareholders / Investors Grievance Committee at frequent intervals, appropriate delegation of power by the Board as regards share transfer and clearly laid down systems and procedures for timely and satisfactory redressal of investor grievances.

Accordingly, disclosures in this Letter of Offer have been made in terms of Clause (5) of Part E of Schedule VIII of the SEBI ICDR Regulations.

Disclaimer Clause of SEBI

IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE LETTER OF OFFER. THE LEAD MANAGER, THE IIFL HOLDINGS LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE BANK IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE LETTER OF OFFER, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE BANK DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE LEAD MANAGER, THE IIFL HOLDINGS LIMITED, HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED OCTOBER 11, 2017, WHICH READS AS FOLLOWS:

- 1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE LETTER OF OFFER PERTAINING TO THE SAID ISSUE;**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER,**

WE CONFIRM THAT:

- (a) THE LETTER OF OFFER FILED WITH THE SECURITIES AND EXCHANGE BOARD OF INDIA ("SEBI") IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
- (b) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE SEBI, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
- (c) THE DISCLOSURES MADE IN THE LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE COMPANIES ACT, 2013, TO THE EXTENT IN FORCE, THE SECURITIES AND EXCHANGE**

BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.

- 3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THIS LETTER OF OFFER ARE REGISTERED WITH THE SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID.**
- 4. WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS - NOT APPLICABLE. THE ISSUE IS NOT UNDERWRITEN**
- 5. WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE LETTER OF OFFER WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THIS LETTER OF OFFER - NOT APPLICABLE.**
- 6. WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE LETTER OF OFFER - NOT APPLICABLE.**
- 7. WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE SEBI. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE BANK ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE - NOT APPLICABLE.**
- 8. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE BANK AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION. - COMPLIED WITH.**
- 9. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 40 OF THE COMPANIES ACT, 2013 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM THE STOCK EXCHANGE MENTIONED IN THE LETTER OF OFFER. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE BANK SPECIFICALLY CONTAINS THIS CONDITION. - NOT APPLICABLE. THIS BEING A RIGHTS ISSUE, SECTION 40(3) OF THE COMPANIES ACT, 2013 IS NOT APPLICABLE.**

FURTHER, IN ACCORDANCE WITH REGULATION 56 OF THE SEBI ICDR REGULATIONS, THE BANK SHALL UTILISE THE FUNDS COLLECTED IN THE ISSUE AFTER THE FINALISATION OF THE BASIS OF ALLOTMENT.

10. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE LETTER OF OFFER THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE. - **COMPLIED WITH.**
11. WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION. - **COMPLIED WITH.**
12. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE LETTER OF OFFER:
 - (a) AN UNDERTAKING FROM THE BANK THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE BANK; AND
 - (b) AN UNDERTAKING FROM THE BANK THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE SEBI FROM TIME TO TIME.
13. WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE. - **NOTED FOR COMPLIANCE.**
14. WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OF THE BANK, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE, ETC. - **COMPLIED WITH, TO THE EXTENT APPLICABLE.**
15. WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE LETTER OF OFFER WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY. - **COMPLIED WITH, TO THE EXTENT APPLICABLE.**
16. WE ENCLOSE STATEMENT ON 'PRICE INFORMATION OF PAST ISSUES HANDLED BY MERCHANT BANKERS (WHO ARE RESPONSIBLE FOR PRICING THIS ISSUE)', AS PER FORMAT SPECIFIED BY SEBI THROUGH CIRCULAR DATED SEPTEMBER 27, 2011 - **NOT APPLICABLE.**
17. WE CERTIFY THAT PROFITS FROM RELATED PARTY TRANSACTIONS HAVE ARISEN FROM LEGITIMATE BUSINESS TRANSACTIONS - **COMPLIED WITH TO THE EXTENT OF THE RELATED PARTY TRANSACTIONS REPORTED, IN ACCORDANCE WITH ACCOUNTING STANDARD 18, IN THE AUDITED FINANCIAL STATEMENTS OF THE BANK INCLUDED IN THIS LETTER OF OFFER AND AS CERTIFIED BY THE STATUTORY AUDITORS, M/S ABARNA & ANANTHAN, CHARTERED ACCOUNTANTS FIRM REGISTRATION NO. 000003S BY WAY OF THEIR CERTIFICATE DATED OCTOBER 7, 2017.**

18. WE CERTIFY THAT THE ENTITY IS ELIGIBLE UNDER 106Y (1) (A) OR (B) (AS THE CASE MAY BE) TO LIST ON THE INSTITUTIONAL TRADING PLATFORM, UNDER CHAPTER XC OF THESE REGULATIONS (IF APPLICABLE) - NOT APPLICABLE.
19. WE CONFIRM THAT NONE OF THE INTERMEDIARIES NAMED IN THE LETTER OF OFFER HAVE BEEN DEBARRED FROM FUNCTIONING BY ANY REGULATORY AUTHORITY. - COMPLIED WITH AND NOTED FOR COMPLIANCE.
20. WE CONFIRM THAT THE ISSUER IS ELIGIBLE TO MAKE FAST TRACK ISSUE IN TERMS OF REGULATION 10 OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009. THE FULFILMENT OF THE ELIGIBILITY CRITERIA AS SPECIFIED IN THAT REGULATION, BY THE BANK, HAS ALSO BEEN DISCLOSED IN THE LETTER OF OFFER. - COMPLIED WITH.
21. WE CONFIRM THAT ALL THE MATERIAL DISCLOSURES IN RESPECT OF THE ISSUER HAVE BEEN MADE IN THE LETTER OF OFFER AND CERTIFY THAT ANY MATERIAL DEVELOPMENT IN THE ISSUER OR RELATING TO THE ISSUE, UP TO THE COMMENCEMENT OF LISTING AND TRADING OF THE EQUITY SHARES OFFERED THROUGH THIS ISSUE SHALL BE INFORMED THROUGH PUBLIC NOTICES/ ADVERTISEMENTS IN ALL THOSE NEWSPAPERS IN WHICH THE PRE-ISSUE ADVERTISEMENT AND ADVERTISEMENT FOR OPENING OR CLOSURE OF THE ISSUE HAVE BEEN GIVEN. - COMPLIED WITH AND NOTED FOR COMPLIANCE.
22. WE CONFIRM THAT THE ABRIDGED LETTER OF OFFER CONTAINS ALL THE DISCLOSURES AS SPECIFIED IN THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009. - COMPLIED WITH.
23. WE CONFIRM THAT AGREEMENTS HAVE BEEN ENTERED INTO WITH THE DEPOSITORIES FOR DEMATERIALISATION OF THE EQUITY SHARES OF THE ISSUER. - COMPLIED WITH.
24. WE CERTIFY THAT AS PER THE REQUIREMENTS OF FIRST PROVISOR TO SUBREGULATION (4) OF REGULATION 32 OF SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, THE CASH FLOW STATEMENT HAS BEEN PREPARED AND DISCLOSED IN THE LETTER OF OFFER. - NOT APPLICABLE.

THE FILING OF THIS LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE OUR BANK FROM ANY LIABILITIES UNDER SECTION 34 OR SECTION 38 OF THE COMPANIES ACT, 2013 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCE AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER ANY IRREGULARITIES OR LAPSES IN THIS LETTER OF OFFER.

Caution

Disclaimer Statement from our Bank and the Lead Manager:

Our Bank and the Lead Manager, accept no responsibility for statements made otherwise than in this Letter of Offer or in the advertisement or any other material issued by or at the instance of our Bank and that anyone placing reliance on any other source of information would be doing so at his own risk.

Investors who invest in the issue will be deemed to have been represented by our Bank and the Lead Manager and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Bank, and are relying on independent advice/evaluation as to their ability and quantum of investment in this Issue.

CAUTION

Our Bank and the Lead Manager shall make all information available to the Eligible Equity Shareholders and Eligible Employees and no selective or additional information would be available for a section of the Eligible Equity Shareholders or Eligible Employees in any manner whatsoever including at presentations, in research or sales reports etc. after filing of this Letter of Offer with the SEBI.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this Letter of Offer. You must not rely on any unauthorized information or representations. This Letter of Offer is an offer to sell only the Equity Shares and rights to purchase the Equity Shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this Letter of Offer is current only as of its date.

Applicants will be required to confirm and will be deemed to have represented to our Bank and the Lead Manager and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares and that they shall not issue, sell, pledge or transfer their Rights Entitlement or Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. Our Bank, the Lead Manager and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any Investor on whether such Investor is eligible to acquire any Equity Shares.

The Lead Manager and its affiliates may engage in transactions with, and perform services for, our Bank and our group entities or affiliates in the ordinary course of business and have engaged, or may in the future engage, in transactions with our Bank and our group entities or affiliates, for which they have received, and may in the future receive, compensation.

Disclaimer with respect to jurisdiction

This Letter of Offer has been prepared under the provisions of Indian laws and the applicable rules and regulations thereunder. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Karur, Tamil Nadu, India, only.

Selling Restrictions

General

The distribution of this Letter of Offer and the issue of our Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Letter of Offer may come are required to inform themselves about and observe such restrictions. Our Bank is making this issue of Equity Shares to its Eligible Equity Shareholders and Eligible Employees and will dispatch this Letter of Offer and Composite Application Form (“CAF”) to Eligible Equity Shareholders and Employee Application Form (“EAF”) to Eligible Employees, who have an Indian address.

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 Letter of Offer has been filed with the Designated Stock Exchange and SEBI. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and this Letter of Offer may not be distributed, in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of this Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, in those circumstances, this Letter of Offer must be treated as sent for information purposes only. Accordingly, persons receiving a copy of this Letter of Offer should not, in connection with the issue of the Equity Shares or the Rights Entitlements, distribute the same to any person outside India where to do so would or might contravene local securities laws or regulations. If this Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the Equity Shares or the Rights Entitlements referred to in this Letter of Offer.

Each subscriber of the Rights Entitlements and the Equity Shares referred to in this Letter of Offer will be deemed to have made the following representations, warranties, acknowledgments and agreements:

- You are entitled to subscribe for and acquire the Rights Entitlements and the Equity Shares under the laws of all relevant jurisdictions that apply to you and that you have fully observed such laws and have complied with all necessary formalities to enable you to subscribe for the Rights Entitlements and the Equity Shares; and
- You agree to indemnify and hold the Company harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the foregoing representations, warranties, acknowledgements and undertakings. You agree that the indemnity set forth in this paragraph shall survive the resale of the New Ordinary Equity Shares.

Our Bank reserves the right to require a person in any jurisdiction not listed below to give it an opinion of legal counsel that the purchase of the Rights Entitlements and Equity Shares by such person in accordance with the terms of this Letter of Offer Document was in accordance with the laws of such jurisdiction.

In the event you do not meet the criteria and requirements laid down under “-*Selling Restrictions*” and in the other terms of this Letter of Offer, you are not qualified to apply to subscribe for the Equity Shares.

Australia

No prospectus or other disclosure document has been lodged with, or registered by the Australian Securities and Investments Commission in relation to the Issue. This Letter of Offer does not constitute a prospectus or other disclosure document under the Corporations Act 2001 and does not purport to include the information required for a prospectus or other disclosure document under the Corporations Act.

This Letter of Offer may only be sent to persons in Australia who are either (a) "sophisticated investors" (within the meaning of section 708(8) of the Corporations Act) or (b) "professional investors" (within the meaning of section 708(11) of the Corporations Act). Any person in Australia purchasing Rights Entitlements or subscribing for Equity Shares in the Issue shall be deemed to represent and warrant that it is either a sophisticated investor or professional investor and if it is a sophisticated investor it agrees to give to our Bank a copy of a valid certificate as to its status as a sophisticated investor issued by qualified accountant.

Any person to whom Equity Shares are issued must not, within 12 months after the date of allotment, offer, transfer or assign the Equity Shares to any person in Australia except in circumstances where disclosure to investors is not required under the Corporations Act.

European Economic Area

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a “**Relevant Member State**”), with effect from and including the date on which the Prospectus Directive is or was implemented in that Relevant Member State (the “**Relevant Implementation Date**”), the Rights Entitlements and the Equity Shares may not be offered or sold to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Rights Entitlements and the Equity Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive (defined below) and the 2010 Amending Directive (defined below), except that the Rights Entitlements and the Equity Shares, with effect from and including the Relevant Implementation Date, may be offered to the public in that Relevant Member State at any time to persons or entities that are “qualified investors” as defined in the Prospectus Directive or, if that Relevant Member State has implemented the 2010 Amending Directive, as defined in the 2010 Amending Directive (“**Qualified Investor**”). This Letter of Offer may not be issued, circulated or distributed to any person in a Relevant Member States unless that person is a Qualified Investor. Each person in a Relevant Member States subscribing for Equity Shares in the Issue will be deemed to represent and warrant that it is a Qualified Investor.

For the purposes of the above paragraph, the expression an “offer of Equity Shares to the public” in relation to any Rights Entitlements or Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Rights Entitlements and Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Rights Entitlements and Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “Prospectus Directive” means Directive 2003/71/EC and includes any

relevant implementing measure in each Relevant Member State and the expression “2010 Amending Directive” means Directive 2010/73/EU and includes any relevant implementing measure in each Member State.

Our Bank and the Lead Manager have not authorised, and they will not authorise, the making of any offer of Equity Shares through any financial intermediary on their behalf, other than offers made by our Bank or the Lead Manager.

Hong Kong

The Letter of Offer has not been reviewed or approved by any regulatory authority in Hong Kong. In particular, this Letter of Offer has not been, and will not be, registered as a “prospectus” in Hong Kong under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap 32) (“**CO**”) nor has it been authorized by the Securities and Futures Commission (“**SFC**”) in Hong Kong pursuant to the Securities and Futures Ordinance (Cap 571) (“**SFO**”). Recipients are advised to exercise caution in relation to the Issue. If recipients are in any doubt about any of the contents of this Letter of Offer, they should obtain independent professional advice.

The Letter of Offer does not constitute an offer or invitation to the public in Hong Kong to acquire any Rights Entitlements or Equity Shares nor an advertisement of the Equity Shares in Hong Kong. The Letter of Offer must not be issued, circulated or distributed in Hong Kong other than to “professional investors” within the meaning of the SFO and any rules made under that ordinance (“**Professional Investors**”). Any person in Hong Kong subscribing for the Equity Shares in the Issue will be deemed to represent and warrant it is a Professional Investor.

Unless permitted by the securities laws of Hong Kong, no person may issue or have in its possession for issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Rights Entitlements or Equity Shares, which is directed at, or the content of which is likely to be accessed or read by, the public of Hong Kong other than with respect to the Rights Entitlements and Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to Professional Investors.

No person who has received a copy of this Letter of Offer may issue, circulate or distribute this Letter of Offer in Hong Kong or make or give a copy of this Letter of Offer to any other person. No person allotted Equity Shares in the Issue may sell, or offer to sell, such Equity Shares to the public in Hong Kong within six months following the date of the issue of such Equity Shares.

Singapore

This Letter of Offer has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (“**MAS**”) under the Securities and Futures Act (Chapter 289) of Singapore (“**SFA**”). The offer of Rights Entitlements and Equity Shares to Eligible Equity Shareholders in Singapore is made in reliance on the offering exemption under Section 273(1)(cd) of the SFA.

The Equity Shares offered in the Issue may not be renounced to a person in Singapore other than (i) to an “institutional investor” within the meaning of Section 274 of the SFA and in accordance with the conditions of an exemption invoked under Section 274, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) other pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Equity Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for a corporation, in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by

operation of law.

United Arab Emirates (excluding the Dubai International Financial Centre)

The Rights Entitlements and the Equity Shares have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates (“U.A.E.”) other than in compliance with the laws of the U.A.E. Prospective investors in the Dubai International Financial Centre should have regard to the specific notice to prospective investors in the Dubai International Financial Centre set out below. The information contained in this Letter of Offer does not constitute a public offer of securities in the U.A.E. in accordance with the Commercial Companies Law (Federal Law No. 8 of 1984 of the U.A.E., as amended) or otherwise and is not intended to be a public offer. Our Bank, the Rights Entitlements and the Equity Shares have not been approved or licensed by or registered with the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other relevant licensing authorities or governmental agencies in the U.A.E. This Letter of Offer has not been approved by or filed with the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or the Dubai Financial Services Authority. This Letter of Offer may only be issued, circulated or distributed to Eligible Equity Shareholders who are either institutional or sophisticated investors, is not for general circulation in the U.A.E. and may not be provided to any person other than the original recipient or reproduced or used for any other purpose. If you do not understand the contents of this Letter of Offer, you should consult an authorised financial adviser. This Letter of Offer is provided for the benefit of the recipient only, and should not be delivered to, or relied on by, any other person.

Dubai International Financial Centre

This Letter of Offer relates to an exempt offer (an “**Exempt Offer**”) in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the “**DFSA**”). This Letter of Offer is intended for distribution only to persons of a type specified in those rules and persons in the DFSA subscribing for Equity Shares in the Issue will be deemed to represent and warrant that they are a type of person specified in those rules. This Letter of Offer must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Letter of Offer nor taken steps to verify the information set out in it, and has no responsibility for it. The Equity Shares to which this Letter of Offer relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Equity Shares offered in the Issue should conduct their own due diligence on the Equity Shares. If you do not understand the contents of this Letter of Offer, you should consult an authorised financial adviser.

