

Ref. No.: AUSFB/SEC/2020-21/120

Date: 26th June 2020

National Stock Exchange of India Limited, Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai 400051, Maharashtra. Symbol: AUBANK	BSE Limited, Phiroz Jeejeebhoy Towers, Dalal Street, Mumbai 400001, Maharashtra. Scrip Code: 540611
--	--

Dear Sir(s),

Sub: Disclosure under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR") - Notice of 25th Annual General Meeting and Annual Report for the FY 2019-20 of AU Small Finance Bank Limited ("The Bank")

Pursuant to the applicable provisions of SEBI LODR, we wish to inform that the Twenty Fifth (25th) Annual General Meeting ("**AGM**") of the members of the Bank will be held on **Tuesday, 21st July, 2020 at 03:30 P.M.** (IST) through Video Conferencing ("**VC**")/ Other Audio Visual Means ("**OAVM**") facility in compliance with the applicable provisions of the Companies Act, 2013, Rules framed thereunder and the SEBI LODR read with General Circular Nos.14/2020, 17/2020 and 20/2020 dated 8th April 2020, 13th April 2020 and 5th May 2020, respectively, issued by the Ministry of Corporate Affairs ("MCA Circulars") and SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May 2020.

We hereby submit a copy of the Annual Report for FY 2019-20 including 25th AGM Notice.

Further, in terms of Regulation 46 of SEBI LODR, the Annual Report along with the AGM Notice is also available on the website of the Bank at <https://www.aubank.in/annual-report>.

The Bank has dispatched (by electronic means) of the Notice of 25th AGM and Annual Report for FY 2019-20 to the shareholders today i.e. 26th June, 2020.

We request you to take above information on record.

**Thanking You,
FOR AU SMALL FINANCE BANK LIMITED**




**Manmohan Parnami
Company Secretary & Compliance Officer**

Registered Office

AU SMALL FINANCE BANK LIMITED
19-A Dhuleshwar Garden, Ajmer Road,
Jaipur - 302001, Rajasthan, India
Phone: +91 141 4110060/61, **Fax:** +91 141 4110090
CIN: L36911RJ1996PLC011381
Formerly known as **Au Financiers (India) Limited**



**Rishta
25 saalo ka.
Bharosa
apno jaisa.**

Annual Report 2019-20



What’s Inside

COVER STORY	01-19
#25yearsofAU	01
OVERVIEW AND PROGRESS	20-29
Corporate identity	20
Solutions for every need	22
Expanding ‘phygitality’	24
Our story in numbers	26
Performance highlights	28
PERSPECTIVES FROM THE TOP	30-45
Former Chairman’s statement	30
Chairman’s communique	32
MD & CEO’s Message	36
Whole-Time Director’s Message	42
SUSTAINABLE VALUE CREATION MODEL	46-55
Taking the long view	46
Business model	48
A track record of excellence	50
Leveraging our strengths	54
GROWING WITH ROBUST ENABLERS	56-71
Digital banking	56
Making sense of data	60
Customer delight	62
Brand identity	64
Team AU	68
OUR COMMITMENT	72-75
Response against COVID-19	72
STRONG RISK AND GOVERNANCE FRAMEWORK	76-101
Risk management	76
Robust governance	78
Board of Directors	80
Leadership team	82
Sustainability Initiatives	84
Awards and accolades	100
STATUTORY REPORTS	102-214
Management Discussion & Analysis	102
Board’s Report	130
Report on Corporate Governance	147
Annexures	178
FINANCIAL STATEMENTS	215-286
Independent Auditor’s Report	215
Balance Sheet	222
Profit and Loss Account	223
Cash Flow Statement	224
Schedules	226
NOTICE OF AGM	287

25th
AUVERSARY

“

It is a matter of great honour and utmost satisfaction that we got this amazing opportunity of being associated with you and being worthy of your trust over the past 25 years. During this period, we have been through seasons of growth, plenty, and challenges. Whether it was the financial crisis in 2008, the oil crisis in 2014 or demonetisation in 2016, each adversity felt the most unsettling during the time when we faced it. However, it is our response to the adversity, not the adversity itself, that determines how our story develops. We, at AU Small Finance Bank (AU Bank), are the outcome of the choices that we make in our journey and we have always focused on growing the right way to build a resilient banking institution.”

Sanjay Agarwal
Managing Director & CEO

Rishta
25 saalo ka.
Bharosa
apno jaisa.

We embarked on our journey 25 years back, to be a changemaker in India’s drive for financial inclusion. Opportunities were aplenty, challenges were no less. Today, as we look back and introspect, there is a humbling sense of accomplishment in building an organisation that has not only stood the test of time, but has also made a difference to the lives of millions.

Crises have come and gone, reshaping operating landscapes, and putting our resilience to test. We have emerged stronger out of every adversity on the strength of our character that we have built over the years, driven by the guiding principles of **prudence (samajhdaari)**, **sensibility (zimmedari)**, and **honesty (imaandaari)**.

Our story, woven around the hinterlands of India, is now spreading into super metros and urban areas with customer centricity at the heart.

We have been able to deliver growth and profitability even as a large base of our customers that we provided credit to were new to banking, with limited income proofs and no credit history.

Our sound underwriting principles, implemented uniformly with a focus on quality of collaterals,

and our collections ability have enabled us to create sustainable value for all our stakeholders.

We acknowledge the greater fiduciary responsibility that comes with being a custodian of public money with utmost sincerity. We are constantly fine-tuning our operations, risk management, and governance practices as we gear up to be the most dependable custodian of your trust for the times ahead!

Chalo aage
badhein!





#25YEARS OF AU

We complete 25 years of our existence and what a memorable journey it has been.!

If we look back... Google was founded in **1998** by Larry Page and Sergey Brin in their Stanford dorm room. The Apple iMac hit the market. Europeans agreed on a common currency.

A new millennium dawned.

The smartphone came into being... the world shrunk into our drawing rooms moving at a rapid pace from the analogue to the digital... without taking a moment's break!

Our story began when an economically liberalised India had

just started to assert its influence on the world order... when Indian private banks burst onto the scene to reshape the industry landscape forever... and a first-generation entrepreneur in Rajasthan had an idea of launching a finance company that would one day become a Bank.

How it was managed, positioned and developed, speak volumes of the strong foundation and pillars on which AU was built.

An eventful journey that we cherish every moment...learning and growing and imbibing those lessons in our way of life...

...culminating into our six distinct 'Dharmas' that define AU Bank today.



[Click here to know more about 'Our Journey'](#)



1996
2000

2000
2003

2003
2008

2008
2014

2014
2017

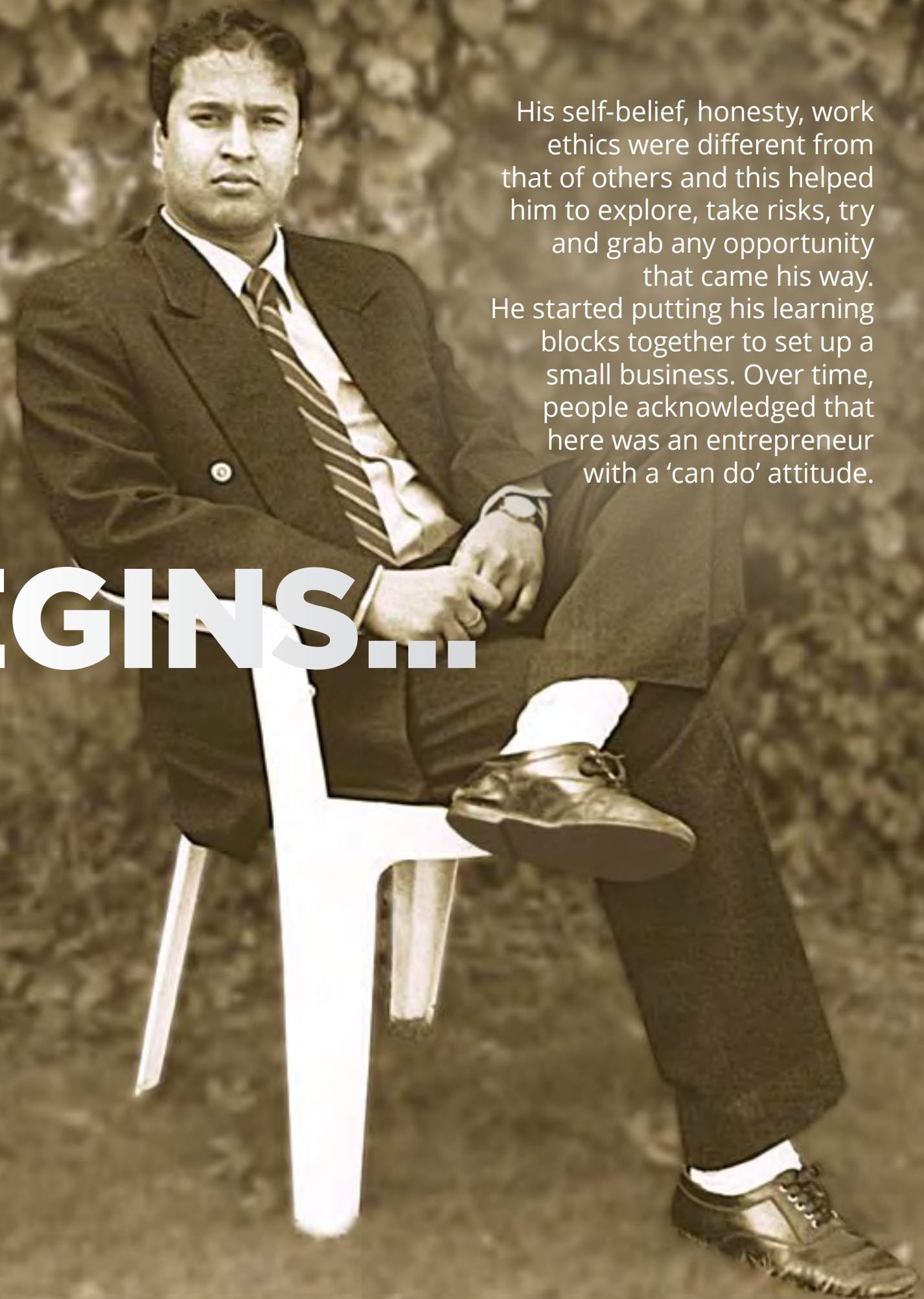
2017
2020

THE LEARNING BEGINS...

The journey of AU Small Finance Bank
(incorporated as L.N. Finco Gems Pvt. Ltd.)
was started by Mr. Sanjay Agarwal, a Rank
Holder CA and a first generation entrepreneur
who began with...

