

BANDHAN FINANCIAL SERVICES LTD

INVESTMENT POLICY

TABLE OF CONTENTS:

TOPIC		PAGE NO.
1.	BACKGROUND	3
2.	OBJECTIVE	3
3.	INVESTMENT COMMITTEE	3-4
4.	ELIGIBLE INVESTMENT PRODUCTS:	4
5.	GUIDELINES FOR INVESTMENT	4-7
6	RESTRICTED LIST	7
7.	VALUATION OF INVESTMENTS	7
8.	REVIEW/AMENDMENT	7
9.	LAWS TO TAKE PRECEDENCE	7

1. BACKGROUND

Bandhan Financial Services Ltd ("Company") is a Company incorporated under the Companies Act, 1956 and is registered as a Systematically Important Core Investment Company (CIC-ND-SI) with Reserve Bank of India (RBI). Prior to getting registered as CIC-ND-SI, the Company was registered with RBI as a NBFC-MFI. the Company was granted the license for Universal Bank on June 17, 2015 in terms of Guidelines for New Banks in Private Sector 2013 ("Guidelines) and all assets and liabilities pertaining to the Company's micro finance business were transferred to Bandhan Bank Limited (a wholly-owned step down subsidiary as on the date of transfer) on a slump sale basis with effect from 23rd August, 2015. In terms of Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016 ("Master Directions") every CIC-ND-SI shall have Board approved Investment Policy.

2. OBJECTIVE

The Company being a CIC-ND-SI its major business is investment in the group companies and other permitted investments in terms of the Master Directions. Investment policy lays down the guidelines for Investment by the company in terms of Master Directions. All the Investment by the company shall be made in accordance with Investment Policy.

3. INVESTMENT COMMITTEE

In terms of first proviso of Section 179(3) of the Companies Act, the Board delegate its power of "Investment of Funds" as specified in the policy of the Company to KMPs of the Company as mentioned in section 203 of the Companies Act, 2013 which includes Managing Director, Chief Executive Officer, Manager, Chief Financial Officer and Company Secretary. However, the said KMPs can take their decision upon formation a Committee namely "Investment Committee" and shall place their report before Board regularly. . However for any amount which the Company may receive as a divestment

proceeds from Bandhan Financial Holdings Limited, the plan of investment of said proceeds will be placed before the Board of Directors for their approval.

The Investment Committee shall comprise of following members -

- i. Managing Director/ Chief Executing Officer (CEO) (Chairman of Investment Committee)
- ii. Chief Financial Officer (CFO)
- iii. Company Secretary (CS)

Quorum: The Chairman and one member will constitute the quorum of Investment Committee Meeting.

Frequency of Meeting: The Investment Committee shall meet as and when required;

Minutes: The proceedings of the Investment Committee shall be minuted and duly recorded in the Minute Book. Minutes of the Investment Committee shall be placed in the subsequent Board Meeting.

Reporting: A statement containing the details of the Investment along with the yield on the same shall be placed in every Board Meeting.

4. ELIGIBLE INVESTMENT PRODUCTS:

The Company is a CIC-ND-SI and as per the Master Directions - the company can invest in following Investment Products / Instruments -

- a. Bank Deposits.
- b. Money market instruments, including money market mutual funds and liquid mutual funds.
- c. Government Securities.
- d. Equity shares of Group Companies.
- e. Bonds or Debentures issued by Group Companies.

5. GUIDELINES FOR INVESTMENT

a. Bank Deposits :

The Company may invest in Bank Deposits of Scheduled Commercial Banks as detailed hereunder in Table-1. The Company shall exercise due care based on risk return matrix after having a critical analysis in assessing the credibility of the bank

at the time of making the investment. Any addition/modification in the list of Bank shall be made only with the approval of Board of Directors. Concentration of Deposit with particular bank should not exceed 10% of the net worth of Bandhan Financial Services Limited as per the last audited Financial Statements or Rs. 250 crores (Principal Value) whichever is less.. The present position of deposits on the date of this policy may be corrected gradually as and when renewal is due for existing Deposits and New Fixed Deposits are made, strictly in compliance with the policy guidelines. The committee may invest as per instruction of Board of Directors more than the limits specified in the policy.