United Kingdom (in addition to the European Economic Area selling restrictions above)

The Rights Entitlements and the Equity Shares offered in the Issue cannot be promoted in the United Kingdom to the general public. The contents of this Letter of Offer have not been approved by an authorised person within the meaning of Financial Services and Markets Act 2000, as amended (the “**FSMA**”). The Lead Manager (a) may only communicate or cause to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA), to persons who (i) are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Financial Promotion Order**”), or (ii) fall within any of the categories of persons described in article 49(2)(a) to (d) of the Financial Promotion Order or otherwise in circumstances in which section 21(1) of the FSMA does not apply to our Bank; and (b) is required to comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Rights Entitlements and the Equity Shares in, from or otherwise involving the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) in connection with, or relating to, the sale or purchase of any Rights Entitlements or Equity Shares, may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply. It is the responsibility of all persons under whose control or into whose possession this document comes to inform themselves about and to ensure observance of all applicable provisions of FSMA in respect of anything done in relation to an investment in Equity Shares in, from or otherwise involving, the United Kingdom.

United States of America

The Rights Entitlements and the Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”) or the securities laws of any state of the United States and may not be offered or sold in the United States except 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. The Rights Entitlements and the Equity Shares are not being offered or sold in the United States in the Issue. The Rights Entitlements and the Equity Shares are being offered and sold in the Issue only outside the United States in “offshore transactions” (as defined in Regulation S under the U.S. Securities Act (“**Regulation S**”)) in reliance on Regulation S. To help ensure that the offer and sale of the Equity Shares in the Issue was made in compliance with Regulation S, each purchaser of Equity Shares in the Issue will be deemed to have made the representations, warranties, acknowledgements and undertakings set forth in “**-Transfer Restrictions**” below.

Transfer Restrictions

Each purchaser of the Equity Shares in the Issue will be deemed to represent, warrant, acknowledge and agree that:

- it was outside the United States (within the meaning of Regulation S) at the time the offer of the Equity Shares was made to it and it was outside the United States (within the meaning of Regulation S) when its buy order for the Equity Shares was originated;
- it did not purchase the Equity Shares as a result of any “directed selling efforts” (as defined in Regulation S);
- the Equity Shares have not been and will not be registered under the U.S. Securities Act or the securities law of any state of the United States and that it will not offer or sell the Equity Shares except in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or pursuant to any other available exemption from registration under the U.S. Securities Act and in accordance with all applicable securities laws of the states of the United States and any other jurisdiction, including India;
- if it acquired any of the Equity Shares as fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each such account and that it has full power to make the foregoing representations, warranties, acknowledgements and agreements on behalf of each such account;
- it shall indemnify and hold our Bank and the Lead Manager harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of these representations, warranties or agreements. It agrees that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares; and
- it acknowledges that our Bank, the Lead Manager and others will rely upon the truth and accuracy of the foregoing representations, warranties and acknowledgements.

Designated Stock Exchange

The Designated Stock Exchange for the purposes of this Issue will be NSE.

Disclaimer Clause of NSE

“As required, a copy of this letter of offer has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter Ref.: NSE/LIST/21033 dated September 29, 2017 permission to the Issuer to use the Exchange’s name in this letter of offer as one of the stock exchanges on which this Issuer’s securities are proposed to be listed. The Exchange has scrutinized this letter of offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the letter of offer has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this letter of offer; nor does it warrant that this Issuer’s securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.”

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription /acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.”

Disclaimer Clause of RBI

A license authorising our Bank to carry on banking business has been obtained from the RBI in terms of Section 22 of the Banking Regulation Act, 1949. It must be distinctly understood, however, that in issuing the license the RBI does not undertake any responsibility for the financial soundness of our Bank.

Filing

This Letter of Offer is being filed with the Designated Stock Exchange as per the provisions of the SEBI ICDR Regulations. Further, in terms of Regulation 6(4) of the SEBI ICDR Regulations, our Bank will simultaneously while filing this Letter of Offer with the Designated Stock Exchange, file a copy of this Letter of Offer with SEBI.

Impersonation

As a matter of abundant caution, attention of the investors is specifically drawn to the provisions of sub-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 Bank 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 includes imprisonment for a term of not less than six months extending up to ten years (provided that where the fraud involves public interest, such term shall not be less than three years) and fine of an amount not less than the amount involved in the fraud, extending up to three times of such amount.

Estimated Issue Related Expenses

The total expenses of the Issue are estimated to be approximately ₹ 4.57 crores. The expenses of the Issue include, among others, fees of the Lead Manager, fees of the Registrar to the Issue, fees of the other advisors, printing and stationery expenses, advertising, travelling and marketing expenses and other expenses.

The estimated Issue expenses are as under:

Particulars	Estimated Expenses (₹ in crores)	% of Estimated Issue size	% of Estimated Issue expenses
Fee to Intermediaries (Lead Manager, legal counsels, Registrar to the Issue)	1.51	0.17	33.05
Advertising, traveling and marketing expenses	0.12	0.01	2.58
Printing, postage and stationery expenses	1.24	0.14	27.13
Miscellaneous and other expenses	1.70	0.19	37.24
Total estimated Issue expenses	4.57	0.51	100.00

Consents

Consents of the Directors, Company Secretary and Compliance Officer, Statutory Auditor, Lead Manager, Domestic Legal Counsel to the Issue, Registrar to the Issue and Escrow Collection Bank and Refund Bank to

include their names in this Letter of Offer to act in their respective capacities and such consents have not been withdrawn up to the date of this Letter of Offer.

The Statutory Auditor have given their written consent of for inclusion of its reports each dated September 25, 2017, in relation to the Reformatted Audited Financial Statements and Limited Reviewed Financial Statements, respectively, and the statement of tax benefits dated September 25, 2017, in the form and context in which they appear in this Letter of Offer and such consents and reports have not been withdrawn up to the date of this Letter of Offer. Further, the Statutory Auditor, have consented to be named as an “expert” as defined under Section 2(38) of the Companies Act, 2013, read with Section 26(5) and 26(1)(a)(v) of the Companies Act, 2013, in relation to the Reformatted Audited Financial Statements, Limited Reviewed Financial Statements, their report thereon, and the statement of tax benefits included in this Letter of Offer.

Expert opinion

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

Our Bank has received from its Statutory Auditor to include their name as an “expert” as defined under Section 2(38) of the Companies Act, 2013, read with Section 26(5) and 26(1)(a)(v) of the Companies Act, 2013, in relation to the Reformatted Audited Financial Statements, the Limited Reviewed Financial Statements, their report thereon and the statement of tax benefits included in this Letter of Offer.

Issue Schedule

The subscription will open upon the commencement of the banking hours and will close upon the close of banking hours on the dates mentioned below:

Issue Opening Date:	October 25, 2017
Last date for receiving requests for SAFs:	November 2, 2017
Issue Closing Date:	November 10, 2017

The Board of Directors or a duly authorized committee thereof will have the right to extend the Issue period as it may determine from time to time, provided that the Issue will not be kept open in excess of 30 (thirty) days from the Issue Opening Date, in accordance with SEBI ICDR Regulations.

Investor Grievances and Redressal System

Our Bank has adequate arrangements for the redressal of Investor complaints. Additionally, 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. Consequently, investor grievances are tracked online by the Bank.

Our Bank has a Customer Service and Stakeholders Relationship Committee which meets as prescribed by regulatory or statutory requirements. SKDC Consultants Limited is the Registrar and Share Transfer Agent. All investor grievances received by us have been handled by the Registrar and Share Transfer Agent in consultation with the Company Secretary and Compliance Officer.

Investor Grievances arising out of the Issue

Any investor grievances arising out of the Issue will be handled by the Registrar to the Issue. Our Bank typically takes 2 - 5 days for disposal of various types of investor grievances. The agreement between our Bank and the Registrar provides for a period for which records shall be retained by the Registrar in order to enable the Registrar to redress grievances of Investors.

All grievances relating to the Issue may be addressed to the Registrar to the Issue or the SCSB in case of ASBA Applicants giving full details such as Folio No. / Demat Account No., name and address, contact telephone/ cell numbers, email id of the first Applicant, number of Equity Shares applied for, CAF serial number, EAF serial number, amount paid on application and the name of the bank/ SCSB and the branch where the CAF was deposited, along with a photocopy of the acknowledgement slip. In case of renunciation, the same details of the Renouncee should be furnished.

The average time taken by the Registrar to the Issue for attending to routine grievances will be seven working days from the date of receipt. In case of non-routine grievances where verification at other agencies is involved, it would be the endeavour of the Registrar to the Issue to attend to them as expeditiously as possible. We undertake to resolve the investor grievances in a time bound manner.

Investors may contact the Registrar to the Issue at:

Registrar to the Issue

Karvy Computershare Private Limited
Karvy Selenium Tower B, Plot Number 31-32
Gachibowli, Financial District
Nanakramguda, Serilingampally
Hyderabad 500 032, Andhra Pradesh, India
Tel: +91 40 6716 2222
Fax: +91 40 3343 1551
Email: kvb.rights@karvy.com
Investor Grievance Email: einward.ris@karvy.com
Website: www.karishma.karvy.com
Contact Person: M. Muralikrishna
SEBI Registration No.: INR000000221

Investors may contact the Compliance Officer and/or Registrar to the Issue in case of any pre-Issue/ post - Issue related problems such as non-receipt of Allotment advice/share certificates/demat credit/refund orders etc.

Company Secretary and Compliance Officer

Mr. Srinivasa Rao Maddirala
Company Secretary and Compliance Officer
Post Box No. 21, Erode Road,
Karur - 639002, Tamil Nadu, India
Tel: +91 4324 269444
Fax: +91 4324 225700
Email: msrinivasarao@kvbmail.com

Minimum Subscription

If our Bank does not receive the minimum subscription of 90 % of the Issue (i.e. Net Issue and Employee Reservation Portion on a consolidated basis), or the subscription falls below 90% after the Issue Closing Date on account of cheques being returned unpaid or withdrawal of applications, our Bank shall refund the entire subscription amount within the time prescribed by applicable laws. In the event that there is a delay of making refunds beyond such period as prescribed by applicable laws, our Bank shall pay interest for the delayed period at rates prescribed under applicable laws. The above is subject to the terms mentioned under the section titled '*Terms of the Issue - Basis of Allotment*' on page 171.

SECTION VIII – OFFERING INFORMATION

TERMS OF THE ISSUE

OVERVIEW

The Equity Shares proposed to be issued in the Issue, are subject to the terms and conditions contained in this Letter of Offer, the Abridged Letter of Offer, the CAF, the EAF and the SAF, the Memorandum of Association and Articles of Association of our Bank, the provisions of the Companies Act, FEMA, the SEBI ICDR Regulation, the SEBI Listing Regulations, any other regulations, guidelines, notifications and regulations for issue of capital and for listing of securities issued by the SEBI, the RBI, the Government of India and/or other statutory and regulatory authorities and bodies from time to time, and the terms and conditions as stipulated in the Allotment advice or letters of Allotment or share certificate and rules as may be applicable and introduced from time to time.

The Rights Entitlement on the Equity Shares, the ownership of which is currently under dispute under and including any court proceedings and / or currently under transmission or are held in a demat suspense account pursuant to the Regulation 39 of the SEBI Listing Regulation and for which our Bank has withheld the dividend, shall be held in abeyance and the CAFs in relation to these Rights Entitlement shall not be dispatched pending resolution of the dispute / completion of the transmission or pending the release of Equity Shares from demat suspense account. On submission of such documents / records confirming the legal and beneficial ownership of the Equity Shares with regard to these cases, to the satisfaction of the Issuer, the Issuer 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 the Equity Shares with respect to these Rights Entitlement at the Issue Price of ₹ 76 per Equity Share as adjusted for any bonus shares, consolidation or spilt of shares (as may be applicable) in accordance with the provisions of the Companies Act, 2013 and all other applicable laws.

Renounees

All rights and obligations of the Eligible Equity Shareholders in relation to Applications and refunds pertaining to the Issue shall apply to Renounee(s) as well.

Eligible Employees

Eligible Employees can participate in the Issue under the Employee Reservation Portion pursuant to Regulation 55A of the SEBI ICDR Regulations. However, it is clarified that the Eligible Employees participating under the Employee Reservation Portion cannot renounce their right to participate in the Issue.

The ASBA Facility

Please note that, in terms of SEBI circular CIR/CFD/DIL/1/2011 dated April 29, 2011, all QIBs, Non-Institutional Investors (including all companies and bodies corporate) and other investors whose application amount exceeds ₹ 200,000, complying with the eligibility conditions of SEBI circular SEBI/CFD/DIL/ASBA/1/2009/30/12 dated December 30, 2009, can participate in the Issue only through the ASBA process. Further, all QIBs and Non-Institutional Investors are mandatorily required to use the ASBA facility, even if application amount does not exceed ₹ 200,000. The Investors who are (i) not QIBs; (ii) not Non-Institutional Investors; or (iii) investors whose application amount is not more than ₹ 200,000, can participate in the Issue either through the ASBA process or the non ASBA process. ASBA Investors should note that the ASBA process involves application procedures that may be different from the procedure applicable to non ASBA process. ASBA Investors should carefully read the provisions applicable to such applications before making their application through the ASBA process. Please see “*Terms of the Issue - Procedure for Application*” on page 150.

Accordingly, an eligible ASBA Investor is an Investor who:

- holds the Equity Shares in dematerialised form as on the Record Date;
- has applied towards his/her Rights Entitlements or additional Equity Shares in the Issue in dematerialised form;
- has not renounced his/her Rights Entitlements in full or in part;
- is not a Renounee;

- applies through a bank account maintained with one of the SCSBs; and
- has not split the CAF.

Please note that subject to SCSBs complying with the requirements of SEBI Circular No. CIR/CFD/DIL/13/2012 dated September 25, 2012 within the periods stipulated therein, ASBA Applications may be submitted at all branches of the SCSBs.

Notwithstanding anything contained hereinabove, all Renounees (including Renounees who are Individuals) shall apply in the Issue only through the non-ASBA process.

Retail Individual Investors and Eligible Employees may optionally apply through the ASBA process, provided that they are eligible ASBA Investors.

Further, in terms of the SEBI circular no. CIR/CFD/DIL/1/2013 dated January 2, 2013, it is clarified that for making applications by banks on own account using ASBA facility, SCSBs should have a separate account in their own name with any other SEBI registered SCSB(s). Such account shall be used solely for the purpose of making application in public issues/ rights issues and clear demarcated funds should be available in such account for ASBA applications. SCSBs applying in the Issue using the ASBA facility shall be responsible for ensuring that they have a separate account in their own name with any other SCSB having clear demarcated funds for applying in the Issue and that such separate account shall be used as the ASBA Account for the application, for ensuring compliance with the applicable regulations.

All rights and obligations of the Eligible Equity Shareholders in relation to Applications and refunds pertaining to the Issue shall apply to Renounee(s) as well.

Authority for the Issue

Our Board has pursuant to a resolution passed in its meeting held on May 29, 2017 authorized this Issue.

Our Board has, arrived at the Issue Price as ₹ 76 per Equity Share in consultation with the Lead Manager and determined the Rights Entitlement of 1 (one) fully paid-up Equity Share for every 6 (six) fully paid-up Equity Shares held on the Record Date. Our Board in its meeting held on May 29, 2017, has also approved the issue of the Equity Shares to the Eligible Employees of our Bank along with the Eligible Equity Shareholders, subject to the approval of the Shareholders, at the same price within the limits as prescribed under the SEBI ICDR Regulations.

The approval of the Shareholders for the issue of the Equity Shares to the Eligible Employees of our Bank has been obtained by way of special resolution at the AGM held on July 21, 2017.

Further, our Board in its meeting held on September 25, 2017 has resolved to issue up to 1,71,60,000 Equity Shares for the Eligible Employees pursuant to the reservation made along with the Equity Shares to be issued to the Eligible Equity Shareholders, at the same price as that of the Issue i.e. ₹ 76 per Equity Share (including a premium of ₹ 74 per Equity Share) aggregating up to ₹ 130.42 crores.

Except for any renunciation in favour of FIIs, in terms of A.P. (DIR Series) Circular No. 53, issued by the RBI on December 17, 2003, any renunciation (i) from resident Indian Eligible Equity Shareholder(s) to non-resident(s); (ii) from non-resident Eligible Equity Shareholder(s) to resident Indian(s); or (iii) from a non-resident Eligible Equity Shareholder(s) to other non-resident(s), is subject to the renouner(s)/renounee(s) obtaining any necessary regulatory approvals from the RBI.

Pursuant to an application made by our Bank, RBI has issued a letter dated September 27, 2017, approving the renunciation of rights entitlement by and to persons/entities resident outside India for the Issue.

Basis for the Issue

The Equity Shares are being offered for subscription for cash to (a) those existing Eligible Equity Shareholders of our Bank whose names appear, (i) as beneficial owners as per the list to be furnished by the Depositories in respect of the Equity Shares held in the electronic form, and (ii) on the register of members of our Bank in respect of Equity Shares held in the physical form at the close of business hours on the Record Date, i.e. October 13, 2017, fixed in consultation with the Stock Exchange and (b) those employees who are permanent and full-time

employees of our Bank (other than Promoters), as on the Record Date, who is an Indian national and is based, working and present in India as on the date of submission of the EAF and who continues to be in such employment till the finalisation of the basis of Allotment in consultation with the Designated Stock Exchange, but excludes persons not eligible under applicable laws, rules, regulations and guidelines..