*...no money,
no business plan and
no clients.*

His self-belief, honesty, work
ethics were different from
that of others and this helped
him to explore, take risks, try
and grab any opportunity
that came his way.
He started putting his learning
blocks together to set up a
small business. Over time,
people acknowledged that
here was an entrepreneur
with a 'can do' attitude.





ROLLING THE PITCH....

The Company became a Direct Sales Associate of various banks such as HDFC Bank, Citibank, among others, to do financing business.

Learnt the mechanics of finance.



The Company firmly adhered to its values of building relationships with a personalised touch and, most importantly, 'financing with responsibility' because the money of HNIs and Banks could not be lost.





CHANGING GEARS...

The Company become a Channel Business partner for HDFC Bank in Rajasthan.

The industry noticed us.



The values, credit ethos and processes of a good financial institution were ingrained in us in these years. It made us believe that opportunities in Financial Services were immense. We needed to be straightforward and transparent with an eye for detail.





THE PLATFORM

Channel business expertise, good governance, faith of global marquee investors and a robust business model propelled the turbine of success. With strong execution, we expanded our operations to new geographies, added products and developed a professional team.

Multifold increase in Balance Sheet size.



With the right DNA and strong execution capabilities, our faith became stronger that scale and size is just a number and opportunities are immense in the financial service space. We just needed to apply ourselves sensibly.

READY TO SCALE...





SMALL IS THE NEW BIG

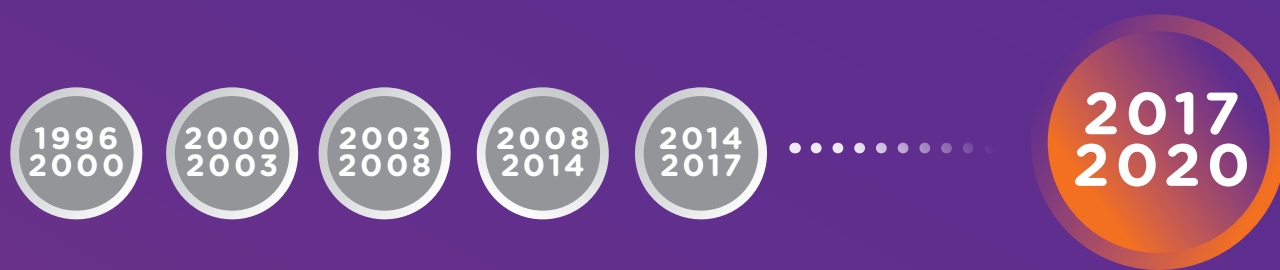
Small Finance Bank guidelines were announced in November 2014. We read it and immediately realised that we fitted in perfectly within this carefully designed proposition.

Received the RBI License for a Small Finance Bank.

The Company, Au Financiers (India) Limited, a systemically Important NBFC, applied for the Small Finance Bank License and in September 2015, we received the in-principal approval from the RBI. The whole team was ecstatic and on top of the world.

On 20th December 2016, the RBI issued us the prestigious Small Finance Bank (SFB) license. We were the only Asset Finance Company to receive the SFB license.





BUILDING A BANK U ALWAYS WANTED...

Building a Bank was a natural progression for us, and a hard-earned extension of the relentless work of serving the financial needs of millions of unserved and underserved people for over two decades.

Grand commencement of a Bank and successful listing on NSE and BSE.

AU Small Finance Bank received a Scheduled Bank status in November 2017 and became a Fortune India 500 Company in the very first year of starting its banking operations. Our core fibre of Six Dharmas and following them religiously brought us here. As a young, energetic and customer-centric institution, we will continue to challenge the status quo and usher in new age banking with simplicity and convenience.



Mr. Raamdeo Agrawal
Joint Managing Director
 Motilal Oswal Financial Services
 Limited (MOFSL)

AU in 25 years has come a long way. I am not surprised by what they have achieved. I bet they will outdo in the next 25 years and become a prestigious national asset.

MOTILAL OSWAL

Mr. Vishal Mahadevia
Managing Director
 Head of India, Warburg Pincus

AU's strong leadership, customer-centricity and risk orientation have kept them best-in-class through good and tough times and these qualities make an institution that can continuously grow without compromising its core. As a long term partner to AU, we are delighted to see the institution flourish over the last 25 years and wishing it many more years of continued success.

WARBURG PINCUS

Ms. Linda Broekhuizen
*Chief Investment Officer and Member
 of the Management Board*
 FMO, Entrepreneurial Development Bank

During our 7-year relationship with AU we have seen significant growth thanks to AU's focus on continuous improvement and quality. The financing of green vehicles has contributed to improving the energy efficiency of the local transport sector as well as improvement of air quality. We see AU as a quality Bank, professional and reliable and highly knowledgeable on the market segment they cater to. FMO is happy to have contributed to the institution AU has managed to become in 25 years' time, and we see a bright future for the Bank in the quarter century to come.



Mr. Mohammad Mustafa
Chairman & Managing Director
 Small Industries Development
 Bank of India (SIDBI)

I congratulate AU Bank on their 25th anniversary as a financial institution that has been focusing on the needs of MSMEs and small entrepreneurs both as an NBFC and as a Bank. It is their strength to identify the potential customers, guide them and provide them access to finance. The growth of AU Bank over the years is also appreciated. AU Bank has been associated with SIDBI for refinance and technical assistance for a long time now and the relationship is appreciated. SIDBI conveys its best wishes.



WORDS OF ENCOURAGEMENT

Mr. Mengistu Alemayehu
Director for South Asia
 IFC

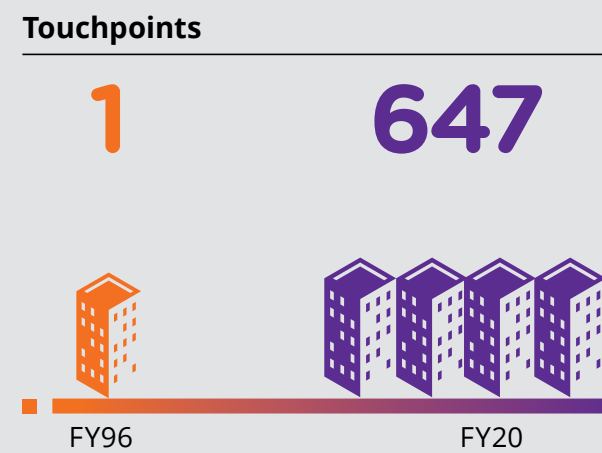
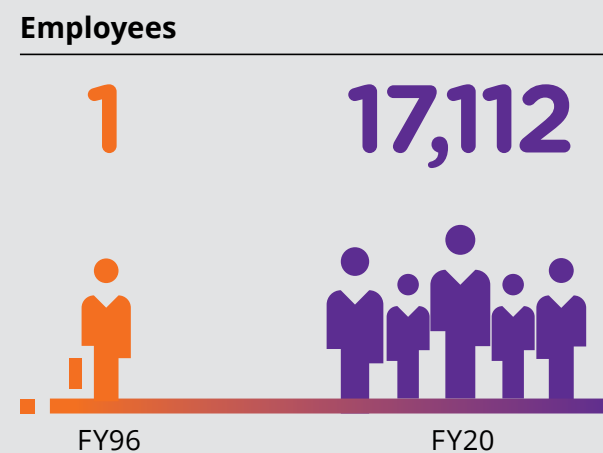
IFC is proud to have partnered with AU Small Finance Bank in its journey to support financial inclusion among those most in need in rural India. In our decade-long association with AU, we have witnessed their transition from a regional asset finance company employing 325 people, to a Scheduled Commercial Bank with 17,000 employees providing multiple product lines across 11 Indian states, including low income states. A robust focus on the unbanked and underbanked has helped AU empower more than a million customers, many of whom had never before accessed financial services. They have supported more than 240,000 rural MSMEs and women-owned businesses in particular. AU's enthusiastic leadership, client-first approach and passion to make a difference have helped develop a sustainable model to scale up its business and those of its customers. We extend heartfelt congratulations to Sanjay and team on their 25-year milestone, and wish them the very best.



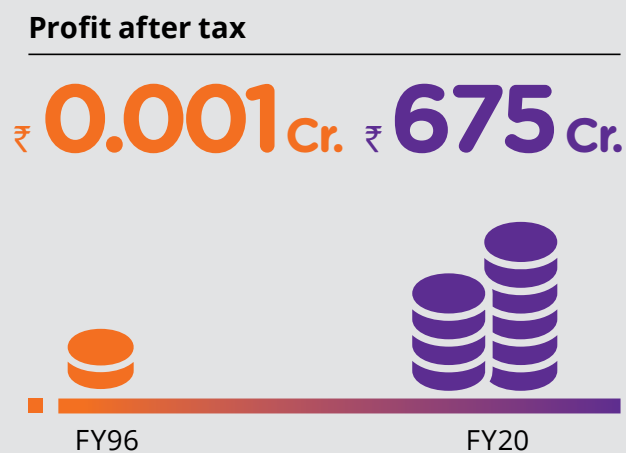
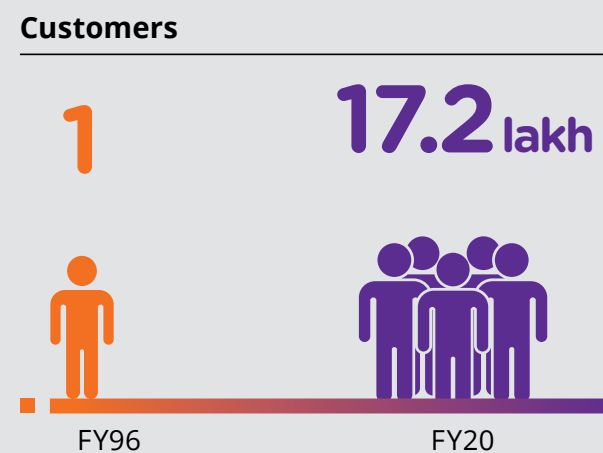
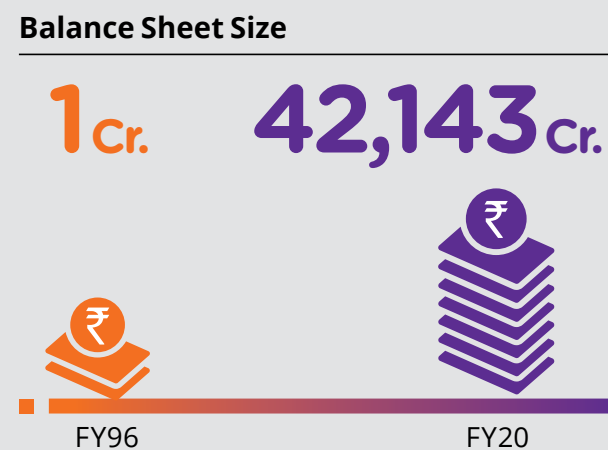
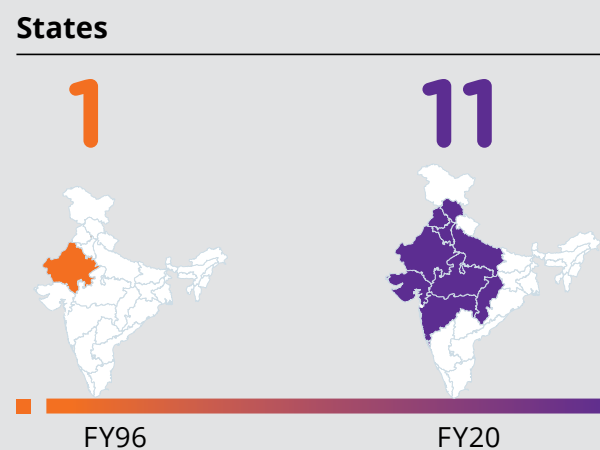
Mr. G. R. Chintala
Chairman
 National Bank for Agriculture and Rural Development (NABARD)