Table-1

S. No.	Name of Bank
1.	State Bank of India
2.	Bank of Baroda
3.	Bandhan Bank
4.	ICICI Bank
5.	HDFC Bank Limited
6.	Axis Bank Limited
7.	IndusInd Bank Limited
8.	Kotak Mahindra Bank Limited

b. Money market instruments, including money market mutual funds and liquid mutual funds :

The Company may invest in Liquid/money market mutual funds. Total investment in above shall not be more than INR 50 crore or 10% of the net worth of Bandhan Financial Services Limited as per the last audited Financial Statements. Historical returns of funds should be considered to judge performance of the mutual fund. The Company shall exercise due care based on risk return matrix after having a critical analysis in assessing the credibility of the MF at the time of making the investment. The Company shall invest in the scheme of liquid or money market mutual funds which have Asset Under Management (AUM) of Rs. 10,000 crore or more. Further, concentration to particular mutual fund house shall not be more than 30% of total investment in Mutual Fund or Rs. 1 Crore whichever is higher.

c. Government Securities (G-Sec) :

The Company may invest in Treasury Bills & Dated Securities issued by Govt. of India, if needed, through its CSGL account or demat account. No transaction in G-Sec shall be done in physical form through any broker. Investment in G-Sec shall not be more than INR 100 crore or 10% of the net worth of Bandhan Financial Services Limited as per the last audited Financial Statements.

d. Equity Shares & Preference Shares of Group Companies (Listed/Unlisted):

The Company may invest in the equity and preference shares of the group companies with the approval of Board of Directors.

In terms of Para 2(ii) of the Master Directions the investment in the equity shares (including instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue) in group companies and units of Infrastructure Investment Trust only as sponsor constitute not less than 60% of its net assets

Further, in terms of Para 2(iii) Master Directions, Company cannot trade in investment in shares except through block sale for the purpose of dilution or disinvestment;

Dilution or Disinvestment of its investment in shares of group companies shall be done with the approval of Board of Directors.

Group Company has been defined as “an arrangement involving two or more entities related to each other through any of the following relationships, viz., Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter-Promotee [as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997] for listed companies, a related party (defined in terms of AS 18) Common brand name, and investment in equity shares of 20% and above).”

e. Bonds or Debentures issued by Group Companies:

The Company may make investment in Bonds or Debentures of Group Companies with the approval of Board of Directors.

However, in terms of the Guidelines investment by the company in Bandhan Financial Holdings Limited and Bandhan Bank Limited shall be in the form of equity investment only.

Further, clause terms of Para 2(iii) of the Master Directions Company cannot trade in Bonds or debentures of group companies except through block sale for the purpose of dilution or disinvestment

Dilution or Disinvestment of its investment in Bonds or Debenture of group companies shall be done with the approval of Board of Directors.

In order to invest in products apart from the above, Investment Committee of the Company shall put up the same for approval of the Board.

6. RESTRICTED LIST:

1. Equity Shares (Listed/Unlisted) other than group company.
2. Equity Oriented Mutual Funds.
3. Convertible Bonds / Debentures other than Group Company.

7. VALUATION OF INVESTMENTS:

1. Investment in Group Company: All investment in group company shall be valued at cost. However, provision for diminution in value of investment shall be recognized as per applicable accounting standards.
2. All investment other than investment in group company shall be valued at fair value determined on an individual investment basis.

Further, the Company will follow IND AS - 113 & IND AS 107 or other applicable accounting standard in valuing its investment.

8. REVIEW/AMENDMENT

Any amendment in the policy shall be made with the approval of Board of Directors. Further the Investment Policy of the Company shall be reviewed by the Board annually.

9. LAWS TO TAKE PRECEDENCE

If any of the provisions of this Policy are inconsistent with the applicable Laws then the provisions of applicable Laws shall prevail over the Policy to that extent and the Policy shall be deemed to have been amended so as to be read in consonance with Applicable Laws.