PRINCIPAL TERMS AND CONDITIONS OF THE ISSUE

Face Value

Each Equity Share shall have the face value of ₹ 2 each.

Issue Price

Each Equity Share is being offered at a price of ₹ 76 (including a premium of ₹ 74 per Equity Share).

Terms of payment

Investors shall have to make full payment of ₹ 76 per Equity Share at the time of making an application.

The payment towards Equity Shares offered will be applied as under:

- (a) ₹ 2 per Equity Share towards Equity Share Capital; and
- (b) ₹ 74 per Equity Share towards securities premium account of our Bank.

A separate cheque/demand draft/pay order must accompany each application form.

All payments should be made by cheque/demand draft/pay order drawn on any bank, (including a cooperative bank), which is situated at and is a member or a sub-member of the bankers clearing house located at the center where the Application Form is accepted. Outstation cheques /money orders/postal orders will not be accepted and Application Form accompanied by such cheque/money orders/postal orders are liable to be rejected. The Registrar to the Issue will not accept any payments against applications, if such payments are made in cash.

Pursuant to the RBI Circular DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the Stockinvest scheme has been withdrawn and accordingly, payment through Stockinvest will not be accepted in the Issue.

Where an applicant has applied for additional Equity Shares and is allotted lesser number of Equity Shares than applied for, the excess Application Money paid shall be refunded. The monies would be refunded within 15 (fifteen) days from the Issue Closing Date. In the event that there is a delay of making refunds beyond such period as prescribed by applicable laws, our Bank shall pay interest for the delayed period at rates prescribed under applicable laws.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of the Memorandum of Association and Articles of Association. The Equity Shares shall rank *pari passu*, in all respects including dividend, with our existing Equity Shares.

Mode of Payment of Dividend

In the event of declaration of dividend, the Bank shall pay dividend to the shareholders of the Bank as per the provisions of the Companies Act, the Banking Regulation Act, 1949, the guidelines issued by RBI from time to time and the provisions of the Articles of Association.

Rights Entitlement

As your name appears as a beneficial owner in respect of the Equity Shares held in the electronic form or appears in the register of members as an Eligible Equity Shareholder of our Bank in respect of the Equity Shares held in physical form as on the Record Date, i.e. October 13, 2017, you are entitled to the number of Equity Shares as set out in Part A of the CAFs.

Our Bank is making this Issue on a rights basis to the Eligible Equity Shareholders of our Bank and will dispatch this Letter of Offer/ Abridged Letter of Offer and CAFs only to Eligible Equity Shareholders who have a registered address in India. The distribution of this Letter of Offer/Abridged Letter of Offer and the issue of securities on a rights basis to persons in certain jurisdictions outside India is restricted by legal requirements prevailing in those jurisdictions. Any person who acquires Rights Entitlements or the Equity Shares will be deemed to have declared, warranted and agreed, by accepting the delivery of this Letter of Offer/Abridged Letter of Offer/CAF that such person is not and that at the time of subscribing for the Equity Shares or the Rights Entitlements, will not be, in any restricted jurisdiction.

Rights Entitlement Ratio

The Equity Shares are being offered on a rights basis to Eligible Equity Shareholders in the ratio of 1 (one) fully paid-up Equity Share for every 6 (six) fully paid-up Equity Shares held on the Record Date, i.e. October 13, 2017.

As your name appears as a beneficial owner in respect of Equity Shares held in the electronic form or appears in the register of members as an equity shareholder of our Bank as on the Record Date, you are entitled to the number of Equity Shares as set out in Part A of the CAF enclosed with this Letter of Offer / the Abridged Letter of Offer.

An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an Application to subscribe to the Issue on plain paper. For further details, see the section titled “*Terms of the Issue - Application on Plain Paper*” on page 155.

Employee Reservation Portion

The Equity Shares are being offered under the Employees Reservation Portion pursuant to SEBI ICDR Regulations to the Eligible Employees of our Bank subject to the total consideration for Equity Shares applied for by an Eligible Employee not exceeding ₹ 200,000. Since this Issue is a rights issue under regulation 55A of the SEBI ICDR Regulations, specific provisions of public issue are not applicable to the Issue.

The Eligible Employee applying under the Employee Reservation Portion should compulsorily apply through the EAF. Please note that Eligible Employees cannot make an application on a plain paper. Any application by an Eligible Employee other than through EAF is liable to be rejected.

An Eligible Employee who has not received the EAF may approach the Registrar for the Issue of duplicate EAF.

Eligible Employees who are Eligible Equity Shareholders may also apply under the Net Issue. In such a case, application under the Net Issue and application under the Employee Reservation Portion shall not be considered as multiple applications.

Fractional Entitlements

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 6 (six) Equity Shares or is not in multiples of 6 (six), the fractional entitlement of such Eligible Equity Shareholder shall be ignored for computation of the Rights Entitlement. Eligible Equity Shareholders whose fractional Rights Entitlements are being ignored would be given preference in Allotment of 1 (one) additional fully paid-up Equity Share each if they apply for additional Equity Shares.

Also, those Eligible Equity Shareholders holding less than 6 (six) fully paid-up Equity Shares, i.e. holding up to 5 (five) fully paid-up Equity Shares, and therefore entitled to ‘zero’ fully paid-up Equity Shares under this Issue shall be dispatched a CAF with ‘zero’ entitlement. Such Eligible Equity Shareholders are entitled to apply for additional Equity Shares and would be given preference in the allotment of 1 (one) additional Equity Share if, such Eligible Equity Shareholders have applied for the additional Equity Shares. However, they cannot renounce the same to third parties. CAFs with zero entitlement shall be non-negotiable/ non – renounceable.

An illustration stating the Rights Entitlement for number of Equity Shares is set out below:

Number of Equity Shares held as on Record Date	Rights Entitlement
1-5	0

Number of Equity Shares held as on Record Date	Rights Entitlement
6-11	1
12-17	2
18-23	3

Listing and trading of the Equity Shares proposed to be issued under the Issue

Our Bank's existing Equity Shares are listed and traded on the NSE (Code KARURVYSYA) and are traded under the 'Permitted Securities' category on BSE, under the ISIN INE036D01028. The fully paid-up Equity Shares proposed to be issued pursuant to the Issue shall, in terms of SEBI Circular No. CIR/MRD/DP/21/2012 dated August 2, 2012, be allotted under a temporary ISIN shall be frozen till the time final listing/ trading approval is granted by the Stock Exchange. Upon receipt of such listing and trading approval, the Equity Shares proposed to be issued pursuant to the Issue shall be debited from such temporary ISIN and credited in the existing ISIN and thereafter be available for trading.

All steps for completion of necessary formalities for listing and commencement of trading in the Equity Shares will be taken within seven working days from finalization of the basis of allotment. The Bank has made applications to the Stock Exchange seeking 'in-principle' approval for the listing of the Equity Shares pursuant to the Issue in accordance of the SEBI Listing Regulations and has received such approval from the NSE pursuant to their letter no. NSE/LIST/21033 dated September 29, 2017.

Our Bank will apply to the NSE for final approval for the listing and trading of the Equity Shares. No assurance can be given regarding the active or sustained trading in the Equity Shares or the price at which the Equity Shares offered under the Issue will trade after the listing thereof.

If permissions to list, deal in and for an official quotation of the Equity Shares are not granted by NSE, the Bank will forthwith repay, without interest, all moneys received from the Applicants in pursuance of this Letter of Offer. If such money is not repaid beyond eight days after the Bank becomes liable to repay it, that is, the date of refusal of an application for such a permission from a Stock Exchange, or on expiry of 15 days from the Issue Closing Date in case no permission is granted, whichever is earlier, then the Bank and every Director who is an officer in default shall, on and from such expiry of eight days, be liable to repay the money, with interest as applicable.

Rights of the Equity Shareholder

Subject to applicable laws, Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote either in person or by proxy;
- Right to receive offers for equity shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability of shares; and
- Such other rights, as may be available to a shareholder of a listed public Company under the Companies Act and the Memorandum and Articles of Association of our Bank.

Subscription by our Promoter and Promoter Group

Our Promoters have confirmed that they intend to, either through themselves or through other members of the Promoter and Promoter Group, subscribe to the full extent of their Rights Entitlement, including renunciation within the Promoter Group, if any, in compliance with Regulation 10(4) of Takeover Regulations. Any subscription to additional Equity Shares and the unsubscribed portion, if any, shall be in accordance with Regulation 10(4) of Takeover Regulations. Any subscription by our Promoters, for Equity Shares over and above their Rights Entitlement, if allotted, may result in an increase in their percentage shareholding, subject to their

shareholding not exceeding 75% of the post- Issue paid-up Equity Share capital of our Bank. Further any such acquisition of additional Equity Shares by our Promoters, shall not result in a change of control of the management of our Bank in accordance with provisions of the Takeover Regulations and shall be exempt in terms of Regulation 10(4)(a) and 10(4)(b) of the Takeover Regulations.

GENERAL TERMS OF THE ISSUE

Market Lot

The Equity Shares are tradable only in dematerialised form. The market lot for the Equity Shares in dematerialised mode is one Equity Share. In case an Eligible Equity Shareholder holds Equity Shares in physical form, our Bank would issue to the Allottees one certificate for the Equity Shares allotted to each folio (“**Consolidated Certificate**”). Such Consolidated Certificates may be split into smaller denominations at the request of the respective Eligible Equity Shareholder.

Minimum Subscription

If our Bank does not receive the minimum subscription of 90 % of the Issue (i.e. Net Issue and Employee Reservation Portion on a consolidated basis), or the subscription falls below 90% after the Issue Closing Date on account of cheques being returned unpaid or withdrawal of applications, our Bank shall refund the entire subscription amount within the time prescribed by applicable laws. In the event that there is a delay of making refunds beyond such period as prescribed by applicable laws, our Bank shall pay interest for the delayed period at rates prescribed under applicable laws.

The above is subject to the terms mentioned under the section titled “*Terms of the Issue - Basis of Allotment*” on page 171.

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 joint holders with the benefit of survivorship subject to the provisions contained in the Articles of Association of our Bank. In case of joint holders, the CAF would be required to be signed by all the joint holders to be considered as valid for allotment of Equity Shares.

In case such Eligible Equity Shareholders who are joint holders wish to renounce their Rights Entitlement, all such Eligible Equity Shareholders who are joint holders would be required to sign Part B of the CAF. In absence of signatures of all joint holders, the CAF would be liable for rejection.

Nomination

In terms of Section 72 of the Companies Act, 2013 nomination facility is available for Equity Shares. An Eligible Equity Shareholder can nominate any person by filling the relevant details in the CAF in the space provided for this purpose. In case of Eligible Equity Shareholders who are individuals, a sole Eligible Equity Shareholder or the first named Eligible Equity Shareholder, along with other joint Eligible Equity Shareholders, if any, and Eligible Employees, may nominate any person(s) who, in the event of the death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Equity Shares. A person, being a nominee, becoming entitled to the Equity Shares by reason of the death of the original Eligible Equity Shareholder(s), shall be entitled to the same advantages to which he would be entitled if he were the registered holder of the Equity Shares. Where the nominee is a minor, the Eligible Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Shares, in the event of death of the said holder(s), during the minority of the nominee. A nomination shall stand rescinded upon the sale of the Equity Shares by the person nominating. A transferee will be entitled to make a fresh nomination in the manner prescribed. When the Equity Shares are held by two or more persons, the nominee shall become entitled to receive the Equity Shares only on the demise of all the holders. Fresh nominations can be made only in the prescribed form available on request at the Registered Office of our Bank or such other person at such addresses as may be notified by our Bank. An Eligible Equity Shareholder or an Eligible Employee can make the nomination by filling in the relevant portion of the CAF or EAF respectively.

In terms of Section 72 of the Companies Act, 2013 any person who becomes a nominee by virtue of the provisions of Section 72 of the Companies Act, 2013 shall upon the production of such evidence as may be required by the

Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of 90 (ninety) days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Only one nomination would be applicable for one folio. Hence, in case the Eligible Equity Shareholder(s) has already registered the nomination with our Bank, no further nomination needs to be made for Equity Shares that may be allotted in this Issue under the same folio.

In case the Allotment of Equity Shares is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be allotted in the Issue. Nominations registered with respective Depository Participant of the applicant would prevail. If the applicant requires changing the nomination, they are requested to inform their respective Depository Participant.

Arrangements for disposal of odd lots

Our Equity Shares are traded in dematerialised form only and therefore, the market lot for our Bank's Equity Shares is one Equity Share and hence, no arrangements have been made for disposal of odd lots.

Minimum Subscription

If our Bank does not receive the minimum subscription of 90 % of the Issue (i.e. Net Issue and Employee Reservation Portion on a consolidated basis), or the subscription falls below 90% after the Issue Closing Date on account of cheques being returned unpaid or withdrawal of applications, our Bank shall refund the entire subscription amount within the time prescribed by applicable laws. In the event that there is a delay of making refunds beyond such period as prescribed by applicable laws, our Bank shall pay interest for the delayed period at rates prescribed under applicable laws.

Notices

All notices to the Eligible Equity Shareholders required to be given by our Bank shall be published in one (1) English national daily newspaper with wide circulation, one (1) Hindi national daily newspaper with wide circulation and one (1) Tamil daily newspaper with wide circulation at the place where our Registered Office is situated and/ or will be sent by ordinary post or registered post or speed post to the registered address of the Eligible Equity Shareholders in India as updated with the Depositories/ registered with the Registrar and Transfer Agent from time to time or the Indian address provided by the Eligible Equity Shareholders from time to time.

Offer to Non Resident Eligible Equity Shareholders/Investors

As per Regulation 6 of Notification No. FEMA 20/2000-RB dated May 3, 2000, the RBI has given general permission to Indian companies to issue equity shares to non-resident shareholders including additional securities. Applications received from NRIs and non-residents for allotment of Equity Shares shall be *inter alia*, subject to the conditions imposed from time to time by the RBI under the FEMA in the matter of refund of Application Money, allotment of Equity Shares and issue of letter of allotment. **The Abridged Letter of Offer and CAF shall be dispatched to non-resident Eligible Equity Shareholders at their Indian address only.** If an NR or NRI Investors has specific approval from RBI, in connection with his shareholding, he should enclose a copy of such approval with the Application Form. The Board may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of Equity Shares. The 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 shares against which Equity Shares are issued on rights basis.

CAFs will be made available for eligible NRIs at our Registered Office and with the Registrar to the Issue.

In case of change of status of holders, that is, from Resident to Non-Resident, a new demat account must be opened.

DETAILS OF SEPARATE COLLECTING CENTRES FOR NON-RESIDENT APPLICATIONS SHALL BE PRINTED ON THE CAF.

By virtue of Circular No. 14 dated September 16, 2003 issued by the RBI, OCBs have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, OCBs shall not be eligible to subscribe to the Equity Shares. The RBI has however clarified in its circular, A.P. (DIR Series) Circular No. 44, dated December 8, 2003 that OCBs which are incorporated and are not under the adverse notice of the RBI are permitted to undertake fresh investments as incorporated Non-Resident entities.

PROCEDURE FOR APPLICATION

How to Apply

The Application Form will be printed in black ink for all Eligible Equity Shareholders and Eligible Employees. The Application Form along with the Abridged Letter of Offer shall be dispatched through registered post or speed post at least three days before the Issue Opening Date.

In case the original CAFs are not received by the Investor or is misplaced by the Investor, the Investor may request the Registrar to the Issue, for issue of a duplicate CAF, by furnishing the registered folio number, DP ID Number, Client ID Number and their full name and address. In case the signature of the Eligible Equity Shareholder(s) and Eligible Employees does not match with the specimen registered with the Depository Participant or our Bank, the Application is liable to be rejected.

In case the original EAF is not received or is misplaced, the Eligible Employees may request the Registrar to the Issue, for issue of a duplicate EAF, by furnishing the employee identification number and PAN and their full name and address.

Neither the Bank nor the Lead Manager nor the Registrar to the Issue shall be responsible for delay in the receipt of the Application Form/duplicate Application Form attributable to postal delays or if the Application Form/duplicate Application Form are misplaced in the transit. The request for a duplicate Application Form should reach the Registrar to the Issue within seven days from the Issue Opening Date. Investors should note that those who are making the Application in such duplicate Application Form should not utilize the original Application Form for any purpose, including renunciation, even if the original Application Form is received or found subsequently. If any Investor violates any of these requirements, they shall face the risk of rejection of both Applications.

Please note that, in terms of SEBI circular CIR/CFD/DIL/1/2011 dated April 29, 2011, all QIBs, Non-Institutional Investors (including all companies and bodies corporate) and other investors whose application amount exceeds ₹ 200,000 can participate in the Issue only through the ASBA process, subject to them complying with the requirements of SEBI circular dated December 30, 2009. Further, all QIBs and Non-Institutional Investors are mandatorily required to use the ASBA facility, even if application amount does not exceed ₹ 200,000. The Investors who are (i) not QIBs; (ii) not Non-Institutional Investors; or (iii) investors whose application amount is not more than ₹ 200,000, can participate in the Issue either through the ASBA process or the non ASBA process.