Starting from a humble beginning by a first generation entrepreneur as a vehicle financing NBFC and operating as a Bank today, AU has achieved multiple milestones the last 25 years and I congratulate the whole team on this achievement. As a development Institution, NABARD has always been supportive of organisations bringing the agenda of Financial Inclusion to the people and AU Bank has a footprint in providing livelihood to farmers and small businesses in meeting their personal and business needs especially in rural and semi-urban India. NABARD has supported AU through refinance, technology and also arranging training for their senior executives. We wish AU Bank and its dedicated team attain new peaks of performance and service to the society.





OUR JOURNEY SO FAR...



- 1 Consistent growth in marketshare, geographic presence accompanied with healthy profitability
- 2 Marquee investors as our shareholders
- 3 Only asset financing NBFC to receive an SFB license
- 4 Largest SFB by balance sheet size
- 5 Strong track record of good asset quality in our 25 years of existence

Corporate Identity

A customer-centric institution and solution-focused bank

Our journey began in 1996 when a first generation entrepreneur started as a vehicle financier. Over the years we evolved into a Fortune India 500 Company and a Scheduled Commercial Bank. During this journey, 'solution orientation' and 'customer-centric approach' have been the hallmark of the progress that we have made and have allowed us to acquire the trust of our customers and deliver a consistent performance.

What has remained a constant over the years is our ability to challenge the status quo; understand and adapt to the ground realities; and a common-sense driven approach based on the AU Dharmas. Therefore, despite the cycles and headwinds, the Bank has been able to prudently manage the risks and

deliver steady and consistent growth while maintaining a strong asset quality.

Keeping up with this legacy, today we have conceived a comprehensive product suite, created best-in-class phygital delivery offerings for meeting the banking, financial, investment and insurance needs of our customers.

Our Vision

To be the world's most trusted retail bank and coveted employer that is admired as the epitome of financial inclusion and economic success, where ordinary people do extraordinary things to transform society at large, thereby guaranteeing trust, confidence, and customer delight.

Our Mission

To build one of India's largest retail franchise that is admired for

- Making every customer feel supreme while being served
- Aspiring that no Indian is deprived of banking
- Bias for action, dynamism, detail orientation and product & process innovation
- Globally respected standards of integrity, governance, and ethics
- Being an equal opportunity employer, providing a collaborative and rewarding platform to all its employees

Fastest growth to ₹1 trillion booksize and a delighted client base of 10+ million.

AU Dharma

Dharma is a way of life. It defines our intrinsic nature, upholding the duties and responsibilities that come with our existence. The AU Dharma is codified by the six guiding pillars that provide the foundation on which we do the right thing, in the right way.



Integrity

We are fair and consistent in all our dealings – employees, customers, partners or shareholders



Nurture talent and succeed together

We nurture talent and together we are a great team



Work hard and look for details

Willing to go the extra mile in everything we do and thoroughly understand customer needs, issues, and organisational delivery model



Customer focus

If our customers need it, we will make it happen



Bias for action

Urgency in everything we do



Responsibly entrepreneurial

100% ownership and 0% excuses

Solutions for every need

Building a distinct value proposition

As a Bank, we aspire to become the preferred destination for all the financial needs of our customers by providing a strong value proposition across products and services.

We have developed a wide range of products and services that offer some of the best-in-class asset features. We continuously seek feedback from the ground to improvise on our offerings with the aim to delight our customers and deepen our relationships.



VEHICLE LOAN



COMMERCIAL VEHICLE LOAN



TRACTOR LOAN



TWO-WHEELER LOAN



HOME LOAN



CONSUMER FINANCE & PERSONAL LOAN



GOLD LOAN



SECURED BUSINESS LOAN -MSME/SME



NBFC/HFC/MFI LENDING



AGRI-SME LOAN



BUSINESS BANKING, TRADE FINANCE & FOREX



CONSTRUCTION & BUILDER FINANCE



SAVINGS ACCOUNT



CURRENT ACCOUNT



FIXED & RECURRING DEPOSIT



LOCKER



POS MACHINE



MUTUAL FUND



GENERAL & FIRE INSURANCE



LIFE & HEALTH INSURANCE

AU ROYALE



A flagship lifestyle programme from AU Bank that brings you and your family a world of luxury services with unparalleled value. Fully loaded with many preferential services and a top-of-the-line VISA Signature Debit Card with loads of benefits and welcome offers.

AU COVID SHIELD



A unique emergency deposit fund to meet life's unexpected exigencies. It offers higher annualised interest rate, free life cover up to ₹ 5 lakh and renewal vouchers on deposit renewals.

ACCOUNT OPENING ON WHATSAPP



Driven by our resolve of delivering an uncomplicated banking experience to our customers, we rolled out a Savings Bank Account opening process using an interactive chat-like interface on WhatsApp. This is facilitated by an advanced multi-channel conversational platform.

Expanding ‘phygitaly’

Focusing on omnichannel delivery model

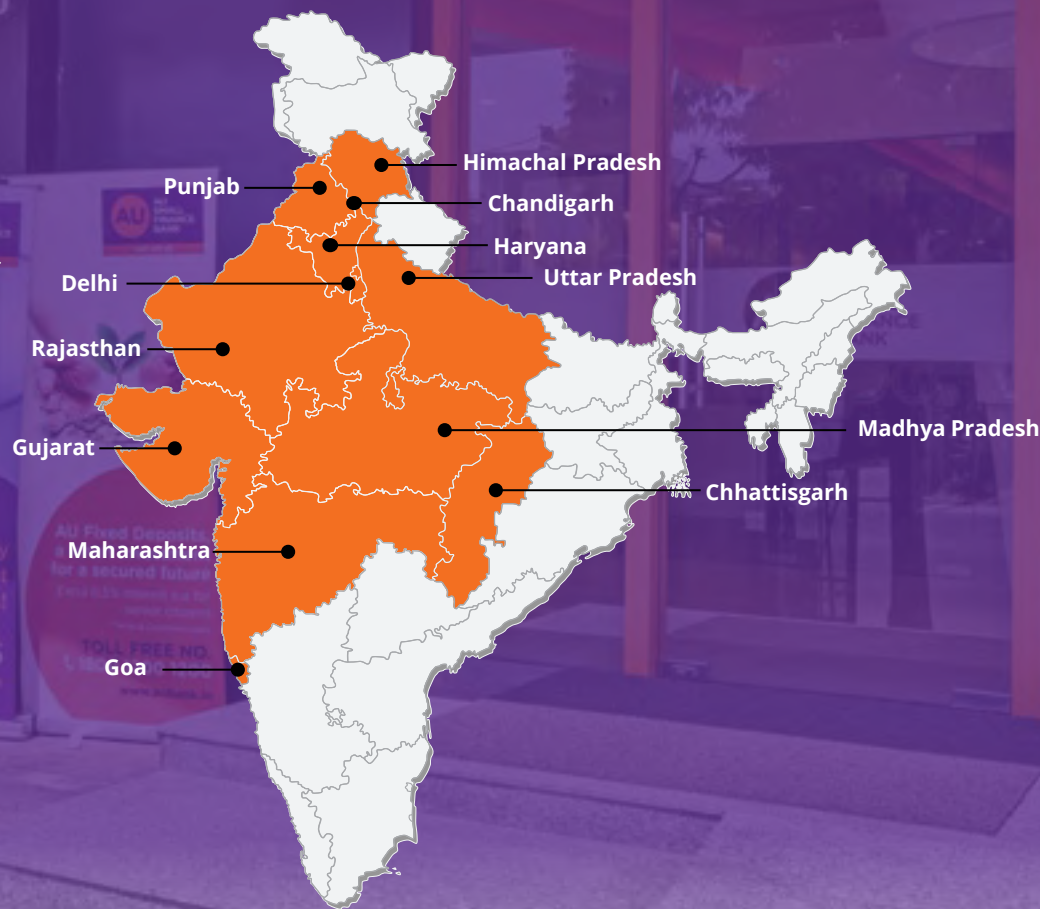
Keeping in mind the diversity in our customer base across super metros, urban, semi-urban and rural locations with respect to demographics, economic profile, lifestyle, banking habits and tech savviness, we offer our products and services through physical touchpoints as well as digital access and assisted tools. This allows us to serve our customers seamlessly and holistically, enhancing customer satisfaction and delight.



PHYSICAL REACH

We have established a well-entrenched contiguous distribution franchise with 61% of our branches in rural and semi-urban areas (Tier 2 to Tier 6). With deep penetration in our core states, we are continuously expanding our footprint in new states to establish a pan-India presence.

During FY 2019-20, we opened 33 new bank branches and 36 banking outlets across Delhi, Haryana, Punjab, Maharashtra, Madhya Pradesh and Rajasthan.



Branch distribution mix (%)

15%
Metropolitan

33%
Rural

24%
Urban

28%
Semi-Urban

Physical touchpoints

647#
Touchpoints

356*
ATMs

Including 88 Business Correspondents and 31 Asset Centers
* Including 42 ATMs under joint venture with TATA Indicash

DIGITAL REACH

Technology is playing a pivotal role in driving economic formalisation and financial inclusion, enabling us to deliver an increasingly wider array of banking and financial services to customers in the remotest corners. We have invested in the best available technologies to bridge any physical gap with our customers, without compromising on the ease of delivery, convenience and quality.