Notwithstanding anything contained hereinabove, all Renounees (including Renounees who are Individuals) shall apply in the Issue only through the non-ASBA process.

Retail Individual Investors may optionally apply through the ASBA process, provided that they are eligible ASBA Investors.

The CAF consists of four parts:

Part A: Form for accepting the Equity Shares offered as a part of this Issue, in full or in part, and for applying for additional Equity Shares;

Part B: Form for renunciation of Equity Shares;

Part C: Form for application of Equity Shares by Renouncee(s); and
Part D: Form for request for SAFs.

Please note that neither the Bank nor the Registrar to the Issue, shall be responsible for any delay in the receipt of the CAF/duplicate CAF which is attributable to postal delays or if the CAF/duplicate CAF are misplaced in transit.

Options available to the Eligible Equity Shareholders

The CAFs will clearly indicate the number of Equity Shares that the Eligible Equity Shareholder is entitled to. If the Eligible Equity Shareholder applies for an investment in Equity Shares, then he can:

- Apply for his Rights Entitlement in full;
- Apply for his Rights Entitlement in part (without renouncing the other part);
- Apply for his Rights Entitlement in full and apply for additional Equity Shares;
- Apply for his Rights Entitlement in part and renounce the other part of the Equity Shares; and
- Renounce his Rights Entitlement in full.

Option available to the Eligible Employees

Applications by Eligible Employees applying under the Employee Reservation Portion should be made only on the EAF.

The Eligible Employee may apply under the Employee Reservation Portion, subject to the total consideration for Equity Shares applied for by Eligible Employee not exceeding ₹ 200,000. It is clarified that the Eligible Employees participating under the Employee Reservation Portion cannot renounce their right to participate in the Issue.

Resident Eligible Equity Shareholders

Applications should be made only on the CAF enclosed with this Letter of Offer. The CAF should be complete in all respects, as explained in the instructions indicated in the CAF. An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an Application to subscribe to the Issue on plain paper. For further details, see the section titled “*Terms of the Issue - Application on Plain Paper (Non-ASBA)*” and “*Terms of the Issue - Application on Plain Paper under the ASBA process*” on pages 155 and 166, respectively.

Non-Resident Eligible Equity Shareholders

The Non-Resident Indian shall be sent CAF at their Indian address only as per Bank records. Other Non Resident Indian applicants can obtain the CAF from the Registrar to the Issue or Registered Office of the Bank. Application should be made only on the CAF. The CAF should be complete in all respects, as explained in the instruction indicated in the CAF. An Eligible Non Resident Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an Application to subscribe to the Issue on plain paper. For further details, see the section titled “*Terms of the Issue - Application on Plain Paper (Non-ASBA)*” and “*Terms of the Issue - Application on Plain Paper under the ASBA process*” on pages 155 and 166, respectively.

Eligible Employees

Eligible Employees shall be sent numbered EAFs. Applications should be made only on the EAF enclosed with the Abridged Letter of Offer. The EAF should be completed in all respects, as explained in the instructions indicated in the EAF. Applications will not be accepted by the Lead Manager or by the Registrar to the Issue or by our Bank at any offices except in the case of postal applications as per instructions given in this Letter of Offer.

Eligible Employees can also apply through the ASBA. For details see “*Procedure for Application through the Applications Supported by Blocked Amount ("ASBA") Process*” at page 163. ASBA Investors shall be required to indicate in the EAF as to whether they desire to avail of the ASBA option.

Additional Equity Shares

You are eligible to apply for additional Equity Shares over and above your Rights Entitlement, provided that you are eligible to apply under applicable law and have applied for all the Equity Shares offered without renouncing them in whole or in part in favour of any other person(s). Renouncee(s), applying for all Equity Shares renounced in their favour, can also apply for additional Equity Shares in the Issue. Applications for additional Equity Shares shall be considered and allotment shall be made at the sole discretion of the Board, subject to applicable sectoral caps, and in consultation if necessary with the Designated Stock Exchange and in the manner prescribed under the section titled “*Terms of the Issue - Basis of Allotment*” on page 171. If you desire to apply for additional Equity Shares, please indicate your requirement in the place provided for additional Equity Shares in Part A of the CAF. Where the number of additional Equity Shares applied for exceeds the number available for Allotment, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

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 6 (six) Equity Shares or not in multiples of 6 (six) as on the Record Date, the fractional entitlement of such Eligible Equity Shareholders shall be ignored. Eligible Equity Shareholders whose fractional Rights Entitlements are being ignored would be given preference in allotment of one additional Equity Share each if they apply for additional Equity Shares. For further details please refer to the section titled “*Terms of the Issue - Basis of Allotment*” on page 171.

It is clarified that the Eligible Employee may apply under the Employee Reservation Portion, subject to the total consideration for Equity Shares applied for by Eligible Employee not exceeding ₹ 2,00,000.

In the event of under-subscription in the Employee Reservation Portion, the unsubscribed portion would be added to the Net Issue. However, in case there is under-subscription in the Net Issue, the unsubscribed portion would not be met with spill over from over-subscription under the Employee Reservation Portion.

Applications by Overseas Corporate Bodies

By virtue of the Circular No. 14 dated September 16, 2003, issued by the RBI, Overseas Corporate Bodies (“OCBs”), have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to OCBs) Regulations, 2003. Accordingly, the existing Eligible Equity Shareholders of our Bank who do not wish to subscribe to the Equity Shares being offered but wish to renounce the same in favour of Renouncee shall not be able to renounce the same (whether for consideration or otherwise), in favour of OCB(s).

The RBI has however clarified in its circular, A.P. (DIR Series) Circular No. 44, dated December 8, 2003, that OCBs which are incorporated and are not and were not at any time subject to any adverse notice from the RBI, are permitted to undertake fresh investments as incorporated non-resident entities in terms of Regulation 5(1) of RBI Notification No.20/2000-RB dated May 3, 2000, under the foreign direct investment scheme with the prior approval of Government of India if the investment is through the government approval route and with the prior approval of RBI if the investment is through automatic route on case by case basis. Eligible Equity Shareholders renouncing their rights in favour of such OCBs may do so provided such Renouncee obtains a prior approval from the RBI. On submission of such RBI approval to our Bank at our Registered Office, the OCB shall receive the Abridged Letter of Offer and the CAF.

Renunciation by and/or in favour of Non Residents

Any renunciation (i) from a resident Indian Eligible Equity Shareholder to a Non Resident, or (ii) from a Non Resident Eligible Equity Shareholder to a resident Indian, or (iii) from a Non Resident Eligible Equity Shareholder to a Non Resident, in light of the RBI Notification No. FEMA 20/2000-RB dated May 03, 2000, would not require approval from RBI, if such renunciation is made on the floor of the exchange, provided that in case of any renunciation from a resident Indian Equity Shareholder to a Non Resident, the offer price for the Equity Shares should not be less than the price at which an offer is made to the resident Eligible Equity Shareholder. Any renunciation through a private arrangement would be subject to applicable pricing requirements prescribed by the RBI and/or seeking appropriate approvals from the RBI in this regard.

However, the right of renunciation is subject to the express condition that the Board shall be entitled, in its absolute discretion, to reject the request from the renouncees for the allotment of Equity Shares without assigning any reason thereof.

Eligible Employees participating under the Employee Reservation Portion cannot renounce their right to participate in the Issue. Any application made other than through the EAF by an Eligible Employee is liable to be rejected.

Procedure for renunciation

To renounce all the Equity Shares offered to an Eligible Equity Shareholder in favour of one Renounee

If you wish to renounce the offer indicated in Part ‘A’, in whole, please complete Part ‘B’ of the CAF. In case of joint holding, all joint holders must sign Part ‘B’ of the CAF. The person in whose favour renunciation has been made should complete and sign Part ‘C’ of the CAF. In case of joint Renounees, all joint Renounees must sign Part ‘C’ of the CAF.

To renounce in part/ or renounce the whole to more than one person(s)

If you wish to either accept this offer in part and renounce the balance or renounce the entire offer under this Issue in favour of two or more Renounees, the CAF must be first split into requisite number of forms. Please indicate your requirement of Split Application Forms, (“SAFs”), in the space provided for this purpose in ‘Part D’ of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for SAFs, i.e., November 2, 2017. On receipt of the required number of SAFs from the Registrar, the procedure as mentioned in paragraph above shall have to be followed. In case the signature of the Eligible Equity Shareholder(s), who has renounced the Equity Shares, does not match with the specimen registered with our Bank, the application is liable to be rejected.

Renounee(s)

The person(s) in whose favour the Equity Shares are renounced should fill in and sign Part ‘C’ of the CAF and submit the entire CAF to any of the collection branches of the Bankers to the Issue as mentioned in the reverse of the CAF on or before the Issue Closing Date along with the Application Money in full. The Renounee cannot further renounce.

Change and/or introduction of additional holders

If you wish to apply for Equity Shares jointly with any other person(s), not more than three, who is/are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above, shall have to be followed. However, this right of renunciation is subject to the express condition that the Board shall be entitled in its absolute discretion to reject the request for allotment from the Renounee(s) without assigning any reason thereof. All such applications will be treated as applications from Renounees and shall have to be made through the non-ASBA process only to be considered valid for allotment. Please also see section titled “*Terms of the Issue - Basis of Allotment*” on page 171.

Instructions for Options

The summary of options available to the Eligible Equity Shareholder is presented below. You may exercise any of the following options with regard to the Equity Shares offered, by using the CAF as detailed herein:

#	Option Available	Action Required
1.	Accept whole or part of your Rights Entitlement without renouncing the balance	Fill in and sign Part A (<i>all joint holders must sign</i>)
2.	Accept your Rights Entitlement in full and apply for additional Equity Shares	Fill in and sign Part A including ‘Block III’ relating to the acceptance of Rights Entitlement and ‘Block IV’ relating to additional Equity Shares (<i>all joint holders must sign</i>)
3.	Accept a part of your Rights Entitlement and renounce the balance to one or more Renounee(s) OR	Fill in and sign Part D (<i>all joint holders must sign</i>) requesting for Split Application Forms. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for the receipt of requests for Split Application Forms. Splitting will be permitted only once.

#	Option Available	Action Required
	Renounce your Rights Entitlement to all the Equity Shares offered to you to more than one Renounee	<p>On receipt of the Split Application Form take action as indicated below.</p> <p>a) For the Equity Shares you wish to accept, if any, fill in and sign Part A.</p> <p>b) For the Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Equity Shares renounced and hand it over to the Renounees.</p> <p>c) Each of the Renounees should fill in and sign Part C for the Equity Shares accepted by them.</p>
4.	Renounce your Rights Entitlement in full to one person (Joint Renounees are considered as one)	Fill in and sign Part B (all joint holders must sign) indicating the number of Equity Shares renounced and hand it over to the Renounee. The Renounee must fill in and sign Part C (All joint Renounees must sign).
5.	Introduce a joint holder or change the sequence of joint holders.	This will be treated as a renunciation. Fill in and sign Part B and the Renounees must fill in and sign Part C.

Please note that:

- Options 3 – 5 will not be available to Eligible Equity Shareholders applying through the ASBA process.
- Part 'A' of the CAF must not be used by any person(s) other than the Eligible Equity Shareholders. If used, this will render the Application invalid.
- **EAF must not be used by any person(s) other than Eligible Employees. If used this will render the Application invalid.**
- Request for SAF should be made for a minimum of one Equity Share or, in multiples thereof and one SAF for the balance Equity Shares, if any.
- Request by the Eligible Equity Shareholder(s) for the SAF should reach the Registrar to the Issue on or before November 2, 2017.
- Only the Eligible Equity Shareholders, to whom this Letter of Offer and/ or Abridged Letter of Offer has been addressed to and not the Renounee(s) shall be entitled to renounce and to apply for Split Application Forms. Forms once split cannot be split again.
- Split Application Forms will be sent to the Investor(s) by post at the Applicant's risk.
- While applying for or renouncing their Rights Entitlement, joint Eligible Equity Shareholders must sign the CAF in the same order and as per specimen signatures recorded with our Bank/ the Depositories.
- Eligible Equity Shareholders may not renounce in favour of persons or entities who would otherwise be prohibited from being offered or subscribing for Equity Shares or Rights Entitlement under applicable securities laws.
- In the case of a renunciation, the submission of the CAF to the Escrow Collection Bank at the collecting branches specified on the reverse of the CAF together with Part B of the CAF duly completed shall be conclusive evidence of the right of the person applying for the Equity Shares to receive allotment of such Equity Shares.
- *Non-resident Eligible Equity Shareholders:* Application(s) received from Non-Resident/ NRIs, or persons of Indian origin residing abroad for allotment of Equity Shares allotted as a part of this Issue shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of Application Money, allotment of Equity Shares, subsequent issue and allotment of Equity Shares, interest, export of share certificates, etc. In case a Non-Resident or NRI Eligible Equity Shareholder has

specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF.

- Applicants must write their CAF number at the back of the cheque/demand draft.
- The RBI has mandated that CTS 2010 standard non-compliant cheques can be presented in clearing only in reduced frequency, specifically once a week, on Mondays of every week from November 2014 onwards. This would have an impact on timelines for the issuance of final certificates, hence the CAFs accompanied with non-CTS cheques could get rejected.

Availability of duplicate Application Form

In case the original CAF is not received, or is misplaced by the Eligible Equity Shareholder, the Registrar to the Issue will issue a duplicate CAF on the request of the Investor who should furnish the registered folio number/ DP and Client ID number and his/ her full name and address to the Registrar to the Issue. Please note that the request for duplicate CAF should reach the Registrar to the Issue within 7 (seven) days prior to the Issue Closing Date. In case the signature of the Eligible Equity Shareholder(s) does not match with the specimen registered with our Bank or the DP, the Application is liable to be rejected. In case the original EAF is not received or is misplaced, the Eligible Employees may request the Registrar to the Issue, for issue of a duplicate EAF, by furnishing the employee identification number and PAN and their full name and address.

Please note that those who are making the application in the duplicate form should not utilize the original Application Form for any purpose including renunciation, even if it is received/ found subsequently. If the Investor violates such requirements, he/she shall face the risk of rejection of either original Application Form or both the applications. Our Bank or the Registrar to the Issue or the Lead Manager will not be responsible for postal delays or loss of duplicate Application Form in transit, if any.

Application on Plain Paper (Non-ASBA)

An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Issue on plain paper, along with demand draft / cheque/pay order payable at Hyderabad, which should be drawn in favour of “*The Karur Vysya Bank Limited - Rights Issue - R*” in case of resident shareholders/Investors and shareholders/Investors applying on non-repatriable basis or “*The Karur Vysya Bank Limited - Rights Issue - NR*” in case of non-resident shareholders applying on repatriable basis and the Eligible Equity Shareholders should send the same by registered post / speed post directly to the Registrar to the Issue.

The envelope should be superscribed “*The Karur Vysya Bank Limited - Rights Issue - R*” in case of resident shareholders/Investors or shareholders/Investors applying on non-repatriable basis or “*The Karur Vysya Bank Limited - Rights Issue - NR*” in case of non-resident shareholders/Investors applying on repatriable basis and should be postmarked in India.

The application on plain paper, duly signed by the Investors including joint holders, in the same order as per specimen recorded with our Bank/Depositories, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

- Name of the Bank, being The Karur Vysya Bank Limited;
- Name and address of the Eligible Equity Shareholder including joint holders;
- Registered Folio Number/ DP and Client ID No.;
- Number of Equity Shares held as on Record Date;
- Share certificate numbers and distinctive numbers of Equity Shares, if held in physical form;
- Allotment option preferred - physical or demat form, if held in physical form;
- Number of Equity Shares entitled to;
- Number of Equity Shares applied for;
- Number of additional Equity Shares applied for, if any;
- Total number of Equity Shares applied for;
- Total amount paid at the rate of ₹ 76 per Equity Share;
- Particulars of cheque/demand draft/pay order;

- In case of Equity Shares allotted in physical form, Savings/Current Account Number and name and address of the bank where the Eligible Equity Shareholder will be depositing the refund order. In case of Equity Shares held in dematerialized form, the Registrar shall obtain the bank account details from the information available with the Depositories;
- Except for applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, PAN of the Eligible Equity Shareholder and for each Eligible Equity Shareholder in case of joint names, irrespective of the total value of the Equity Shares applied for pursuant to the Issue;
- If the payment is made by a draft purchased from NRE/FCNR/NRO Account, as the case may be, an account debit certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/FCNR/NRO Account;
- Signature of the Applicant (in case of joint holders, to appear in the same sequence and order as they appear in the records of our Bank/Depositories); and
- Additionally, all such Applicants shall include the following:

“I am/we are entitled to subscribe for and acquire the Equity Shares under the laws of all relevant jurisdictions that apply to me/us and I/we have fully observed such laws and complied with all necessary formalities to enable me/us to subscribe for the Equity Shares.

I was/we were outside the United States (within the meaning of Regulation S (“**Regulation S**”) under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”)), at the time the offer of the Equity Shares was made to me/us and I was/we were outside the United States when my/our buy order for the Equity Shares was originated.

I/we did not purchase the Equity Shares as a result of any “directed selling efforts” (as defined in Regulation S).