Internet Banking

We offer best-in-class retail and corporate internet banking services. Moreover, our mobile banking application provides safe and secure banking experience.

2,00,000+
Internet and mobile banking users

167% Y-o-Y
Growth in mobile and internet banking transactions

6,292
Average volume of mobile & internet banking transactions per day

Growing rollout of Point Of Sale (POS) machines
During FY 2019-20, we installed 4,589 POS machines, taking our total LIVE POS to 6,976.

Smart Banking - AU Abhi

We offer new-age instant Savings Bank Account. The AU Abhi Savings Account can be opened by just downloading the app and registering with Aadhaar number, PAN and other details. Once the account is opened, the customer can register for our mobile and internet banking facility.

6,524
Customers onboarded through AU Abhi in FY 2019-20

Tablet Banking

We have witnessed strong growth in adoption of TAB-based account opening.

3,35,204
Savings Account opened through tab

For more details on our digital offerings refer to page 58 of the Annual Report



Our story in numbers

Consistent growth in a challenging environment

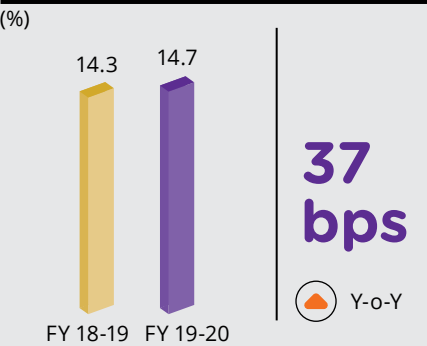
Our secured lending vintage and diversified product mix, ability to mobilise deposits, and well-capitalised balance sheet enabled us to report steady growth despite a sluggish economic environment.

In FY 2019-20, our profitability improved driven by stable margins and asset quality, along with improving cost efficiencies. Overall AUM increased 27% Y-o-Y, with the retail mix increasing to 84% from 78% last year. Deposits grew by 35% Y-o-Y; retail term deposits including CASA accounted for 43% of total deposits, up from 39% a year earlier. Our cost of funds declined by 18 bps Y-o-Y to 7.7%. Our balance sheet remains well capitalised with CAR and Tier 1 ratio at 22.0% and 18.4%,

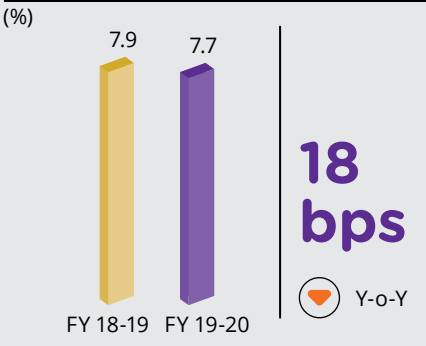
respectively as on 31st March 2020, well above minimum requirements of 15% and 7.5%, respectively. Furthermore, our liquidity position remains robust with LCR at 133% versus the minimum requirement of 90% (as on 31st March, 2020). Near-term prospects have become quite challenging as an already subdued consumer demand has been significantly impacted by the nationwide lockdown following the outbreak of the novel coronavirus

(COVID-19). In FY 2020-21, we will focus on ensuring strong liquidity and capital buffers and keeping asset quality under control. While FY 2020-21 will be a year full of challenges, we will keep an eye out for opportunities that could emerge out of this crisis. Our relatively short vintage as a Bank gives us greater flexibility to adapt quickly and effectively.

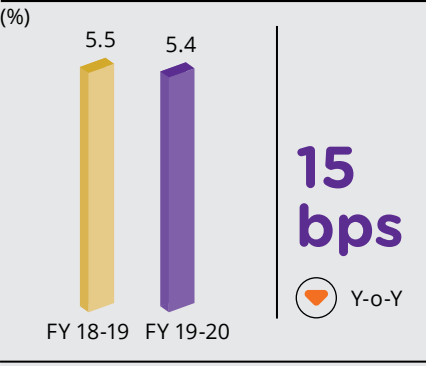
Yield on AUM



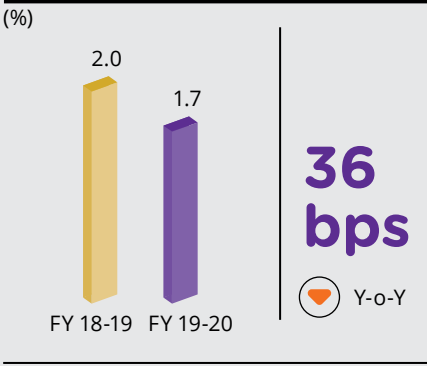
Cost of funds



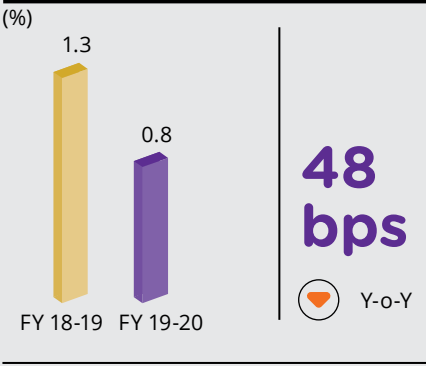
Net interest margin



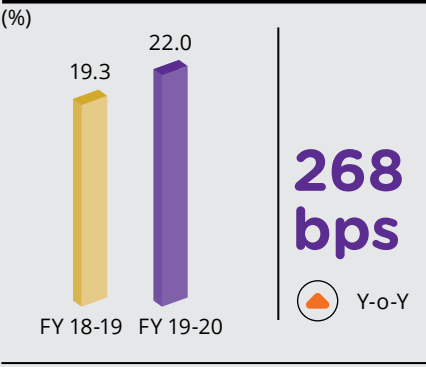
Gross NPA



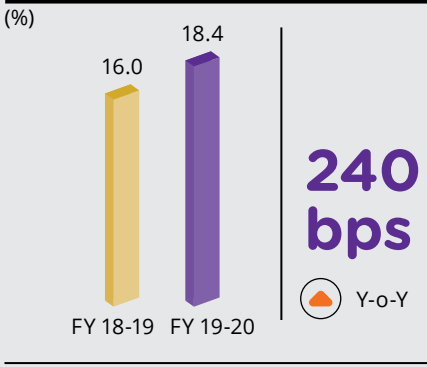
Net NPA



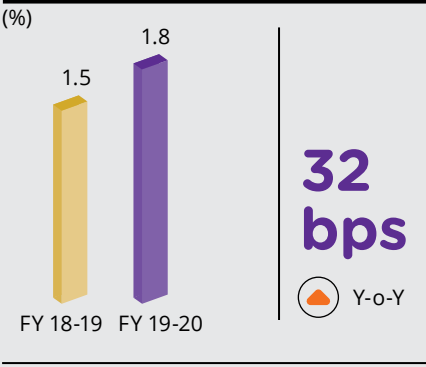
Capital adequacy ratio



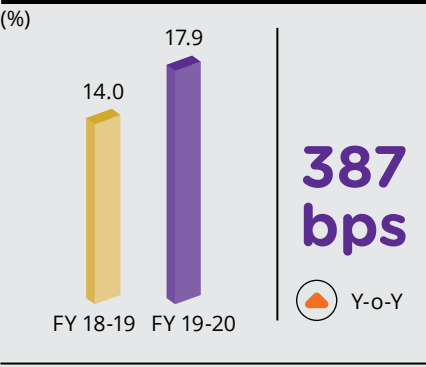
Capital adequacy ratio - Tier I



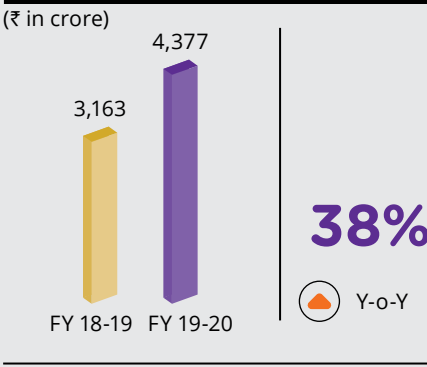
Return on average total asset (ROAA)



Return on average equity (ROAE)



Net worth



▲ Growth ▼ Decline

Performance highlights

Making every quarter count

Strengthened asset book with ~84% retail loans and ~₹ 5 lakh average ticket size

Maintained more than 98% secured book, a key factor in maintaining contained credit cost

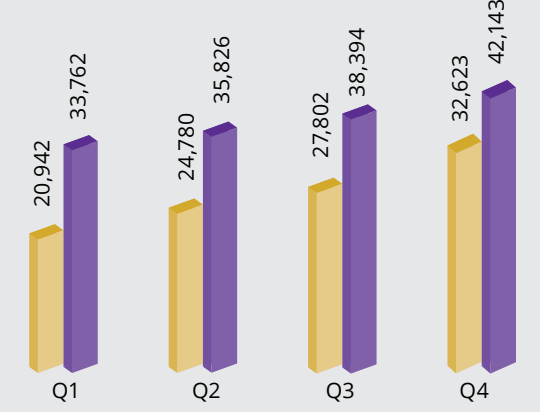
Improved asset portfolio IRR to 14.7% (14.3% in FY 2018-19) driven by improving spread

Achieved average Priority Sector Lending (PSL) of 85% as on 31st March 2020, as against requirement of maintaining an average 75%

Enhanced focus on Retail Term Deposits and CASA, which formed 43% of total deposits in FY 2019-20

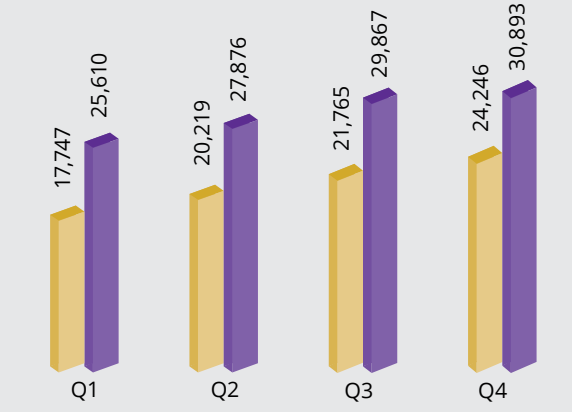
Total balance sheet assets

(in ₹ crore)