The Equity Shares have not been and will not be registered under the U.S. Securities Act or the securities law of any state of the United States and I/we will not offer or sell the Equity Shares except in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or pursuant to any other available exemption from registration under the U.S. Securities Act and in accordance with all applicable securities laws of the states of the United States and any other jurisdiction, including India.

If I/we acquired any of the Equity Shares as fiduciary or agent for one or more investor accounts, I/we have sole investment discretion with respect to each such account and I/we have full power to make the foregoing representations, warranties, acknowledgements and agreements on behalf of each such account.

I/we shall indemnify and hold The Karur Vysya Bank Limited and IIFL Holdings Limited harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of these representations, warranties or agreements. I/we agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares.

I/we acknowledge that The Karur Vysya Bank Limited and IIFL Holdings Limited and others will rely upon the truth and accuracy of the foregoing representations, warranties and acknowledgements.”

Please note that Eligible Equity Shareholders who are making an application otherwise than on a CAF, (i.e., on plain paper as stated above on page 155), shall not be entitled to renounce their rights and should not utilize the CAF for any purpose, including renunciation, even if it is received subsequently. If the Eligible Equity Shareholder does not comply with any of these requirements, he/she shall face the risk of rejection of both the applications and the Application Money received shall be refunded. However, our Bank and/or any Director of our Bank or the Lead Manager will, notwithstanding anything to the contrary contained herein, not be liable to pay any interest whatsoever on the Application Money so refunded.

The Eligible Equity Shareholders are requested to strictly adhere to these instructions. Failure to do so could result in the application being rejected, with our Bank, the Lead Manager and the Registrar to the Issue will not having any liability to such Eligible Equity Shareholders.

Option to receive Equity Shares in Dematerialized Form

ELIGIBLE EQUITY SHAREHOLDERS UNDER THE ASBA PROCESS MAY PLEASE NOTE THAT

THE EQUITY SHARES UNDER THE ASBA PROCESS CAN BE ALLOTTED ONLY IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE HELD BY SUCH ASBA APPLICANT ON THE RECORD DATE.

PLEASE NOTE THAT ELIGIBLE EMPLOYEES CANNOT MAKE AN APPLICATION TO SUBSCRIBE UNDER THE EMPLOYEE RESERVATION PORTION ON PLAIN PAPER. ELIGIBLE EMPLOYEES MAY APPLY IN THE ISSUE ONLY BY SUBMITTING THE EAF. ANY APPLICATION MADE OTHER THAN THROUGH THE EAF BY AN ELIGIBLE EMPLOYEE SHALL BE LIABLE TO BE REJECTED.

Last date of Application

The last date for submission of the duly filled in the Application Form or the plain paper Application is November 10, 2017. Our Board or any Committee thereof will have the right to extend the said date for such period as it may determine from time to time but not exceeding 30 (thirty) days from the Issue Opening Date.

If the Application Form together with the amount payable is not received by the Escrow Collection Bank /Registrar to the Issue on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board/ Committee of Directors, the invitation to offer contained in this Letter of Offer shall be deemed to have been declined and the Board/Committee of Directors shall be at liberty to dispose off the Equity Shares hereby offered, as provided under the section titled "*Terms of the Issue - Basis of Allotment*" beginning on page 171.

Modes of Payment

In terms of the RBI circular (No. DPSS.CO.CHD.No./133/04.07.05/2013-14) dated July 16, 2013, non-CTS cheques will be processed in three CTS centres once a week from November 1, 2014 onwards. Investors are advised to use CTS cheques or use the ASBA facility to make payment. Investors are cautioned that CAFs accompanied by non-CTS cheques are liable to be rejected due to any delay in clearing beyond 6 (six) working days from the Issue Closing Date.

Mode of payment for Resident Investors

- Investors who are applying through CAF and residing at places where the bank collection centres have been opened for collecting applications, are requested to submit their applications at the corresponding collection centre together with cheque/demand draft drawn on any bank (including a co-operative bank), for the full application amount favouring "*The Karur Vysya Bank Limited - Rights Issue - R*" and marked 'A/c Payee only'.
- Investors who are applying through CAF and residing at places other than places where the bank collection centres have been opened for collecting applications, are requested to send their applications together with a cheque/demand draft of full amount favouring "*The Karur Vysya Bank Limited - Rights Issue - R*" and marked 'A/c Payee only' payable at Hyderabad directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. Our Bank or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.
- Investors who are applying on plain paper, are requested to send their applications on plain paper together with a cheque/demand draft of full amount for the Equity Shares favouring "*The Karur Vysya Bank Limited - Rights Issue - R*" and marked 'A/c Payee only' payable at Hyderabad directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. Our Bank or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.

Mode of payment for Non-Resident Investors

Application with Repatriation Benefits

Investors who are Non-Resident Eligible Equity Shareholders and are applying on a repatriation basis, are required to submit the completed CAF or application on plain paper, as the case may be, along with the payment made through any of the following ways:

- a) By Indian Rupee drafts purchased from abroad and payable at Hyderabad or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate).
- b) By Local cheques/demand drafts remitted through normal banking channels or out of funds held in Non-Resident External Account (NRE) or FCNR Account maintained with banks authorized to deal in foreign currency in India, along with documentary evidence in support of remittance.
- c) FPIs must remit funds from special non-resident rupee deposit account.
- d) For Eligible Equity Shareholders / Investors, applying through CAF, the CAF is to be sent at the bank collection centre specified in the CAF along with cheques/demand drafts in favour of “*The Karur Vysya Bank Limited - Rights Issue - NR*” and crossed ‘A/c Payee only’ for the amount payable.
- e) For Eligible Equity Shareholders / Investors, applying on a plain paper, the applications are to be directly sent to the Registrar to the Issue by registered post along with cheques/demand drafts in favour of “*The Karur Vysya Bank Limited - Rights Issue - NR*” payable at Hyderabad and crossed ‘A/c Payee only’ for the amount payable so as to reach them on or before the Issue Closing Date.
- f) For Eligible Equity Shareholders/ Investors applying through CAF but not residing at places where the collection centre is located, shall send the CAF to the Registrar to the Issue by registered post along with cheques/demand drafts of the full amount in favour of “*The Karur Vysya Bank Limited - Rights Issue - NR*” payable at Hyderabad and crossed ‘A/c Payee only’ for the amount payable so as to reach them on or before the Issue Closing Date.

A separate cheque or demand draft must accompany each application form. Investors may note that where payment is made by drafts purchased from NRE/FCNR Accounts as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/FCNR Account should be enclosed with the CAF. In the absence of the above the application shall be considered incomplete and is liable to be rejected.

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 details of which should be furnished in the appropriate columns in the CAF. In the case of NRIs who remit their Application Money through Indian Rupee Drafts from abroad, refunds and other disbursements, if any will be made in U.S Dollars at the rate of exchange prevailing at such time subject to the permission of RBI. Our Bank will not be liable for any loss on account of exchange rate fluctuation for converting the Rupee amount into U.S. Dollar or for collection charges charged by the Investor’s bankers.

Our Bank or the Registrar to the Issue will not be responsible for postal delays or loss of application in transit, if any.

Payments through Non Resident Ordinary Account (NRO account) will not be permitted.

Mode of payment for Eligible Employees

- Eligible Employees who are applying through EAF and residing at places where the bank collection centres have been opened for collecting applications, are requested to submit their applications at the corresponding collection centre together with cheque/demand draft drawn on any bank (including a co-operative bank), for the full application amount favouring “*The Karur Vysya Bank Limited - Rights Issue - Eligible Employees - R*” and marked ‘A/c Payee only’.
- Eligible Employees who are applying through EAF and residing at places other than places where the bank collection centres have been opened for collecting applications, are requested to send their applications together with a cheque/demand draft of full amount favouring “*The Karur Vysya Bank Limited - Rights Issue - Eligible Employees - R*” and marked ‘A/c Payee only’ payable at Hyderabad directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. Our Bank or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.

Application without repatriation benefits

For non-residents Eligible Equity Shareholders/Investors applying on a non-repatriation basis, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained and can be deposited at the designated collection centres opened by our Bank or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Hyderabad. In such cases, the allotment of Equity Shares will be on non-repatriation basis.

For Non Resident Equity Shareholders/ Investors, applying through CAF, the CAF is to be sent at the bank collection centre specified in the CAF along with cheques/demand drafts drawn for the full amount after deducting bank and postal charges in favour of “*The Karur Vysya Bank Limited - Rights Issue - R*” and crossed ‘A/c Payee only’ for the amount payable.

For Non Resident Eligible Equity Shareholders/ Investors, applying on a plain paper, the applications are to be directly sent to the Registrar to the Issue by registered post along with cheques/demand drafts drawn in favour of “*The Karur Vysya Bank Limited - Rights Issue - R*” payable at Hyderabad to be confirmed for so as to reach them on or before the Issue Closing Date.

For Non Resident Eligible Equity Shareholders/ Investors applying through CAF but not residing at places where the collection centre is located, shall send the CAF to the Registrar to the Issue by registered post along with cheques/demand drafts of an amount in favour of “*The Karur Vysya Bank Limited - Rights Issue - R*” payable at Hyderabad for the amount payable so as to reach them on or before the Issue Closing Date.

If the payment is made by a draft purchased from an NRO account, an Account Debit Certificate from the bank issuing the draft, confirming that the draft has been issued by debiting the NRO account, should be enclosed with the CAF. In the absence of the above, the application shall be considered incomplete and is liable to be rejected.

New dematerialised accounts must be opened for Eligible Equity Shareholders who have had that change in status from resident Indian to NRI. Our Bank or the Registrar to the Issue will not be responsible for postal delays or loss of application in transit, if any, on this account and applications received through mail after closure of the Issue are liable to be rejected. Applications through mails should not be sent in any other manner except as mentioned above.

The CAF along with the Application Money must not be sent to our Bank or the Lead Manager. Investors are requested to strictly adhere to these instructions. Renounees who are NRIs/FPIs/Non-Resident should submit their respective applications either by hand delivery or by registered post / speed post with acknowledgement due to the Registrar to the Issue only along with the cheque/demand draft payable at Hyderabad so that the same are received on or before the closure of the Issue.

General instructions for Non-ASBA Investors

1. Please read the instructions printed on the enclosed CAF carefully.
2. Applicants that are not QIBs or are not Non – Institutional Investor or those whose Application Money does not exceed ₹ 200,000 may participate in the Issue either through ASBA or the non-ASBA process. Eligible Equity Shareholders who have renounced their entitlement (in full or in part), Renounees and Applicants holding Equity Shares in physical form and/or subscribing in the Issue for Allotment in physical form may participate in the Issue only through the non ASBA process.
3. Application should be made on the printed CAF, provided by our Bank or a plain paper Application and should be completed in all respects. The CAF 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 Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the applicants, details of occupation, address, father’s/ husband’s name must be filled in block letters.
4. The CAF together with cheque/ demand draft should be sent to the Escrow Collection Bank or to the Registrar to the Issue, and not to our Bank, the Lead Manager. Resident applicants residing at places other than cities where the branches of the Escrow Collection Bank have been authorised by our Bank for collecting Applications, will have to make payment by crossed account payee cheques payable at Hyderabad or demand

drafts/ pay orders payable at Hyderabad and marked “*The Karur Vysya Bank Limited - Rights Issue - R*” and send their CAFs to the Registrar to the Issue by registered post/ speed post. If any portion of the CAF is/ are detached or separated, such Application is liable to be rejected.

5. Each of the applicants should mention his/ her PAN allotted under the IT Act along with the Application for the purpose of verification of the number. Except in case of Applications on behalf of the Central or State Government and the officials appointed by the courts and by Investors residing in Sikkim, **CAFs without the PAN details will be considered incomplete and are liable to be rejected.**
6. Investors holding Equity Shares in physical form, are advised to provide information as to their savings/ current account number, the nine digit MICR number and the name of the bank, branch with whom such account is held in the CAF to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Applications not containing such details are liable to be rejected.
7. All payment should be made by cheques/ demand draft only. Cash payment is not acceptable. In case payment is effected in contravention of this, the Application may be deemed invalid and the Application Money will be refunded and no interest will be paid thereon.
8. 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 English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Eligible Equity Shareholders must sign the CAF or the plain paper Application as per the specimen signature recorded with our Bank.
9. In case of an Application under a power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Issue and to sign the Application and a certified true copy of the memorandum and articles of association and/ or bye-laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference of the serial number of the CAF. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, then the Application is liable to be rejected.
10. In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with our Bank. Further, in case of joint applicants who are Renounees, the number of applicants should not exceed three. 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.
11. Application(s) received from Non Residents/ NRIs, or persons of Indian origin residing abroad for Allotment of Equity Shares shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of Application Money, Allotment of Equity Shares, subsequent issue and Allotment of Equity Shares, interest, dispatch of share certificates, etc. In case a Non Resident Eligible Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF.
12. All communication in connection with Application for the Equity Shares, including any change in address of the Eligible Equity Shareholders should be addressed to the Registrar to the Issue prior to the Allotment Date quoting the name of the first/ sole applicant Eligible Equity Shareholder, folio numbers and CAF number. Please note that any intimation for change of address of Eligible Equity Shareholders, after the Allotment Date, should be sent to the Registrar and Share Transfer Agent, in the case of Equity Shares held in physical form and to the respective Depository Participant, in case of Equity Shares held in dematerialised form.
13. SAFs cannot be re-split.
14. Only the person or persons to whom Equity Shares have been offered and not Renounee(s) shall be entitled to obtain Split Application Forms.
15. Applicants must write their CAF number at the back of the cheque/ demand draft.
16. A separate cheque/ demand draft must accompany each CAF. Outstation cheques/ demand drafts or post-dated cheques and postal/ money orders will not be accepted and Applications accompanied by such cheques/

demand drafts/ money orders or postal orders will be rejected. The Registrar will not accept payment against Application if made in cash. (For payment against Application in cash please refer point (7) above).

17. No receipt will be issued for Application Money received. The Escrow Collection Bank / Registrar to the Issue will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.
18. Our Bank shall not allot and/ or register any Equity Shares in favour of any person situated or subject to any jurisdiction where the offering in terms of this Letter of Offer could be illegal.
19. The distribution of this Letter of Offer and issue of Equity Shares under the Issue and Rights Entitlements to persons in certain jurisdictions outside India may be restricted by legal requirements in those jurisdictions. Persons in the United States and such other jurisdictions are instructed to disregard this Letter of Offer and not to attempt to subscribe for the Equity Shares.

Do's for Non - ASBA Investors:

- a) Check if you are eligible to apply, i.e. you are an Eligible Equity Shareholder or an Eligible Employee;
- b) Read all the instructions carefully and ensure that the cheque/demand draft option is selected in part A of the CAF/EAF and necessary details are filled in;
- c) In the event you hold Equity Shares in dematerialised form or being an Eligible Employee, ensure that the details about your DP and beneficiary account are correct and the beneficiary account is activated as the Equity Shares will be allotted in the dematerialised form only;
- d) Ensure that your Indian address is available to our Bank and the Registrar and Transfer Agent, in case you hold Equity Shares in physical form or the depository participant, in case you hold Equity Shares in dematerialised form;
- e) Ensure that the value of the cheque/demand draft submitted by you is equal to the (number of Equity Shares applied for) X (Issue Price of Equity Shares) before submission of the CAF;
- f) Ensure that you receive an acknowledgement from the collection centres of the collection bank for your submission of the CAF in physical form;
- g) Ensure that you mention your PAN allotted under the IT Act with the CAF, except for Applications on behalf of the Central and State Governments, residents of Sikkim and officials appointed by the courts;
- h) Ensure that the name(s) given in the CAF is exactly the same as the name(s) in which the beneficiary account is held with the DP. In case the CAF 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 CAF; and
- i) Ensure that the Demographic Details are updated, true and correct, in all respects.

Don'ts for Non - ASBA Investors:

- a) Do not apply on duplicate CAF after you have submitted a CAF to a collection centre of the Escrow Collection Bank;
- b) Do not pay the amount payable on Application in cash, by money order or by postal order;
- c) Do not submit the GIR number instead of the PAN as the Application is liable to be rejected on this ground;
- d) Do not submit an Application accompanied with Stockinvest; or
- e) Do not apply if you are not eligible to participate in the Issue under the securities laws applicable to your jurisdiction.

Please note that pursuant to the applicability of the directions issued by SEBI vide its circular bearing number CIR/CFD/DIL/1/2011 dated April 29, 2011, all Applicants that are QIBs and Non-Institutional Investors whose Application Money exceeds ₹ 2,00,000 can participate in the Issue only through the ASBA Process.