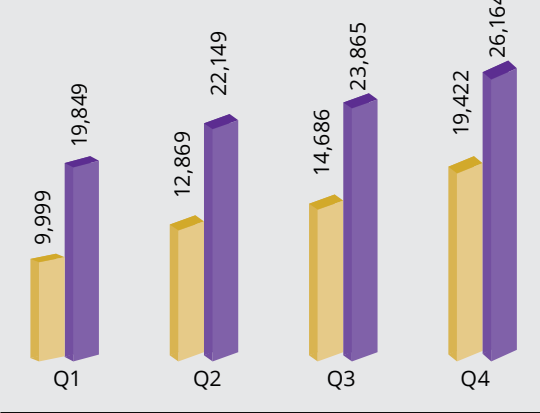
Loan assets under management

(in ₹ crore)



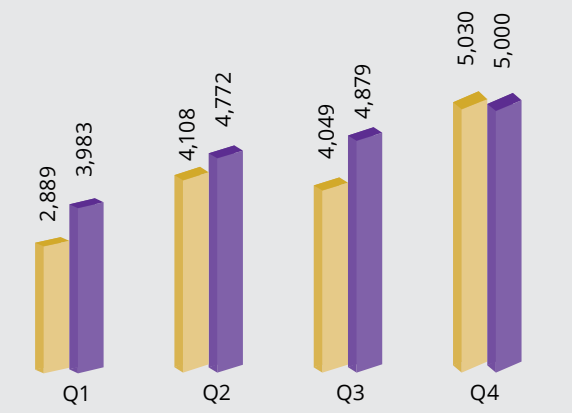
Deposits

(in ₹ crore)



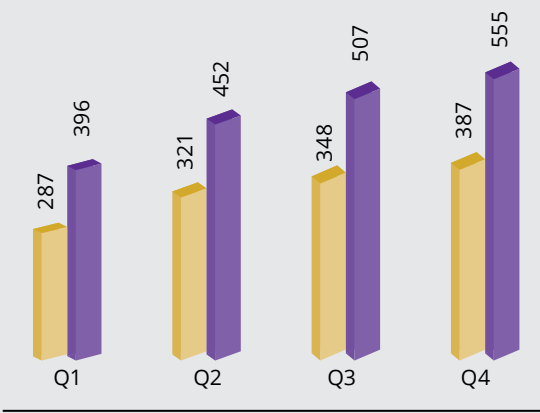
Disbursements

(in ₹ crore)



Net interest income

(in ₹ crore)



● FY 2019-20 ● FY 2018-19

Former Chairman's statement

Moving forward with confidence

"Your Bank is an agile, analytics-driven, customer-centric and humane enterprise, with a shared ambition to grow the right way, bringing prosperity to all stakeholders."

- M VENUGOPALAN

India's strong economic fundamentals, along with the pent-up domestic demand for banking and financial services, have created both opportunities and challenges. Initially as a systemically important NBFC, and later as a Small Finance Bank, we have capitalised on the opportunities and built a strong foundation on which we can profitably and sustainably propel ourselves into the future.

DEAR STAKEHOLDERS,

As I write my last letter to you as Chairman of the Board of AU Bank, at a time when the post-COVID uncertainties and anxieties still loom large on the horizons of the world economy and financial markets, I feel privileged to have been part of the exciting journey to becoming a new-age bank capable of facing present day challenges confidently. For the last two-and-a-half decades, we have not only served the unbanked and under-banked rural milieu, but have also helped realise their personal and business aspirations, contributing to the transformation of more than one-and-a-half million lives.

All along India's strong economic fundamentals, along with the pent-up domestic demand for banking and financial services, have created both opportunities and challenges. Initially as a systemically important NBFC, and later as a small finance bank, we have capitalised on the opportunities and built a strong foundation on which we can profitably and sustainably propel ourselves into the future.

Amidst a cyclical slowdown in the economy, with GDP growth estimated to decline to 5% in FY 2019-20 (as per the advance estimates) from 6.8% in FY 2018-19, we reported robust momentum across all performance indicators. Further, we have remained insulated from the system liquidity constraints and asset quality concerns that have dampened industry sentiments.

Your Bank remained strong on all financial key parameters covering deposits, disbursement, AUM and profitability growth. That this performance was achieved against the backdrop of a slowing environment of system deposit and credit growth in FY 2019-20, further reassures my confidence. I believe, as part of the management team over the years, that your Bank will remain agile, convert challenges into business opportunities and come out stronger for the next phase of economic growth.

Your Bank is an agile, analytics-driven, customer-centric and humane enterprise, with a shared ambition to grow the right way, bringing prosperity to all stakeholders.

The post-COVID lockdown scenario is still unfolding. Though international organisations like WHO, World Bank and others are predicting significant impact on the world economy, there is a strong parallel view that the Indian economy will revive faster. The Indian government took some swift and strong measures like identification, isolation, quarantine, lockdown, relief measures etc. to contain the spread of the virus, which could produce better results compared to most of the developed countries. The government and the RBI also came up with a series of fiscal and monetary policy initiatives, financial packages, relief measures for industry and trade etc. While pressures are building up on demand and flow of credit, banks

will need to be prudent and remain liquid with higher capital adequacy to maintain solvency.

In this context, I believe that your Bank is well placed to tackle any situation that unfolds, as we are well-grounded, agile and nimble-footed. Given the kind of stress that we are seeing, there will be challenges to overcome as well as opportunities to be leveraged, which I am sure, would help your Bank grow to newer heights.

Before I conclude, I wish to express my sincere gratitude to the Reserve Bank of India, Securities and Exchange Board of India, IRDAI and other regulators for their valuable advice and support. I also thank our investors and customers for their contributions and support during the Bank's journey.

Our team is definitely carving a niche and raising the bar for inclusive banking in India. I congratulate Sanjay and his team for their dedication, commitment and relentless efforts in making AU Bank what it is today and I am hopeful that the Bank shall become a greater asset of the nation in the coming years.

Let me sign off with best wishes and warmest regards to all of you,

**Regards,
M VENUGOPALAN**

Chairman's communiqué Driving progress with stability, change with continuity

"AU Bank completed its three years as a Bank and 25 years as an institution. While seized by the impending challenges, the Bank remains charged with optimism, and I have confidence in the Bank's ability to overcome the challenges and scale greater heights."

- RAJ VIKASH VERMA

India had a very timely and a resolute response to the COVID-19 pandemic as it undertook numerous health, social, economic, fiscal and relief measures at the national, regional and local levels in the face of the difficult situation on the ground, making efforts to contain the spread of the pandemic within communities as far as possible.

DEAR STAKEHOLDERS,

Greetings to you!

It gives me a deep sense of gratitude and humility, as I took charge as Chairman of the Board of Directors at AU Bank. During this period, when the world is going through the most unprecedented and trying times, I sincerely hope that you and everyone around is taking due care, and keeping healthy and safe. We can only wish we were in better times than these, but nevertheless, we hope that the tide will turn soon and normal times will be back. As the COVID-19 pandemic is still unfolding, it is widely believed that it will have a severe impact on economic activities around the world.

A spate of opinions and forecasts from specialists across the globe are consistently pointing towards weakening of the global economy and the global GDP. In its latest World Economic Outlook, April 2020 IMF projects a long period of recession and a sharp contraction in global GDP by -3% in 2020, much worse than that during the FY 2008-09 financial crisis. However, in certain other scenarios based on big containment efforts and early resumption of economic activities, the IMF baseline projection estimates global growth to be around ~5.8% in 2021 on the back of early recovery. Nevertheless, there is extreme uncertainty around

the global growth forecast and it will be greatly dependent upon the resumption of employment and economic activity.

India had a very timely and a resolute response to the COVID-19 pandemic as it undertook numerous health, social, economic, fiscal and relief measures at the national, regional and local levels in the face of the difficult situation on the ground, making efforts to contain the spread of the pandemic within communities as far as possible. However, impacted by COVID-19, the Indian economy is projected to grow at a far lower rate of around 1.9% in calendar year 2020, down from the earlier pre-COVID estimate of 5.9%. This figure may further come down as the income levels and employment numbers continue their downward trend, with muted demand considerably undermining the growth potential of the economy.

In an alternate scenario, the economy may witness relatively quicker turnaround based on sound policies and coordinated measures taken jointly by the Government of India and the RBI, which are already evident. On the back of these expectations, we should see faster recovery in post COVID-19 scenario. Based on these ground realities, IMF projects India's growth to recover sharply to ~7.4% in calendar year 2021.

"I recently took charge as Chairman of the Board of Directors at AU Bank, based on the approval of the Board and the Reserve Bank of India. During this period, when the world is going through the most unprecedented and trying times, I sincerely hope you and everyone around is taking due care, and keeping healthy and safe."



“During the year FY 2019-20, the Bank has clocked good numbers which give a decent buffer to the Bank in the difficult times ahead. This is particularly significant in the backdrop of changing long term trends, including a drop in overall saving rates and deceleration in credit growth across all asset classes.”

In these challenging times, the financial sector will be expected to play a critical role in the turnaround and recovery of the economy. Promoting and sustaining means of livelihood among the masses and creating employment opportunities are the two immediate challenges that will need to be addressed. Key factors such as employment, income and demand generation through a good mix of fiscal and credit policy measures will determine the pace of growth and the GDP outlook in coming times.

Given the magnitude of the challenge, and the all-pervasive nature of the pandemic — affecting both the real economy (physical sector) as well as the financial sector, it would only be prudent for banks and financial institutions to tread forward carefully. They will need to give the highest priority to cash conservation, liquidity, capital conservation, and asset quality. At a minimum, banks will need to maintain sufficient solvency capital with a buffer of risk and growth capital, which would be in short supply in the face of high levels of risk in the real economy.

Amidst challenging times ahead and a weak and fragile growth outlook, AU Bank completed its three years as a Bank and twenty-five years as an institution. Aware of the impending challenges, the Bank remains charged with optimism, and I have confidence in the Bank's ability to overcome the challenges and scale greater heights. I take this opportunity to congratulate the entire AU team, Promoters, Management and Shareholders on the momentous occasion of

AU completing 25 years as an organisation in 2020. I extend my gratitude to all of you for reposing your unwavering trust and belief in AU's franchise. In FY 2019-20, I am happy to share that AU Bank grew its aggregate deposits by 35%, its AUM by 27% alongside reducing its cost of funds and maintaining a stable asset quality. Despite tougher macro-economic environment, the Bank reported stable NIMs and a growth of ~77% in its PAT. It continued to maintain strong capital adequacy of 22.0% and liquidity coverage ratio of ~133% as on 31st March 2020.

During the year 2019-20, the Bank has clocked good numbers which give a decent buffer to the Bank in the difficult times ahead. This is particularly significant in the backdrop of changing long term trends, including a drop in overall saving rates and deceleration in credit growth across all asset classes. We witnessed a record decline in the credit growth of the banking industry, besides the issues of liquidity, NPAs, etc. The RBI has been taking a slew of calibrated and synchronised measures, to boost liquidity, maintain and improve flow of credit and keep the interest rates low, among others to avoid disruptions and discontinuity in businesses and economic activities. However, these are tougher times, particularly for non-banking finance companies, which could in turn create further challenge at the systemic level, if not addressed in time. With timely response of the RBI and the Government of India, the uncertainties around the shadow banking institutions / NBFCs are being systemically addressed.

“In the backdrop of the disruptive trends and difficult macro-environment, the financial parameters of FY 2019-20 for AU Bank look promising and healthy, though the journey ahead is likely to be filled with new challenges. That said, I feel that AU Bank being young and agile, energy-filled and nimble-footed, has the necessary skills, competence and experience of 25 years in the lending space to stay the course and continue to grow its business in the niche market space.”

In the backdrop of the disruptive trends and difficult macro-environment, the financial parameters of FY 2019-20 for AU Bank look promising and healthy, though the journey ahead is likely to be filled with new challenges. That said, I feel that AU Bank being young and agile, energy-filled and nimble-footed, has the necessary skills, competence and experience of 25 years in the lending space to stay the course and continue to grow its business in the niche market space. I am confident that your Bank is well placed to navigate through the challenging times by quickly reprioritising, repositioning and reorganising its business and business model. In difficult times, the Bank is reinforcing its commitment to grow and serve its large constituency of unbanked and underserved segments of the population through its financial inclusion programme. Starting off as an NBFC with one product (vehicle financing), one location and a small team, today AU Bank offers more than 30 products at 647 banking touchpoints across 11 states and one Union Territory with a team of 17,000+ employees, and has a stellar track record in delivering

growth while keeping asset quality in control. This has been possible due to its prudent risk management approach (84% of loan book is retail, 98%+ of its loan book is secured) and strong corporate governance. Further, the Bank has been leveraging technology to enhance customer convenience and customer connect. This, coupled with its strong business model and franchise places the Bank quite firmly in the banking space, enhancing its ability to take banking to the last mile in India. The Bank is fully compliant with government and regulatory policies, and continues to be bestowed with strong trust and support from all its stakeholders.

Before I conclude, I wish to express my sincere gratitude to the Reserve Bank of India, Securities and Exchange Board of India and other industry participants for their valuable support, guidance and directions from time to time, to improve our functioning. I also thank our customers, investors and employees for their contribution and support during our journey so far.

New challenges will call us to make suitable amends to our strategy and execution, and we look forward to carefully tread between opportunities, risks and rewards. We will always give our best to keep the faith of our customers, regulators and to build sustainable value for our shareholders.

Wishing you the best of health as well as safe and good times ahead.

**Regards,
RAJ VIKASH VERMA**

MD & CEO's Message

All for Banking. Banking for All.

"The financial year 2019-20 will be the Golden year in the history of AU Bank - a year full of learnings and hard work. We gained a deeper understanding of the essence of the banking franchise. The year 2020 is yet again a special year as AU turned 25 and I turned 50."

- SANJAY AGARWAL

DEAR MEMBERS,

Namaskar!

"Time is the wisest of all things that are, for it brings everything to light." - Thales

Humbling 25 years as a trusted institution.

Valuable 3 years as a responsible Bank.

And an eventful 2019-20.

Time brought everything to light – the strengths, the weakness, the opportunities, and the threats. I feel, we are often tested not to reveal our weaknesses, but to discover our strengths.

The financial year 2019-20 would be the Golden year in the history of AU Bank - a year full of learnings and hard work. We gained a deeper understanding of the essence of the banking franchise. The year 2020 is yet again a special year as AU turned 25 and I turned 50. It is heartening to share that we are beaming with positivity, energy, and enthusiasm.

The power and responsibilities of the banking platform continue to amaze and inspire us. The euphoria of first year, and the stable operations of second year have led us to an eventful third year. It provided us the right conditions for building a Golden year in silver times. This year, we worked on the market, customer strategy, performance, quality, brand image, communication, digital outlook and trainings to crystalise the foundation for FOREVER. We expanded our Board and strengthened our senior management team. I travelled across AU locations and met various customers and team members. It was a great learning experience and extremely humbling.

The Indian economy underwent a circular downturn in the last financial year with growth further slowing down in the second half and outbreak

of novel Coronavirus intensifying in March 2020. The Indian banking industry faced multiple challenges through the year – a slowing macro environment, adverse events related to specific financial institutions which threatened the overall stability of the financial system, fresh sources of corporate stress and the most recent jolt from the COVID-19 pandemic.

Coming to the banking system credit growth trends, we observed that credit growth was more muted in metros and urban areas partly due to the deceleration in corporate credit while semi-urban and rural grew in early double digits. Similarly, even though banking system growth has been anaemic, private banks (including SFBs) continued to gain market share and grow in double digits. Further, the PSU banks' consolidation may create more opportunities for market share gains by private banks.

The Indian economy has been weighed down by both structural and cyclical factors. The government and the RBI has been trying vigorously to bring the economy back to health by announcing new measures. Most notably, the government has introduced a large corporate tax cut in the hope of reviving investment; and recently it announced a plan to privatise four major public sector undertakings (PSUs). Meanwhile, the RBI has cut interest rates by a cumulative 185 basis points during FY 2019-20, as an effort to revive growth and credit. But lending continues to decelerate and investment remains mired in its slump.

The turbulences in the financial services industry further brought to light that the Indian banking system is one of the most efficient systems by design and by regulation. The RBI governs all the Scheduled Banks in India and is the custodian of their combined deposits worth ₹ 138 lakh crore. There has not been a single instance in the last 30 years (i.e. post liberalisation and privatisation in 1991) where any RBI governed Scheduled Bank lost any depositor's money.

Policy response to the challenges mentioned above led to some key measures in banking regulations viz. a) Reducing risk weights for retail loans (excluding credit card loans) from 125% to 100%.

b) Making it mandatory for banks to link all new floating rate personal or retail loans and floating rate loans to MSMEs to an external benchmark.

c) Increasing the deposit insurance amount from ₹ 1 lakh to ₹ 5 lakh. Moreover, Yes Bank's restructuring and the RBI governor's reassurance to the public on maintenance and security of deposits with private sector banks were other notable initiatives.

Talking of Small Finance Banks (SFBs), they were conceived with the intent of driving financial inclusion for the unbanked and under-banked sections of the economy and in their three years of existence have made their presence felt, and have been growing their market share steadily. The RBI introduced on-tap licensing guidelines for SFBs during FY 2019-20, which is a testimony to the significant untapped opportunities in the informal/semi-formal sectors, and efficacy of the SFB delivery mode.

YEAR UNDER REVIEW

"Fire is the test of gold, adversity, of strong men." - Seneca

This was a year of a great slowdown, where the economy seemed headed for the intensive care unit. Despite these headwinds, we did the right work and grew the right way. Our team's energy and execution orientation enabled us to win the environment with a balanced approach. We were growing asset, growing deposits, maintaining asset quality, and managing risk.

FY 2019-20 marked the completion of 12 quarters as a Bank. I am pleased to report that during fiscal 2019-20, we reported 46% growth in total income to ₹ 4,992 crore in fiscal 2019-20 as



against ₹ 3,411 crore in fiscal 2018-19. Our Net Interest Income (NII) rose by 42% to ₹ 1,909 crore in FY 2019-20 compared to ₹ 1,343 crore in the previous financial year. We reported Net Interest Margin (NIM) of 5.4% in FY 2019-20.

Profit After Tax (PAT) for fiscal 2019-20 was up by 77% to ₹ 675 crore as against ₹ 382 crore in 2018-19. For FY 2019-20 Return on Average Assets (ROAA) was 1.8% and Return on Average Equity (ROAE) was 17.9%.

We clocked a growth of 16% in our new loan disbursements resulting in a strong 27% growth in our Assets Under Management (AUM) to ₹ 30,893 crore as against ₹ 24,246 crore in March 2019. Alongside this, despite a challenging environment in terms of slowing macro, outbreak of COVID-19 and transition to daily reporting of NPAs, we maintained stable asset quality and our Gross and Net NPAs were 1.7% and 0.8% respectively, clocking a marginal improvement over FY 2018-19. It was well supported by our strong collections and recoveries through the year.

We scaled up our deposits franchise to over a million customer accounts and our total deposits rose 35% in FY 2019-20 closing at ₹ 26,164 crore. The overall cost of funds marginally improved to 7.7%.

We maintained healthy liquidity throughout last year and our ALM position was also managed well across all buckets. Also, treasury team generated profits of ₹ 54 crore from the operations. We maintained a strong total capital adequacy of 22% and our Tier 1 capital adequacy ratio was 18.4% as on 31st March 2020.

We endeavour to consistently build wealth for our shareholders and in accordance with our performance we have been declaring dividend each year since becoming a bank. This year we are not declaring dividend as a measure suggested by the RBI. However, the decision will be reviewed based on our financial position for the quarter ended September 2020.

Inclusive growth

Inclusiveness has been in our DNA since our inception and it has been a part of life at AU Bank. Continuing our legacy, this year, AU Bank exceeded the requirements of our key licensing guidelines with ~85% loans to priority sector, ~60% of our loans of value less than ₹ 25 lakh and ~33% of our branches at present are at rural locations.

I am honoured to share that your Bank got an opportunity to undertake a number of Financial Inclusion initiatives to the remotest corners of the country including patronising and promoting key schemes of the Government of India, opening of several Basic Savings Bank Deposit Accounts, enabling Direct Benefit Transfer (DBT), organising a number of financial literacy camps etc.

We operate in markets where many do not have easy access to finance. When we provide them funding, we become the enablers of their growth. Over the years we have been fulfilling this responsibility with a lot of passion. We have a long and stable track record in lending small ticket, secured, retail loans primarily to the unbanked and underbanked self-employed individuals for purchasing assets to generate income. Our retail asset segment includes three key focus products - Vehicle Loans and Secured Business Loans to MSME and Home Loan.

The automobile sector contributes about 7.5% of India's GDP and directly and indirectly employs about 3.7 crore people, and continues to present a significant opportunity for financiers. In recent years, the opportunities in vehicle financing business have expanded beyond the traditional core segment of new vehicles to the used vehicle and refinance as well. Despite sluggish growth in the overall automobile sector, our vehicle loan AUM recorded a growth of 27% and stood at ₹ 12,985 crore comprising 42% of our total AUM, during 2019-20.