Grounds for Technical Rejections for Non - ASBA Investors

Investors are advised to note that Applications are liable to be rejected on technical grounds, including the following:

- a) Amount paid does not tally with the Application Money payable;
- b) Bank account details (for refunds) are not given and the same are not available with the DP (in the case of Equity Shares held in dematerialised form) or the Registrar and Transfer Agent (in the case of Equity Shares held in physical form);
- c) Age of the first applicant not given (in case of Renounees);
- d) Except in case of Applications on behalf of the Central or State Government and the officials appointed by the courts and by Investors residing in Sikkim, PAN details not given;
- e) PAN in CAF not matching the PAN in the DP ID;
- f) In case of CAF under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
- g) If the signature of the existing shareholder does not match with the one given on the CAF and for Renounees and eligible employee if the signature does not match with the records available with their depositories;
- h) If the applicant desires to have Equity Shares in electronic form, but the CAF does not have the applicant's depository account details;
- i) CAF is not submitted by the applicants within the time prescribed as per the CAF and this Letter of Offer;
- j) CAF not duly signed by the sole/ joint applicants;
- k) CAF by OCBs unless accompanied by specific/general approval from the RBI permitting such OCBs to invest in the Issue;
- l) CAF accompanied by Stockinvest/ outstation cheques/ post – dated cheques/ outstation money orders/ postal orders/ outstation demand drafts;
- m) CAFs that do not include the certifications set out in the CAF to the effect that, among other thing, the subscriber is not located in restricted jurisdictions and is authorized to acquire the Rights Entitlements and Equity Shares under the Issue in compliance with all applicable laws and regulations;
- n) CAFs which have evidence of being executed in/dispatched from restricted jurisdictions;
- o) In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the applicants (including the order of names of joint holders), the DP ID and the beneficiary's identity;
- p) CAFs by ineligible Non Residents (including on account of restriction or prohibition under applicable local laws) and where last available address in India has not been provided;
- q) Renounee Application either from R to NR, NR to R and NR to NR not accompanied by the RBI approvals (where required) are liable to be rejected;
- r) Multiple CAFs, including where an applicant submits a CAF and a plain paper Application; and

- s) Duplicate Applications;
- t) Applications by Eligible Employees, other than under the Employee Reservation Portion. However, Eligible Equity Shareholders who are Eligible Employees may also apply under Employee Reservation Portion. In such a case, application under the Employee Reservation Portion and application under the Net Issue shall not be considered as multiple applications;
- u) Applications by Eligible Employees, other than through the EAF;
- v) Applications by Eligible Employees where the total consideration for Equity Shares applied for exceeds ₹ 200,000;
- w) In case the GIR number is submitted instead of the PAN;
- x) Applications by persons (including Renounees, Eligible Employees) not competent to contract under the Contract Act, 1872, as amended, except Application by minors having valid demat accounts as per the Demographic Details provided by the Depositories.
- y) Non-ASBA Applications made by QIBs and Non Institutional Investors who satisfy the ASBA Investor Eligibility Criteria;
- z) The Application by an Eligible Equity Shareholder whose cumulative value of Equity Shares applied for is more than ₹ 200,000 and has not done so through the ASBA process; and
- aa) Submission of CAF to SCSBs.

Please read this Letter of Offer and the instructions contained therein and in the CAF carefully before filling in the CAF. The instructions contained in the CAF are an integral part of this Letter of Offer and must be carefully followed. The CAF is liable to be rejected for any non-compliance of the provisions contained in this Letter of Offer or the CAF.

Procedure for Application through the Applications Supported by Blocked Amount ("ASBA") Process

This section is for the information of the ASBA Investors proposing to subscribe to the Issue through the ASBA Process. The Bank and the Lead Manager is not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Letter of Offer. Investors who are eligible to apply under the ASBA Process are advised to make their independent investigations and to ensure that the CAF is correctly filled up.

The Lead Manager, the Bank, its directors, its employees, affiliates, associates and their respective directors and officers and the Registrar to the Issue 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. It shall be presumed that for applications uploaded by SCSBs, the amount payable on application has been blocked in the relevant ASBA Account.

Please note that, in terms of SEBI circular CIR/CFD/DIL/1/2011 dated April 29, 2011, all QIBs, Non-Institutional Investors (including all companies and bodies corporate) and other investors whose application amount exceeds ₹ 200,000 can participate in the Issue only through the ASBA process, subject to them complying with the requirements of SEBI circular dated December 30, 2009. Further, all QIBs and Non-Institutional Investors are mandatorily required to use the ASBA facility, even if application amount does not exceed ₹ 200,000.

Accordingly, an eligible ASBA Investor is an Investor who:

- holds the Equity Shares in dematerialised form as on the Record Date and has applied towards
- his/her Rights Entitlements or additional Equity Shares in the Issue in dematerialised form;
- has not renounced his/her Rights Entitlements in full or in part;
- is not a Renounee; and

- applies through a bank account maintained with one of the SCSBs.

Retail Individual Investors may optionally apply through the ASBA process, provided that they are eligible ASBA Investors.

Further, in terms of the SEBI circular no. CIR/CFD/DIL/1/2013 dated January 2, 2013, it is clarified that for making applications by banks on own account using ASBA facility, SCSBs should have a separate account in their own name with any other SEBI registered SCSB(s). Such account shall be used solely for the purpose of making application in public issues/ rights issues and clear demarcated funds should be available in such account for ASBA applications. SCSBs applying in the Issue using the ASBA facility shall be responsible for ensuring that they have a separate account in their own name with any other SCSB having clear demarcated funds for applying in the Issue and that such separate account shall be used as the ASBA Account for the application, for ensuring compliance with the applicable regulations.

The list of banks which have been notified by SEBI to act as SCSBs for the ASBA Process is provided at <http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes>. For details on Designated Branches of SCSBs collecting the CAF, please refer the above mentioned link.

CAF

The Registrar to the Issue will dispatch the CAF to all Eligible Equity Shareholders as per their Rights Entitlement on the Record Date for the Issue. Those Investors who wish to apply through the ASBA payment mechanism will have to select for this mechanism in Part A of the CAF and provide necessary details.

Investors desiring to use the ASBA Process are required to submit their applications by selecting the ASBA Option in Part A of the CAF only. Application in electronic mode will only be available with such SCSBs who provide such facility. The Investors shall submit the CAF to the Designated Branch of the SCSB for authorising such SCSB to block an amount equivalent to the amount payable on the application in the said ASBA Account.

More than one (1) ASBA Investor may apply using the same ASBA Account, provided that the SCSBs will not accept a total of more than five CAFs with respect to any single ASBA Account.

EAF

The Registrar to the Issue will dispatch the EAF to all Eligible Employees on the Record Date.

Eligible Employees desiring to use the ASBA process are required to submit their Applications by selecting the ASBA option in the EAF. Application in electronic mode will only be available with such SCSBs who provide such facility. The Eligible Employees shall submit the EAF to the SCSB for authorising such SCSB to block an amount equivalent to the Application Money in the said bank account maintained with the same SCSB.

Please note, not more than five ASBA Applications can be submitted per bank account in the Issue. Eligible Employees applying under the ASBA process are also advised to ensure that the EAF is correctly filled up, stating therein the bank account number maintained with the SCSB in which an amount equivalent to the amount payable on Application as stated in the EAF will be blocked by the SCSB.

Acceptance of the Issue

You may accept the Issue and apply for the Equity Shares either in full or in part, by filling Part A of the respective CAFs sent by the Registrar, selecting the ASBA process option in Part A of the CAF and submit the same to the Designated Branch of the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of the Bank in this regard. Investors at centres not covered by the branches of the Escrow Collection Bank can send their CAFs together with the cheque drawn at par on a local bank or demand draft payable at Hyderabad to the Registrar to the Issue by registered post / speed post so as to reach the Registrar to the Issue prior to the Issue Closing Date. Please note that neither the Bank nor the Lead Manager nor the Registrar to the Issue shall be responsible for delay in the receipt of the CAF attributable to postal delays or if the CAF is misplaced in transit. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected.

Eligible Employees may apply in the Issue by filling of EAF and submit the same along with the Application Money payable to the Bankers to the Issue at any of the collection branches as mentioned on the reverse of the EAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by our Board thereof in this regard.

For further details on the mode of payment, please see the headings “*Mode of Payment for Resident Investors*”, “*Mode of Payment for Non-Resident Investors*” and “*Mode of Payment for Eligible Employees*” on pages 157, 157 and 158, respectively.

Renunciation under the ASBA Process

ASBA Investors can neither be Renounees, nor can renounce their Rights Entitlement. Eligible Employees participating under the Employee Reservation Portion cannot renounce their right to participate in the Issue.

Mode of Payment

The Investor applying under the ASBA Process agrees to block the entire amount payable on application with the submission of the CAF, by authorizing the SCSB to block an amount, equivalent to the amount payable on application, in an ASBA Account.

After verifying that sufficient funds are available in the ASBA Account details of which are provided in the CAF, the SCSB shall block an amount equivalent to the amount payable on application mentioned in the CAF until it receives instructions from the Registrar to the Issue. Upon receipt of intimation from the Registrar to the Issue, the SCSBs shall transfer such amount as per the Registrar to the Issue’s instruction from the ASBA Account. This amount will be transferred in terms of the SEBI ICDR Regulations, into the separate bank account maintained by the Bank for the purpose of the Issue. The balance amount remaining after the finalisation of the Basis of Allotment shall be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue to the respective SCSB.

The Investor applying under the ASBA Process would be required to give instructions to the respective SCSBs to block the entire amount payable on their application at the time of the submission of the CAF.

The SCSB may reject the application at the time of acceptance of CAF if the ASBA Account, details of which have been provided by the Investor in the CAF does not have sufficient funds equivalent to the amount payable on application mentioned in the CAF. Subsequent to the acceptance of the application by the SCSB, the Bank would have a right to reject the application only on technical grounds.

Options available to the Eligible Equity Shareholders applying under the ASBA Process

The summary of options available to the Investors is presented below. You may exercise any of the following options with regard to the Equity Shares, using the respective CAFs received from Registrar:

#	Option Available	Action Required
1.	Accept whole or part of your Rights Entitlement without renouncing the balance	Fill in and sign Part A (<i>all joint holders must sign</i>)
2.	Accept your Rights Entitlement in full and apply for additional Equity Shares	Fill in and sign Part A including ‘Block III’ relating to the acceptance of Rights Entitlement and ‘Block IV’ relating to additional Equity Shares (<i>all joint holders must sign</i>)

The Investors applying under the ASBA Process will need to select the ASBA option process in the CAF and provide required necessary details. However, in cases where this option is not selected, but the CAF is tendered to the Designated Branch of the SCSBs with the relevant details required under the ASBA process option and the SCSBs block the requisite amount, then that CAFs would be treated as if the Investor has selected to apply through the ASBA process option.

Options available to the Eligible Employees applying under the ASBA process

The Eligible Employees applying under the ASBA process will need to select the ASBA process option in the EAF and provide required details. However, in cases where this option is not selected, but the EAF is tendered to

the SCSBs with the relevant details required under the ASBA process option and the SCSBs block the requisite amount, then that EAF would be treated as if the Eligible Employee has selected to apply through the ASBA process option.

Application on Plain Paper under the ASBA process

An Eligible Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF and who is applying under the ASBA Process may make an application to subscribe to the Issue on plain paper. Eligible Equity Shareholders shall submit the plain paper application to the Designated Branch of the SCSB for authorising such SCSB to block an amount equivalent to the amount payable on the application in the said bank account maintained with the same SCSB. Applications on plain paper will not be accepted from any address outside India.

The envelope should be super scribed “*The Karur Vysya Bank Limited - Rights Issue - R*” or “*The Karur Vysya Bank Limited - Rights Issue - NR*” and should be postmarked in India. The application on plain paper, duly signed by the Eligible Equity Shareholders including joint holders, in the same order and as per the specimen recorded with the Bank/Depositories, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

- Name of the Bank, being The Karur Vysya Bank Limited;
- Name and address of the Eligible Equity Shareholder including joint holders;
- Registered Folio Number/ DP and Client ID No.;
- Number of Equity Shares held as on Record Date;
- Number of Equity Shares entitled to;
- Number of Equity Shares applied for;
- Number of additional Equity Shares applied for, if any;
- Total number of Equity Shares applied for;
- Total amount paid at the rate of ₹ 76 per Equity Share;
- Details of ASBA Account such as the account number, name, address and branch of the relevant SCSB;
- In case of non-resident investors, 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;
- Except for applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, PAN of the Eligible Equity Shareholder and for each Eligible Equity Shareholder in case of joint names, irrespective of the total value of the Equity Shares applied for pursuant to the Issue;
- Signature of the Applicant (in case of joint holders, to appear in the same sequence and order as they appear in the records of our Bank/Depositories); and
- Additionally, all such Applicants shall include the following:

"I am/we are entitled to subscribe for and acquire the Equity Shares under the laws of all relevant jurisdictions that apply to me/us and I/we have fully observed such laws and complied with all necessary formalities to enable me/us to subscribe for the Equity Shares.

I was/we were outside the United States (within the meaning of Regulation S (“**Regulation S**”) under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”)), at the time the offer of the Equity Shares was made to me/us and I was/we were was outside the United States when my/our buy order for the Equity Shares was originated.

I/we did not purchase the Equity Shares as a result of any “directed selling efforts” (as defined in Regulation S).

The Equity Shares have not been and will not be registered under the U.S. Securities Act or the securities law of any state of the United States and I/we will not offer or sell the Equity Shares except in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or pursuant to any other available exemption from registration under the U.S. Securities Act and in accordance with all applicable securities laws of the states of the United States and any other jurisdiction, including India.

If I/we acquired any of the Equity Shares as fiduciary or agent for one or more investor accounts, I/we have sole investment discretion with respect to each such account and I/we have full power to make the foregoing representations, warranties, acknowledgements and agreements on behalf of each such account.

I/we shall indemnify and hold The Karur Vysya Bank Limited and IIFL Holdings Limited harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of these representations, warranties or agreements. I/we agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares.

I/we acknowledge that The Karur Vysya Bank Limited and IIFL Holdings Limited and others will rely upon the truth and accuracy of the foregoing representations, warranties and acknowledgements.”

Option to receive Equity Shares in Dematerialized Form

ELIGIBLE EQUITY SHAREHOLDERS UNDER THE ASBA PROCESS MAY PLEASE NOTE THAT THE EQUITY SHARES UNDER THE ASBA PROCESS CAN BE ALLOTTED ONLY IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE HELD BY SUCH ASBA APPLICANT ON THE RECORD DATE.

General instructions for Eligible Equity Shareholders applying under the ASBA Process

1. Please read the instructions printed on the respective CAF carefully.
2. Application should be made on the printed CAF only and should be completed in all respects. The CAF 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 Letter of Offer are liable to be rejected. The CAF / plain paper application must be filled in English.
3. The CAF / plain paper application in the ASBA Process should be only at a Designated Branch of the SCSB and whose bank account details are provided in the CAF and not to the Escrow Collection Bank / collecting branch of the Escrow Collection Bank (assuming that such Escrow Collection Bank is not a SCSB), to our Bank or Registrar or Lead Manager to the Issue. The onus of due completion and submission of such ASBA applications shall solely be that of the Investor.
4. All Investors, and in the case of application in joint names, each of the joint Investors, should mention his/her PAN allotted under the Income-Tax Act, 1961, irrespective of the amount of the application. Except for applications on behalf of the Central or State Government, residents of Sikkim and the officials appointed by the courts, **CAFs / plain paper 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 Equity Shares shall be made into the accounts of such Investors.**
5. All payments will be made by blocking the amount in the bank account maintained with the SCSB. Cash payment is not acceptable. In case payment is affected in contravention of this, the application may be deemed invalid and the Application Money will be refunded and no interest will be paid thereon.
6. 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 English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Eligible Equity Shareholders must sign the CAF / plain paper application as per the specimen signature recorded with our Bank /or Depositories.
7. In case of joint holders, all joint holders must sign the relevant part of the CAF / plain paper application in the same order and as per the specimen signature(s) recorded with our Bank. In case of joint Investors, reference, if any, will be made in the first Investor’s name and all communication will be addressed to the first Investor.
8. All communication in connection with application for the Equity Shares, including any change in address of the Eligible Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first/sole Investor, folio numbers and CAF number.
9. Only the person or persons to whom the Equity Shares have been offered and not renounee(s) shall be eligible to participate under the ASBA process.

10. Only persons outside restricted jurisdictions and who are eligible to subscribe for Rights Entitlement and Equity Shares under applicable securities laws are eligible to participate.
11. Only the Eligible Equity Shareholders holding shares in demat and Eligible Employees who have a valid demat account are eligible to participate through ASBA process.
12. Eligible Equity Shareholders who have renounced their entitlement in part/full are not entitled to apply using ASBA process.
13. In case of non – receipt of CAF, application can be made on plain paper mentioning all necessary details as mentioned under the section titled "*Terms of the Issue - Application on Plain Paper under the ASBA process*" beginning on page 166.

Do's:

- a) Ensure that the ASBA Process option is selected in Part A of the CAF and necessary details are filled in. In case of non-receipt of the CAF, the Application can be made on plain paper by Eligible Equity Shareholders with all necessary details as required under "*Terms of Issue - Application on Plain Paper under the ASBA process*" on page 166. Please note that Eligible Employees cannot make an application to subscribe to the Issue on plain paper. Eligible Employees may apply in the issue only by submitting the EAF. Any application made other than through the EAF by an Eligible Employee shall be liable to be rejected.
- b) Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be allotted in the dematerialized form only.
- c) Ensure that the CAFs are submitted with the Designated Branch of the SCSBs and details of the correct bank account have been provided in the CAF.
- d) Ensure that there are sufficient funds (equal to {number of Equity Shares as the case may be applied for} X {Issue Price of Equity Shares}) available in the ASBA Account mentioned in the CAF before submitting the CAF 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 CAF, in the ASBA Account, of which details are provided in the CAF and have signed the same.
- f) Ensure that you receive an acknowledgement from the Designated Branch of the SCSB for your submission of the CAF in physical form.
- g) Except for CAFs submitted on behalf of the Central or State Government, residents of Sikkim and the officials appointed by the courts, each Applicant should mention their PAN allotted under the IT Act.
- h) Ensure that the name(s) given in the CAF is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF 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 CAF.
- i) Ensure that the Demographic Details are updated, true and correct, in all respects.
- j) Ensure that the account holder in whose bank account the funds are to be blocked has signed authorising such funds to be blocked.

Don'ts:

- a) Do not apply if you are not eligible to participate in the Issue under the securities laws applicable to your jurisdiction.
- b) Do not apply on duplicate CAF after you have submitted a CAF to a Designated Branch of the SCSB.

- c) Do not pay the amount payable on application in cash, by money order, pay order, postal order, cheque or demand drafts.
- d) Do not send your physical CAFs to the Lead Manager to Issue / Registrar / Escrow Collection Bank (assuming that such Escrow Collection Bank is not a SCSB) / to a branch of the SCSB which is not a Designated Branch of the SCSB / Bank; instead submit the same to a Designated Branch of the SCSB only.
- e) Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.
- f) Do not apply if the ASBA account has been used for five Applicants.
- g) Do not apply through the ASBA Process if you are not an ASBA Investor.
- h) Do not instruct the SCSBs to release the funds blocked under the ASBA Process.

Grounds for Technical Rejection under ASBA process

Applications under the ASBA process are liable to be rejected on the following grounds:

- a) Application on a SAF.
- b) Application for Allotment of Rights Entitlements or additional Equity Shares which are in physical form.
- c) DP ID and Client ID mentioned in CAF not matching with the DP ID and Client ID records available with the Registrar.
- d) Renounees applying under the ASBA process.
- e) Submission of an ASBA Application on plain paper to the Registrar to the Issue.
- i) Sending CAF to a Lead Manager / the Registrar to the Issue/ the Registrar and Transfer Agent/ the Escrow Collection Bank (assuming that such Escrow Collection Bank is not a SCSB)/ to a branch of a SCSB which is not a Designated Branch of the SCSB/ Bank.
- j) Insufficient funds are available with the SCSB for blocking the amount.
- k) Funds in the bank account with the SCSB whose details are mentioned in the CAF having been frozen pursuant to regulatory orders.
- l) Submission of more than five CAFs per ASBA Account.
- m) ASBA Account holder not signing the CAF or declaration mentioned therein.
- n) QIBs, Non-Institutional Investors and Investors applying for Equity Shares in this Issue for value of more than ₹ 200,000 who hold Equity Shares in dematerialised form and is not a Renouncer or Renounee not applying through the ASBA process.
- o) Application by an Eligible Equity Shareholder whose cumulative value of Securities applied for is more than ₹ 200,000 but has applied separately through split CAFs of less than ₹ 200,000 and has not done so through the ASBA process.
- p) Multiple CAFs, including cases where an Eligible Equity Shareholder submits CAFs along with a plain paper application.
- q) CAFs that do not include the certification set out in the CAF to the effect that the subscriber does not have a registered address (and is not otherwise located) in restricted jurisdictions and is authorized to acquire the rights and the securities in compliance with all applicable laws and regulations.

- r) Applications by persons not competent to contract under the Indian Contract Act, 1872, as amended, except applications by minors having valid demat accounts as per the Demographic Details provided by the Depositories.
- s) Submitting the GIR number instead of the PAN.
- t) The total consideration for Equity Shares applied for by Eligible Employee exceeding ₹ 200,000
- u) Applications by Eligible Equity Shareholders ineligible to make applications through the ASBA process, made through the ASBA process.
- v) ASBA Bids by SCSBs applying through the ASBA process on own account, other than through an ASBA Account in its own name with any other SCSB.

Depository account and bank details for ASBA Investors

IT IS MANDATORY FOR ALL THE INVESTORS APPLYING UNDER THE ASBA PROCESS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH THE EQUITY SHARES ARE HELD BY THE INVESTOR AS ON THE RECORD DATE. ALL INVESTORS APPLYING UNDER THE ASBA PROCESS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE CAF. INVESTORS APPLYING UNDER THE ASBA PROCESS MUST ENSURE THAT THE NAME GIVEN IN THE CAF IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE CAF IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE CAF/PLAIN PAPER APPLICATIONS, AS THE CASE MAY BE.

Investors applying under the ASBA Process should note that on the basis of name of these Investors, Depository Participant's name and identification number and beneficiary account number provided by them in the CAF/plain paper applications, as the case may be, the Registrar to the Issue will obtain from the Depository, demographic details of these Investors such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Investors applying under the ASBA Process should carefully fill in their Depository Account details in the CAF.

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. The Demographic Details given by the Investors in the CAF would not be used for any other purposes by the Registrar to the Issue. Hence, Investors are advised to update their Demographic Details as provided to their Depository Participants.

By signing the CAFs, the Investors applying under the ASBA Process would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Letters intimating Allotment and unblocking or refund (if any) would be mailed at the address of the Investor applying under the ASBA Process as per the Demographic Details received from the Depositories. The Registrar to the Issue will give instructions to the SCSBs for unblocking funds in the ASBA Account to the extent Equity Shares are not allotted to such Investor. Investors applying under the ASBA Process may note that delivery of letters intimating unblocking of the funds may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Investor in the CAF would be used only to ensure dispatch of letters intimating unblocking of the ASBA Accounts.

Note that any such delay shall be at the sole risk of the Investors applying under the ASBA Process and none of the Bank, the SCSBs or the Lead Manager shall be liable to compensate the Investor applying under the ASBA Process for any losses caused due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, (a) names of the Eligible Equity Shareholders (including the order of names of joint holders), (b) the DP ID and (c) the beneficiary account number, then such Applications are liable to be rejected.

Transfer of Funds

The Registrar to the Issue shall instruct the relevant SCSB to unblock the funds in the relevant ASBA bank accounts for (i) transfer of requisite funds to the separate bank account maintained by our Bank as per the provisions of Section 40 (3) of the Companies Act, 2013 (ii) rejected / unsuccessful ASBAs.

In case of failure or withdrawal of the Issue, on receipt of appropriate instructions from the Lead Manager through the Registrar to the Issue, the SCSBs shall unblock the bank accounts latest by the next day of receipt of such information.

Underwriting

The Issue is not underwritten.

Issue Schedule

The subscription will open upon the commencement of the banking hours and will close upon the close of banking hours on the dates mentioned below:

Issue Opening Date:	October 25, 2017
Last date for receiving requests for SAFs:	November 2, 2017
Issue Closing Date:	November 10, 2017

The Board of Directors or a duly authorized committee thereof will have the right to extend the Issue period as it may determine from time to time, provided that the Issue will not be kept open in excess of 30 (thirty) days from the Issue Opening Date, in accordance with SEBI ICDR Regulations.

Basis of Allotment

For Eligible Equity Shareholders

Subject to the provisions contained in this Letter of Offer, the Abridged Letter of Offer, the CAF, the Articles of Association and the approval of the Designated Stock Exchange, our Board will proceed to allot the Equity Shares in the following order of priority:

- (a) Full Allotment to those Eligible Equity Shareholders who have applied for their Rights Entitlement either in full or in part and also to the Renouncee(s), who has/ have applied for the Equity Shares renounced in their favour, in full or in part. Allotment to Non-Resident Renouncees shall be subject to the permissible foreign investment limits applicable to our Bank under FEMA.
- (b) 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 6 (six) Equity Shares or not in multiples of 6 (six) as on Record Date, the fractional entitlement of such Eligible Equity Shareholders shall be ignored. Eligible Equity Shareholders whose fractional entitlements are being ignored would be considered for Allotment of one additional Equity Share each if they apply for additional Equity Shares(s). Allotment under this head shall be considered if there are any un-subscribed Equity Shares (including unsubscribed portion of employee reservation portion) after Allotment under (a) above. If the number of Equity Shares required for Allotment under this head is more than number of 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..
- (c) Allotment to Eligible Equity Shareholders who having applied for the Equity Shares in full and have also applied for additional Equity Shares. The Allotment of such additional 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 is an under-subscribed portion (including unsubscribed portion of employee reservation portion) after making Allotment in (a) and (b) above. The Allotment of such Equity Shares will be at the

sole discretion of the Board/Committee of Directors of our Bank in consultation with the Designated Stock Exchange, as a part of the Issue and not as a preferential Allotment.

- (d) Allotment to the Renouncees, who having applied for the Equity Shares renounced in their favour have also applied for additional Equity Shares, provided there is an under-subscribed portion (including unsubscribed portion of employee reservation portion) after making full Allotment in (a), (b) and (c) above. The Allotment of such additional Equity Shares will be made on a proportionate basis at the sole discretion of our Board or any committee of our Board but in consultation with the Designated Stock Exchange, as a part of the Issue and not as a preferential allotment.
- (e) Allotment to any other person as our Board may in its absolute discretion deem fit provided there is surplus available after making Allotment under (a), (b), (c), and (d) above, and if there is any unsubscribed portion (including unsubscribed portion of employee reservation portion), the same shall be deemed to be 'unsubscribed'

Our Promoters have confirmed that they intend to, either through themselves or through other members of the Promoter and Promoter Group, subscribe to the full extent of their Rights Entitlement, including renunciation within the Promoter Group, if any, in compliance with Regulation 10(4) of Takeover Regulations. Any subscription to additional Equity Shares and the unsubscribed portion, if any, shall be in accordance with Regulation 10(4) of Takeover Regulations. Any subscription by our Promoters, for Equity Shares over and above their Rights Entitlement, if allotted, may result in an increase in their percentage shareholding, subject to their shareholding not exceeding 75% of the post- Issue paid-up Equity Share capital of our Bank. Further any such acquisition of additional Equity Shares by our Promoters, shall not result in a change of control of the management of our Bank in accordance with provisions of the Takeover Regulations and shall be exempt in terms of Regulation 10(4)(a) and 10(4)(b) of the Takeover Regulations.

Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send to the Controlling Branches, a list of the ASBA Investors who have been allocated Equity Shares in the Issue, along with:

- The amount to be transferred from the ASBA Account to the separate bank account opened by our Bank for the Issue, for each successful ASBA;
- The date by which the funds referred to above, shall be transferred to the aforesaid bank account; and
- The details of rejected ASBA applications, if any, to enable the SCSBs to unblock the respective ASBA Accounts.

For Eligible Employees

Eligible Employee must apply for a minimum of one Equity Shares and in multiples of one Equity Shares, subject to the total consideration for Equity Shares applied for by Eligible Employee not exceeding ₹ 200,000.

Applications received from the Eligible Employees shall be grouped together to determine the total demand under the Employee Reservation Portion. If the aggregate demand in this category is less than or equal to 1,71,60,000 Equity Shares, full allocation shall be made to the Eligible Employees to the extent of their demand. If the aggregate demand in this category is greater than 1,71,60,000 Equity Shares, the allocation shall be made on a proportionate basis up to a minimum of one Equity Shares and in multiple of one Equity Share thereafter.

ONLY ELIGIBLE EMPLOYEES ARE ELIGIBLE TO APPLY UNDER THE EMPLOYEE RESERVATION PORTION.

However, Eligible Equity Shareholders who are Eligible Employees may also apply under Employee Reservation Portion. In such a case, application under the Employee Reservation Portion and application under the Net Issue shall not be considered as multiple applications.

It is clarified that the Eligible Employee may apply under the Employee Reservation Portion, subject to the total consideration for Equity Shares applied for by Eligible Employee not exceeding ₹ 200,000.

In the event of under-subscription in the Employee Reservation Portion, the unsubscribed portion would be added to the Net Issue. However, in case there is under-subscription in the Net Issue, the unsubscribed portion would not be met with spill over from over-subscription under the Employee Reservation Portion.

Our Bank shall retain no oversubscription.

Allotment Advices/Refund Orders

The Bank will issue and dispatch Allotment advice/ share certificates/ demat credit and/or letters of regret along with refund order or credit the allotted Equity Shares to the respective beneficiary accounts, if any, within a period of 15 (fifteen) working days from the Issue Closing Date. In case of failure to do so, the Bank shall pay interest at such rate and within such time as specified under applicable law.

Investors residing at centres where clearing houses are managed by the RBI will get refunds through National Automated Clearing House (“NACH”) except where Investors have not provided the details required to send electronic refunds.

In case of those Investors who have opted to receive their Rights Entitlement in dematerialized form using electronic credit under the depository system, advice regarding their credit of the Equity Shares shall be given separately. Investors to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 (fifteen) working days of the Issue Closing Date.

In case of those Investors who have opted to receive their Rights Entitlement in physical form and we issue letter of allotment, the corresponding share certificates will be kept ready within two months from the date of Allotment thereof or such extended time as may be approved under Section 56 of the Companies Act, 2013 or other applicable provisions, if any. Investors are requested to preserve such letters of allotment, which would be exchanged later for the share certificates.

The letter of allotment/ refund order would be sent by registered post/ speed post to the sole/ first Investor’s registered address in India or the Indian address provided by the Eligible Equity Shareholders from time to time. Such refund orders would be payable at par at all places where the applications were originally accepted. The same would be marked 'Account Payee only' and would be drawn in favour of the sole/ first Investor. Adequate funds would be made available to the Registrar to the Issue for this purpose.

In the case of Non-resident Shareholders or Investors who remit their Application Money from funds held in NRE/FCNR Accounts, refunds and/or payment of interest or dividend and other disbursements, if any, shall be credited to such accounts, the details of which should be furnished in the CAF. Subject to the applicable laws and other approvals, in case of Non-resident Shareholders or Investors who remit their Application Money through Indian Rupee demand drafts purchased from abroad, refund and/or payment of dividend or interest and any other disbursement, shall be credited to such accounts and will be made after deducting bank charges or commission in US Dollars, at the rate of exchange prevailing at such time. The Bank will not be responsible for any loss on account of exchange rate fluctuations for conversion of the Indian Rupee amount into US Dollars. The Share Certificate(s) will be sent by registered post / speed post to the address in India of the Non-resident Shareholders or Investors.

This Letter of Offer/ Abridged Letter of Offer and the CAF shall be dispatched to only such Non-resident Shareholders who have a registered address in India or have provided an Indian address.

Payment of Refund

Mode of making refunds

The payment of refund, if any, would be done through any of the following modes:

1. NACH – Payment of refund would be done through NACH for applicants having an account at one of the centres specified by the RBI, where such facility has been made available. This would be subject to availability of complete bank account details including 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 the 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.

2. 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), 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 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.
3. 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.
4. RTGS – If the refund amount exceeds ₹ 200,000, 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 CAF. In the event the same is not provided, refund shall be made through NECS or any other eligible mode. Charges, if any, levied by the refund bank(s) for the same would be borne by our Bank. Charges, if any, levied by the Investor's bank receiving the credit would be borne by the Investor.
5. For all other Investors the refund orders will be despatched through Speed Post/ Registered Post. Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the sole/first Investor and payable at par.
6. Credit of refunds to Investors in any other electronic manner, permissible under the banking laws, which are in force, and is permitted by SEBI from time to time.

Refund Payment to Non-Residents

Where applications are accompanied by Indian rupee drafts purchased abroad and payable at Hyderabad, refunds will be made in the Indian rupees based on the U.S. dollars equivalent which ought to be refunded. Indian rupees will be converted into U.S. dollars at the rate of exchange, which is prevailing on the date of refund. The exchange rate risk on such refunds shall be borne by the concerned Applicant and the Bank shall not bear any part of the risk.

Where the applications made are accompanied by NRE/FCNR/NRO cheques, refunds will be credited to NRE/FCNR/NRO Accounts respectively, on which such cheques were drawn and details of which were provided in the CAF.

Printing of Bank Particulars on Refund Orders

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the Investor's bank account are mandatorily required to be given for printing on the refund orders. Bank account particulars, where available, will be printed on the refund orders/refund warrants which can then be deposited only in the account specified. Our Bank will in no way be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.

Letters of Allotment/Allotment Advice/ Share Certificates/ Demat Credit

Letters of Allotment/ Allotment advice/ share certificates/demat credit or letters of regret will be dispatched to the registered address of the first named applicant or respective beneficiary accounts will be credited within 15 (fifteen) days, from the Issue Closing Date. In case our Bank issues letters of Allotment/Allotment advice, the relative share certificates will be kept ready within two months from the Allotment Date thereof or such extended time as may be approved under Section 56 of the Companies Act, 2013 or other applicable provisions, if any. Allottees are requested to preserve such letters of Allotment/ Allotment advice (if any) to be exchanged later for share certificates. Dispatch of letters of Allotment/ Allotment advice (if any)/ share certificates/ demat credit to Non Resident Allottees will be subject to the any applicable approvals of the RBI. Our Bank has appointed Karvy

Computershare Private Limited as the Registrar to the Issue, which has connectivity with both Depositories, and can therefore, credit the Equity Shares Allotted in dematerialised form.

Option to receive Equity Shares in Dematerialized Form

Investors shall be allotted the Equity Shares in dematerialized (electronic) form at the option of the Investor. Our Bank, along with the Registrar and Share Transfer Agent, has signed tripartite agreements each dated February 21, 2001 which each of NSDL and CDSL, which enables the Equity Shares to be held and traded in a dematerialized form, instead of holding the Equity Shares in the form of physical certificates.