India is home to about 6.33 crore MSMEs which are the backbone of the Indian economy accounting for ~30% of nominal GDP. Recent reforms and focused initiatives aim to increase the sector's contribution to GDP to over 50% as the nation aspires to be a USD 5 trillion economy. AU Bank has emerged as one of the leading lenders to MSMEs since 2009 and is perceived as a trusted solution provider to the sector with strong track record in maintaining asset quality while scaling up. With average ticket size around ₹10-12 lakh, AU Bank has catered to only 0.12 million units as on date and has a long runway for growth in this segment.

India has a massive shortage of housing (more than 60 million homes) because of its population of more than ~130 crores. The magnitude of demand, trends of rapid urbanisation and nuclearisation, and a plethora of initiatives taken by the government and regulators create significant opportunities for the housing finance segment. Based on our extensive experience in the Housing Loan space, we are poised to take our share of this ample market opportunity.

Some noteworthy events and initiatives of this year were:

Catching the imagination of the customer

We are on a mission to build a Bank which our customers always wanted. By listening to their needs, paying attention to their wants and catching their imagination, we have been taking consistent steps and are continuously focusing on deepening our understanding of our customers. We restructured our product portfolio in line with our customers' perspective - Personal Banking and Commercial Banking. For customised strategising, we categorised our geographical presence into two groups - Urban and Core locations. Each location has its own diversified market base, customer needs and require their own unique way of delivery. This year we are committed to playing on our strengths and delighting our customers.

Technology Ready

I am happy to inform you that, in a short span of three years, your Bank is standing strong on the payments side with - best-in-class corporate internet banking, being live on all digital payment modes and marquee debit card offerings. We are working on the credit card strategy to complete our bouquet of payment options. This year, we integrated our systems with one of the largest payment gateway aggregators, CCAvenue and Bill Desk, among others. We launched one of our best-in-class offering - 'AU Royale' - premier Contactless Debit Card targeting the upper middle-income segment.

This year we took few Industry first technology initiatives like:

- Opening Savings Account via WhatsApp
- Paperless onboarding for Branch Banking customers with digital account opening flows for CA, SA, FD. 95% of these accounts are opened under 30 minutes
- Paperless end-to-end digital journey for two-wheeler, while similar digital journeys for Vehicle and SBL is in process
- Marquee offers on our debit cards through Hyper Local tie ups

Growing the right way

The performance that we achieved this year is a result of phenomenal working and commitment of our team. I would like to share with you that Mr. Uttam Tibrewal, Executive Director, relocated to the Corporate Office, at Mumbai and took the reins of Personal Banking. Mr. Deepak Jain took charge as the Chief Operating Officer and Mr. Vimal Jain has been appointed as the Chief Financial Officer. Mr. Sai Suryanarayana joined us as the Chief of Human Resource. I could only mention a few developments that took place during the year while AU continued to grow in its journey last year.

In our journey of growing right and growing strong; we have always chosen to rise above the prejudice and never act on perception. We are fostering a culture of learning and growth; collaboration and building relationships to deliver excellence and challenge the status-quo.

We have been unlocking the power of our people through a culture based on inclusivity, which enables them to grow as goodwill ambassadors of AU Bank. We are growing to be a more inclusive organisation. We made humble beginning with initiatives like branchwise Birthday celebrations, regionwise townhalls etc. We are embracing the diversity in a true sense and will continue to build on it in the years to come.

This year was full of laurels and accolades. I believe we are the outcome of the choices that we make in our journey. Some we are proud of and some we may regret. I would like to tell you that we are happy and satisfied with all the choices we made this year. After hitting a boundary just when we were about to put our bat down, we were taken off-guard by a global pandemic. We demonstrated foresight in whatever we did that day, as per the then prevalent situations (in pre-COVID era). But now the rules of the game have changed!

ALL THAT GLITTERS IS NOT GOLD - LIFE AFTER MARCH 2020

The outbreak of a global pandemic has affected all living beings on the planet. It is up to us how we handle and minimise its impact. I am sorry, but I feel our reaction has not been very appropriate. It is extreme and doom laden. The fibre of the world based on imagination, prosperity, continuity, growth and development is severely hit. The premise of the world we were living in - 'the one world' does not exist anymore! The kind of world we wanted to make driven by technology led inclusions or disruptions for human advancement seem meaningless today. The worst hit are the marginalised sections of society which have been further marginalised.

In these times, we are fortunate to have this banking platform. As bankers we find an opportunity to build trust and make the world a better place again. I believe banking will evolve to build bridges for a sustainable world.

We are no longer just risk managers. We are Credible Bankers- the Architects of the economy!

We are not just fund managers. We are Credible Bankers- the Builders of businesses!

We are not just the best talent magnets. We are Credible Bankers- makers of an institution of inclusivity!

We have always focused on growing the right way to build a resilient institution that can withstand the test of time. Being a young bank with no legacy, we bring a fresh approach to the table by leveraging the wisdom of the old and energy of the young. We have reached where we are today by overcoming many challenges.

The way the Government of India quickly rose to the occasion and took proactive initiatives even at initial stages, was unprecedented. Following the outbreak of COVID-19 and the ensuing Central Government lockdown, the RBI left no stones unturned in supporting the economy in the best possible way. To tackle more near-term challenges, several measures such as LTROs (Long Term Repo Operation); and temporary and partial exemption of CRR requirements along with measures for real estate sectors have been implemented.

It is said that "No Winter lasts FOREVER, and no Spring skips its turn." We all know that our lives have their fair shares of ups and downs. These are the seasons of our lives. It is only natural that we experience periods of growth (spring), plenty (summer), ebb (the fall), and challenge (winter). But the wisdom is in becoming aware that no season can last FOREVER. Once we accept this, we can allow ourselves to make the most of each season. We can appreciate better the good times and try to learn from the bad times.



“In our journey of FOREVER, we had a profound realisation—that a Bank matters beyond the math.”

In our journey of the last 25 years, we have been through several seasons of growth, plenty, and challenges. Whether it was the financial crisis of 2008, oil crisis of 2014 or demonetisation of 2016; each adversity felt the most adverse during the time when we faced it. However, it is our reaction to the adversity, not adversity itself that determines how our story will progress. Since our inception, we had stayed focused on building the right character of our organisation and have been driven by the guiding principles of prudence, sensibility, and honesty. This is what keeps us sailing through such testing times too.

Often when companies prepare business continuity plans or discuss force majeure, the general sense is that they might never have to enforce these plans as such situations

will never arise. However, in our lifetime we are actually witnessing these situations. This is helping us build a whole new perspective on risk management and risk appetite especially in terms of our lending strategies. We are proud of our ability to manage excellent service delivery standards even during the lockdown. Your Bank, an essential service provider, stood strong to serve the nation at this critical time. As the nation followed a lockdown, our 2000+ soldiers were out there serving customers at 350+ branches and keeping their faith in our strong banking system. I personally salute their efforts and appreciate their commitment to their call of duty.

WAY FORWARD - BANKING IS MORE THAN MATH

This year we did the right things and grew confident. We won over the fear (during the uncertain times) and became stronger. In our journey of FOREVER, we had a profound realisation — that a Bank matters beyond the math. We appreciated the value of a banking platform by being part of the essential service. This institution is more than risk and returns. It is the fulcrum of the economy. We also understood the importance of the depositors. The Bank is of the depositors. They always stand with us.

These times reminded us that the pitch does not remain the same all the days. We must understand the behaviour of the pitch to execute our plan. The better we understand, the better we execute.

The understanding starts with getting our priorities right in today's world of imperfections. It all depends on how well we read the environment and accordingly strategise and align the necessary resources. There must be an absolute understanding of the market segment that we operate in. I think Retail is all about detail - understanding our geographies and catering to its specific requirements; understanding our customers by graduating from KYC (Know Your Customer) to UYC (Understand Your Customer) and understanding what inputs need to be in place to achieve the desired output. And of course,

what differentiates most of all is our passion and the patience in pursuit of our purpose.

We aim to combine the trust of a Public Sector Bank and services of a Private Bank. Going forward, we will work towards improving our CD Ratio, driving engagement, building convivence and strengthening our character. We will leverage our brand's outreach, digital capabilities, local insights, balance sheet strength and pricing power to optimise the risk-return matrix. We shall further increase our focus on inputs rather than output and work with growing impetus on the '5P' approach - Policy, Process, Product, People and Partnership. This year the target achieving approach will take a backseat and we will be driven by quality more than quantity.

The experience of going through a global pandemic taught us important lessons. We will let our learnings and experience guide us to contribute towards a more sustainable world. We shall overcome this difficult time by coming together in intent and action for better world, where everyone has their place. We need challengers who can use their strength to improve others' life; peacemakers who can bring people together and resolve conflicts; helpers who are altruists with unconditional devotion to service and reformers with a strong sense of right and wrong who can improve the world. The world will learn to become rational and humble again. The greed will go away.

As Mahatma Gandhi had said, “We may stumble and fall but shall rise again.” We will rise again! The way India stood strong during the lockdown; I am sure the same sentiment will be displayed now towards combined efforts of social responsibility to bring the nation back to normalcy. Going forward with strong government will, we look forward to accelerating reforms and policies, paving way for sustainable growth of the economy. Even during the enormous challenges, we face today, I have great faith and hope about the future - because I believe in us, in the power of banking, in the power of people to save the world.

I think the Power of Democracy & Acceptance of Diversity will change our world.

Social commitment

The Corporate Social Responsibility team at AU works on need-based interventions in the domains of livelihood enhancement, financial and digital literacy, and sports for development. Further, I am humbled to inform you that this year your Bank extended support by contributing ₹ 5 crore for COVID-19 relief. We undertook several measures to support our community by distributing food ration kits and hot cooked meals, providing medical kits to health personnel and other frontline workers.

We launched a special product – COVID Shield to inculcate the habit of saving for uncertain times, took a unique initiative to reach out to all our elderly customers and offered to provide them with any kind of help they needed. I am happy to share that customers were delighted with the gesture AU has shown in the time of crisis. Many of them admitted that we are the only Bank reaching out to them for non-business-related matters.

Board of Directors

AU Bank, led by the Board of Directors, is committed to ensure sound corporate governance practices to always keep your trust intact. I would like to sincerely thank Mr. Mannil Venugopalan, our honourable retiring Chairman, for his peerless leadership during his illustrious tenure at AU Bank. In these 10 years, he has taken AU to the forefront of the financial services industry and build it with a strong foundation. Now the baton has been passed to a new hand.