In the Issue, the Allottees who have opted for Equity Shares in dematerialized form will receive their Equity Shares in the form of an electronic credit to their beneficiary account as given in the CAF, after verification with a depository participant. Investor will have to give the relevant particulars for this purpose in the appropriate place in the CAF. Allotment advice, refund order (if any) would be sent directly to the Investor by the Registrar to the Issue but the Investor's depository participant will provide to him the confirmation of the credit of such Equity Shares to the Investor's depository account. CAFs, which do not accurately contain this information, will be given the Equity Shares in physical form. No separate CAFs for Equity Shares in physical and/ or dematerialized form should be made.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF OUR Bank CAN BE TRADED ON THE STOCK EXCHANGE ONLY IN DEMATERIALISED FORM.

The procedure for availing the facility for Allotment of Equity Shares in the electronic form is as under:

1. Open a beneficiary account with any DP (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 is 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 Eligible Equity Shareholders who have already opened such beneficiary account(s) need not adhere to this step.**
2. For Eligible Equity Shareholders already holding Equity Shares in dematerialised form as on the Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Equity Shares pursuant to this Issue by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the Allotment of Equity Shares arising out of this Issue may be made in dematerialised form even if the original Equity Shares are not dematerialised. Nonetheless, it should be ensured that the depository account is in the name(s) of the Eligible Equity Shareholders and the names are in the same order as in the records of our Bank.
3. Responsibility for correctness of information (including applicant's age and other details) filled in the CAF vis-à-vis such information with the applicant's DP, would rest with the Applicant. Applicants should ensure that the names of the applicants and the order in which they appear in CAF should be the same as registered with the applicant's DP.
4. If incomplete/ incorrect details are given under the heading 'Request for Shares in Electronic Form' in the CAF, If incomplete/ incorrect beneficiary account details are given in the CAF, then such shares will be credited to a demat suspense a/c which shall be opened by the Bank as specified in the SEBI circular no. SEBI/CFD/DIL/LA/1/2009/24/04 dated April 24, 2009.
5. Allotment to investors opting for dematerialised form would be directly credited to the beneficiary account as given in the CAF after verification. Allotment advice or letters of Allotment, refund order (if any) would be sent directly to the applicant by the Registrar to the Issue but the applicant's DP will provide to him the confirmation of the credit of such Equity Shares to the applicant's depository account.
6. Renounees will also have to provide the necessary details about their beneficiary account for Allotment in this Issue. In case these details are incomplete or incorrect, such applications by Renounees are liable to be rejected. The Bank may also instead decide to allot the Equity Shares in physical form to such Renounees.
7. Non-transferable allotment advice/refund orders will be directly sent to the Investors by the Registrar.

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.

Procedure for Application by Mutual Funds

In case of a Mutual Fund, a separate application can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Applications in respect of more than one scheme of the Mutual Fund will not be treated as multiple applications provided that the application clearly indicate the scheme concerned for which the application has been made. Applications made by asset management companies or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made.

Procedure for Application by FPIs

In terms of the FPI Regulations, the issue of Equity Shares to a single FPI or an investor group (which means the same set of ultimate beneficial owner(s) investing through multiple entities) is not permitted to exceed 10% of the Bank's post-Issue equity share capital. Further, in terms of the FEMA Regulations, the total holding by each FPI shall be below 10% of the total paid-up equity share capital of our Bank and the total holdings of all FPIs put together shall not exceed 24% of the paid-up equity share capital of our Bank. The aggregate limit of 24% may be increased up to the sectoral cap by way of a resolution passed by the Board followed by a special resolution passed by the shareholders of our Bank. Pursuant to resolutions dated August 6, 2013 and October 7, 2013 passed by our Board of Directors and our Shareholders (through postal ballot), the aggregate limit of foreign investment was increased to 40% of the paid-up equity share capital of our Bank. Further, Category II FPIs under the FPI Regulations which are unregulated broad based funds and Category III FPIs under the FPI Regulations shall not issue, subscribe or otherwise deal in such offshore derivative instruments directly or indirectly. In addition, FPIs are required to ensure that further issue or transfer of any offshore derivative instruments by or on behalf of it is made only to person regulated by an appropriate foreign regulatory authority.

FPIs are permitted to participate in the Issue subject to compliance with conditions and restrictions, which may be specified by the Government from time to time. An FII who holds a valid certificate of registration from SEBI shall be deemed to be an FPI until the expiry of the block of three (3) years for which fees have been paid as per the SEBI FII Regulations. An FII or a sub-account (other than a sub-account which is a foreign corporate or a foreign individual) may participate in the Issue, until expiry of its registration as an FII or sub-account or until it obtains a certificate of registration as an FPI, whichever is earlier. If the registration of an FII or sub-account has expired or is about to expire, such FII or sub-account may, subject to payment of conversion fees as applicable under the FPI Regulations, participate in the Issue. An FII or sub-account shall not be eligible to invest as an FII after registering as an FPI under the FPI Regulations. In terms of the FEMA Regulations, for calculating the aggregate holding of FPIs in a Bank, holding of all registered FPIs as well as holding of FIIs (being deemed FPIs) shall be included.

Procedure for Applications by AIFs, FVCIs and VCFs

The VCF Regulations and the FVCI Regulations prescribe, amongst other things, the investment restrictions on VCFs and FVCIs registered with SEBI. Further, the AIF Regulations prescribe, amongst other things, the investment restrictions on AIFs.

As per the VCF Regulations and 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. Venture capital funds registered as category I AIFs, as defined in the 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 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 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.

Investment by NRIs

Investments by NRIs are governed by the Portfolio Investment Scheme under Regulation 5(3)(i) of the FEMA Regulations. Applications will not be accepted from NRIs in restricted jurisdictions.

NRI Applicants may please note that only such Applications as are accompanied by payment in free foreign exchange shall be considered for Allotment under the reserved category. The NRI Applicants who intend to make payment through NRO accounts shall use the Application Form meant for resident Indians and shall not use the Application Forms meant for reserved category.

Please note that pursuant to the applicability of the directions issued by SEBI vide its circular bearing number CIR/ CFD/ DIL/1/2011 dated April 29, 2011, all Applicants who are QIBs, Non-Institutional Investors or are applying in this Issue for Equity Shares for an amount exceeding ₹ 200,000 shall mandatorily make use of ASBA facility.

Restrictions on acquisition of shareholding in banking companies

Section 12B of the Banking Regulation Act, 1949 requires any person to seek prior approval of the RBI, to acquire or agree to acquire, shares or voting rights of a bank, by himself or with persons acting in concert, wherein such acquisition (taken together with shares or voting rights held by him or his relative or associate enterprise or persons acting in concert with him) results in aggregate shareholding of such person to be five percent or more of the paid up capital of a bank or entitles him to exercise five percent or more of the voting rights in a bank. Further, as required by the Reserve Bank of India (prior approval for acquisition of shares or voting rights in private sector banks) Directions, dated November 19, 2015, every person who intends to make an acquisition/ make an agreement for acquisition which will/is likely to take the aggregate holding of such person together with shares/voting rights held by him, his relatives, associate enterprises and persons acting in concert with him, to five per cent or more of the paid-up share capital of the concerned bank or entitles him to exercise five per cent or more of the total voting rights of the concerned bank, shall seek prior approval of the RBI. Accordingly, in the absence of an approval from the RBI, such Eligible Equity Shareholder, Renouncee or Eligible Employee would be allotted only such number of Equity Shares such that their post Issue shareholding is less than five percent of the paid-up share capital of our Bank.

Impersonation

As a matter of abundant caution, attention of the investors is specifically drawn to the provisions of sub-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 Bank 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 includes imprisonment for a term of not less than six months extending up to ten years (provided that where the fraud involves public interest, such term shall not be less than three years) and fine of an amount not less than the amount involved in the fraud, extending up to three times of such amount.

Payment by Stockinvest

In terms of RBI Circular DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the stockinvest scheme has been withdrawn with immediate effect. Hence, payment through stockinvest would not be accepted in this Issue.

Disposal of Application and Application Money

The Escrow Collection Bank / Registrar to the Issue receiving the CAF will acknowledge its receipt by stamping

and returning the acknowledgment slip at the bottom of each CAF. Please note that no such acknowledgment will be issued by our Bank for the Application Moneys received by us.

In case an Application is rejected in full, the whole of the Application Money received will be refunded. Wherever an Application is rejected in part, the balance of Application Money, if any, after adjusting any money due on Equity Shares Allotted, will be refunded to the applicant within 15 (fifteen) days from the Issue Closing Date. In the event that there is a delay of making refunds beyond such period as prescribed under applicable laws, our Bank shall pay interest for the delayed period at rates prescribed under applicable laws in this regard.

For further instruction, please read the CAF carefully.

Undertakings by our Bank

Our Bank undertakes as follows:

- (a) The complaints received in respect of this Issue shall be attended to by our Bank expeditiously and satisfactorily.
- (b) All steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchange where the Equity Shares are proposed to be listed will be taken within 7 (seven) working days of finalization of Basis of Allotment.
- (c) The funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed in this Letter of Offer shall be made available to the Registrar to the Issue by our Bank.
- (d) Where refunds are made through electronic transfer of funds, a suitable communication shall be dispatched to the applicants within 15 (fifteen) days of the Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
- (e) The letters of Allotment/ Allotment advice to the NRs shall be dispatched within the specified time.
- (f) Adequate arrangements shall be made to collect all ASBA Applications and to consider them similar to non ASBA Applications while finalizing the Basis of Allotment.
- (g) No further issue of securities affecting equity capital of our Bank shall be made till the securities issued/ offered through this Letter of Offer Issue are listed or till the Application Money are refunded on account of non-listing, under-subscription etc.
- (h) At any given time there shall be only one denomination of Equity Shares of our Bank.
- (i) Our Bank shall comply with such disclosure and accounting norms specified by SEBI from time to time.

Important

- Please read this Letter of Offer carefully before taking any action. The instructions contained in the accompanying CAF are an integral part of the conditions and must be carefully followed; otherwise the Application is liable to be rejected.
- It is to be specifically noted that this Issue of Equity Shares is subject to the risk factors mentioned in the section titled "*Risk Factors*" on page 10.
- All enquiries in connection with this Letter of Offer or accompanying CAF and requests for Split Application Forms must be addressed (quoting the Registered Folio Number/ DP and Client ID number, the CAF number and the name of the first Eligible Equity Shareholder as mentioned on the CAF and superscribed "*The Karur Vysya Bank Limited - Rights Issue - R*" in case of Resident Investors or Non-Resident Investors applying on non repatriable basis or "*The Karur Vysya Bank Limited - Rights Issue - NR*" in case of non-resident shareholders applying on repatriable basis on the envelope) to the Registrar to the Issue at the following address:

Karvy Computershare Private Limited

Karvy Selenium Tower B, Plot Number 31-32

Gachibowli, Financial District

Nanakramguda, Serilingampally

Hyderabad 500 032, Andhra Pradesh, India

Tel: +91 40 6716 2222

Fax: +91 40 3343 1551

Email: kvb.rights@karvy.com

Investor Grievance Email: einward.ris@karvy.com

Website: www.karishma.karvy.com

Contact Person: M. Muralikrishna

SEBI Registration No.: INR000000221

- This Issue will be kept open for a minimum period of 15 (fifteen) days. However, the Board will have the right to extend the Issue Period as it may determine from time to time but not exceeding 30 (thirty) days from the Issue Opening Date.

SECTION IX - STATUTORY AND OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Bank) which are or may be deemed material have been entered by our Bank. Such contracts as referred to in Paragraph A below, together with the documents referred to in paragraph B below, may be inspected at the Registered Office from 10.00 am to 4.00 pm on working days (excluding Saturdays) from the date of this Letter of Offer until the date of closure of the Issue.

(A) MATERIAL CONTRACTS

1. Issue Agreement dated September 28, 2017, between our Bank and the Lead Manager.
2. Registrar Agreement dated September 28, 2017, between our Bank and Registrar to the Issue.
3. Escrow Agreement dated September 28, 2017, amongst our Bank, the Lead Manager, the Registrar to the Issue and the Escrow Collection Bank.

(B) DOCUMENTS FOR INSPECTION

4. Certificate of incorporation of our Bank dated June 22, 1916.
5. Memorandum and Articles of Association of our Bank.
6. RBI has granted a license to carry on our banking business in India vide License No. Mad/18 dated December 20, 1958.
7. Certified copy of our Board resolution dated May 29, 2017 and September 25, 2017, in relation to the Issue and other related matters.
8. Certified copy of the Board resolution dated September 25, 2017 approving the issue of up to 1,71,60,000 Equity Shares to the Eligible Employees of our Bank.
9. Certified copy of the special resolution passed by the shareholders of our Bank in its AGM held on July 21, 2017, authorizing the issue of the Equity Shares to the Eligible Employees of our Bank.
10. Consents of the Directors, Company Secretary and Compliance Officer, Statutory Auditor, Lead Manager, Domestic Legal Counsel to the Issue, Registrar to the Issue and Escrow Collection Bank and Refund Bank to include their names in this Letter of Offer to act in their respective capacities.
11. Statement of tax benefits dated September 25, 2017, issued by the Statutory Auditor, as set out in this Letter of Offer.
12. The reports of the Statutory Auditor each dated September 25, 2017, relation to the Reformatted Audited Financial Statements and Limited Reviewed Financial Statements, respectively, as set out in this Letter of Offer.
13. Consent of the Statutory Auditor for inclusion of its reports each dated September 25, 2017, in relation to the Reformatted Audited Financial Statements and Limited Reviewed Financial Statements, respectively, and the statement of tax benefits dated September 25, 2017, in the form and context in which they appear in this Letter of Offer and consent to be named as an "expert" as defined under Section 2(38) of the Companies Act, 2013, read with Section 26(5) and 26(1)(a)(v) of the Companies Act, 2013, in relation to the Reformatted Audited Financial Statements, Limited Reviewed Financial Statements, their report thereon, and the statement of tax benefits included in this Letter of Offer.
14. The annual reports of our Bank for fiscals 2013, 2014, 2015, 2016 and 2017.
15. In-principle listing approval dated September 29, 2017, from the NSE.

16. Due Diligence Certificate dated October 11, 2017, from the Lead Manager for this Issue.
17. Tripartite Agreement dated February 21, 2001, between our Bank, NSDL and the Registrar and Share Transfer Agent.
18. Tripartite Agreement dated February 21, 2001, between our Bank, CDSL and the Registrar and Share Transfer Agent.
19. RBI letter dated September 27, 2017, approving renunciation of rights entitlement by and to persons/entities resident outside India for the Issue.
20. Letter of offer dated February 21, 2011 in respect of the previous rights issue of Equity Shares by our Bank in fiscal 2011.
21. Letter bearing reference no. DBR. Appt. No. 9086/08.41.001/2015-16 dated January 19, 2016, issued by the RBI to our Bank granting approval for appointment of Mr. B. Swaminathan, as the Part-time Chairman of our Bank.
22. Letter bearing reference no. DBR. Appt. No. 1499/08.41.001/2017-18 dated August 14, 2017, issued by the RBI to our Bank granting approval for appointment of Mr. P. R. Seshadri, as the Managing Director and Chief Executive Officer of our Bank.
23. Board and Shareholders resolutions dated November 23, 2015 and July 21, 2016, respectively, approving the terms of appointment of Mr. B. Swaminathan, as the Part-time Chairman of our Bank.
24. Board resolution dated August 31, 2017, approving the terms of appointment of Mr. P. R. Seshadri, as the Managing Director and Chief Executive Officer of our Bank.

Any of the contracts or documents mentioned in this Letter of Offer as 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 shareholders, subject to compliance of the provisions contained in the Companies Act, 2013 and other relevant statutes.

DECLARATION

We hereby certify that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, the SEBI Act or the rules made thereunder or regulations issued thereunder, as the case maybe. 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. We further certify that all disclosures made in this Letter of Offer are true and correct.

SIGNED BY THE BOARD OF DIRECTORS OF OUR BANK

Mr. B. Swaminathan <i>Non - Executive Independent Director and Part-time Chairman</i>	Mr. P. R. Seshadri <i>Managing Director and Chief Executive Officer</i>
Mr. G. Rajasekaran <i>Non - Executive Non - Independent Director</i>	Mr. A. J. Suriyanarayana <i>Non - Executive Non - Independent Director</i>
Mr. N. S. Srinath <i>Non - Executive Independent Director</i>	Dr. V. G. Mohan Prasad <i>Non - Executive Independent Director</i>
Mr. M. K. Venkatesan <i>Non - Executive Non - Independent Director</i>	Mr. A. K. Praburaj <i>Non - Executive Non - Independent Director</i>
Mrs. K. L. Vijayalakshmi <i>Non - Executive Independent Director</i>	Mr. M. V. Srinivasamoorthi <i>Non - Executive Non - Independent Director</i>
Dr. K. S. Ravichandran <i>Non - Executive Independent Director</i>	

SIGNED BY THE CHIEF FINANCIAL OFFICER OF OUR BANK

Mr. T. Sivaramaprasad

Place: Karur, Tamil Nadu

Date: October 11, 2017