I am honoured to introduce you to our new Chairman, Mr. Raj Vikash Verma. He has been associated as an Independent Director with the Bank since 2018. Mr. Verma, ex-Chairman and Managing Director of National Housing Bank (NHB), possesses nearly 40 years of experience in the financial sector, particularly in the field of development finance, regulatory supervision, housing, mortgage finance and real estate sectors. We wish him the very best to lead us through the changing world around us.

Our Board comprises a majority of Independent Directors and I am pleased to share with you all that we have inducted Prof. M S Sriram, Mr. Pushpinder Singh and Mr. V G Kannan as Independent Directors taking the strength of the Board to 9 members (6 Independent Directors) from 7 members in FY 2018-19.

Prof. M S Sriram is an inclusive finance expert. He is a faculty at IIM- B with a vast experience in financial inclusion, microfinance and brings his deep understanding of the rural economy. Mr. Pushpinder Singh is a Banking Technology expert with 35 years of rich experience at Bank of India. He specialises in the field of technological advancement and IT implementation in the banking sector. Mr. V G Kannan, Ex-MD of SBI, Associate Companies, Ex- Chief of Indian Banking Association is a banking industry veteran with 38+ years of experience in the BFSI sector. We heartily welcome them on Board.

Time and again we have received guidance and support from our Board of Directors, and I would express a sincere thanks to all my present and past Board members for their immense contributions in our journey.

Acknowledgement

We immensely value the power of this platform. It is an honour to build an institution which is the epitome of trust and relationship. We are grateful to the RBI and the Government of India for conceptualising the platform of Small Finance Banks to take banking to the emerging India. We thank the regulators, who provided us the guidance; our customers, who always kept their faith and our investors, who support us.

It has been a privilege for me to steer this young Bank driven by an action-oriented team. I express my humble gratitude to SEBI, MCA, NSE, BSE, IRDAI, UIDAI, CERSAI, credit information companies, depositories, and other regulatory authorities for creating an enabling environment for orderly development and regulation of the financial services sector in India. I am grateful to all our shareholders, bankers, vendors, technology service providers, partners, and Team AU for partnering in our growth and strategies. Lastly, I would like to

sincerely thank all the unsung heroes. They have been an integral part of our journey.

In this journey, on behalf of AU Bank, we promise you that:

- We will always challenge the status quo for a simplified banking experience.
- We will always be flexible in our approach for providing solutions.
- We will always be redible bankers.

We are building an inclusive and sustainable institution which can last FOREVER. Look forward to serving your lifecycle requirement with utmost care and sensitivity to build an everlasting relationship with you.

कभी नहीं थकेंगे,
कभी नहीं थमेंगे,
हमेशा आगे बढ़ेंगे,
चलो आगे बढ़ें !

**Regards,
SANJAY AGARWAL**

Whole-Time
Director's Message

Building a strong foundation

"FY 2019-20 was another year of sound performance, where we expanded our outreach to 647 touchpoints, grew our disbursements by ~16% to ₹ 18,634 crore and, in turn, grew our AUM by 27% to ₹ 30,893 crore."

- UTTAM TIBREWAL

As AU turns 25, I express my gratitude to all those who have been with us in this journey – customers, employees, investors, lenders, vendors and our esteemed regulators. Achieving this milestone would not have been possible without your trust, support and guidance.

DEAR SHAREHOLDERS,

FY 2019-20 was third year of our operations as a Bank. I am pleased to share that despite several challenges including the unexpected emergency imposed by COVID-19, our overall performance has remained satisfactory. Concerns over the health of the financial sector intensified due to moratorium placed on deposits withdrawal for a co-operative Bank and then a private Bank. Consumer demand, which had already been subdued due to a continued slowdown in overall economic activity, was significantly exacerbated by the onslaught of COVID-19, and the situation continues to remain fluid. Despite these challenges, we delivered a satisfactory financial performance. We have always emphasised on growing based on our strengths, consistent operational performance and optimal utilisation of capital and funding sources. We are now one of India's fastest growing and progressive SFBs with best-in-class asset quality and a steadily growing liability franchise.

As AU turns 25, I express my gratitude to all those who have been with us in this journey – customers, employees, investors, lenders, vendors and our esteemed regulators. Achieving this milestone would not have been possible without your trust, support and guidance.

Looking back, I feel proud of what we have achieved in our journey so far. However, I believe this is merely the beginning of even better things to come. Our confidence stems from the fact that first as an NBFC and then as a Bank, we have successfully navigated through many economic cycles and, over the years, we have been able to build a sustainable growing platform founded on some key first principles.

These principles include a focus on primarily financing secured and small ticket loans, which aid income generation, pricing the risk appropriately and contiguous expansion. A key strength is our deeply rooted vintage leadership team, who is well connected to the ground reality in their respective domains. This, along with our agile-minded staff, helps to quickly and accurately relay intelligence regarding changes in our ground environment to key decision makers, subsequent quick decision-making and speedy execution of these changes. This gives us considerable flexibility to quickly capture emerging opportunities and pre-empt rising risks.

FY 2019-20 was another year of sound performance, where we expanded our outreach to 647 touchpoints, grew our disbursements by ~16% (to ₹18,634 crore) and, in turn, grew our Assets Under Management (AUM) by 27%

to ₹30,893 crore. Notably, our disbursement growth was negatively impacted as we effectively could not disburse in the last 10 days of March (which is typically the busiest month) due to the emergence of COVID-19. We achieved a balance sheet size of ₹ 42,143 crore. It was the power of the Bank's platform that helped us expand our balance sheet ~4.3 times in a short span of three years as a Bank. We are overwhelmed with the customer confidence and look forward to the countless opportunities before us in the coming years.

REAPING BENEFITS OF A CALIBRATED GROWTH STRATEGY

One key reason for our higher growth and profitability relative to several peers is due to our ability to adapt quickly to our environment. For instance, we were able to quickly act upon the opportunity in used vehicles financing by rapidly expanding our used car dealer network and aligning our resources in that direction. Notably, we are probably the one of the fewest early lenders to have successfully built a scalable business model in the used vehicle financing market by formalising the connect with the used vehicle ecosystem, similar to what we have in place in new vehicles financing. This helped us counterbalance the impact of the continued slowdown in new



“We aspire to build an outstanding Banking franchise and our belief is that customer delight and trust are central to this. To deliver best-in-class services to our customers, it is essential that we understand their expectations and remain honest, agile and true to our overarching mission of building one of India’s largest retail banking franchises.”

car sales. We have been able to successfully grow our Small Business Loan (SBL) book, which caters to the underserved informal MSME segment, and this remains a key growth driver for us. Overall, our agile approach, and our focus on building a granular, secured assets portfolio has helped us build a healthy balance sheet and gain market share.

LAYING THE RIGHT FOUNDATION

At AU Bank, becoming a highly trusted custodian of public deposits, continuing to retain the faith of regulators and stakeholders and remaining compliant with the regulatory and policy guidelines, are of paramount importance to our success. We are offering some of the best asset and liability products in the industry, and that too within 36 months of commencement of our operations. Consequently, every month we are adding on an average 50,000 to 60,000 customers. As on 31st March 2020, we had around 17 lakh customers. We remain focused on using analytics to leverage our experience and knowledge acquired over several years, given our long presence in several geographies prior to branch opening. We believe this approach helps us to reach out to customers more efficiently, and serve them holistically.

FOCUSING ON CUSTOMER DELIGHT AND TRUST

We aspire to build an outstanding banking franchise and we believe that customer delight and trust are

central to this. To deliver best-in-class services to our customers, it is essential that we understand their expectations and remain honest, agile and true to our overarching mission of building one of India’s largest retail banking franchises. Our strategy is to consistently meet customers’ expectations with a balanced and consistent approach. Our endeavour is that every existing and prospective customer, who gets in touch with us via any channel, should be delighted, and each interaction should enhance their trust in the AU brand.

In FY 2019-20, we have taken several measures to enhance the value proposition of our deposits franchise. We have launched AU Royale in Q3FY20 — a best-in-class Savings Account product, aimed at tapping a much broader client base, where similar offerings are missing for the millennials, and mass affluent customers across all our branches. The product has received a very positive response from customers so far, and we expect it to gain traction with time.

‘PHYGITAL’ DISTRIBUTION REMAINS A KEY FOCUS

We believe that a strong physical presence of branches, supported by customised, easy digital banking solution, is the way forward for banking. On the back of this belief, we are providing a unique proposition for our customers — we are facilitating their digital engagement, while maintaining our personalised connect with them. Our focus is to deliver a seamless

At AU Bank, becoming a highly trusted custodian of public deposits, continuing to retain the faith of regulators and stakeholders, and remaining compliant with the regulatory and policy guidelines are of paramount importance to our success.

omni-channel integrated solution that will ensure consistent high-level customer experience across all channels (branch banking, website, internet banking, mobile applications). This will ensure that we scale our operations faster and profitably, while maintaining consistency in services.

During FY 2019-20, we have taken several technology initiatives. We included the analytics model to estimate the disposable income of the customer. We have introduced paperless onboarding for the Deposit customer with live digital account opening flows for Current account, Saving account and FDs. We went live with E Mandate, ASBA, and Bharat Bill Payment System. Being a new-generation modern Bank with no legacy issues allows us to leverage the benefits of technology to offer low-cost solution to our customers.

We are also putting to use 360° communication across multiple digital and social media platforms to create impactful brand awareness. In FY 2019-20, we continued to strengthen brand engagement with our first ever digital brand campaign — #BharosaApnoJaisa, delivering over 12 crore brand impressions and more than 5 crore video views amongst the users across digital and social media channels. We are positive that these steps will help enhance our productivity, profitability and outreach and we will continue to build a technology led, customer-centric, Retail banking franchise.

FUTURE GROWTH PILLARS

As we look towards the future, the pillars for growth include:

- Our strong belief that as a Bank, we are custodians of public deposits, which influences all our decisions, and will help in growing the right way
- Remaining relevant and aligned to evolving customer requirements by constantly learning, re-inventing and challenging the status quo
- Our strong physical presence in the states we operate in; an experienced management team shall further enable us to gain business momentum and volumes faster
- Gaining momentum of our digital channels
- Sustain our ‘go-to-market’ approach with efficient resource management
- Building a strong artificial intelligence (AI) and machine learning (ML) platform for greater business insights and smarter decision-making
- Adherence to the rules and regulations applicable for a Small Finance Bank

We are on the right path to grow responsibly and sustainably to create value for all of our stakeholders. I convey my sincere thanks to the RBI, SEBI and other regulators and our Board members, AU customers, team members and all other stakeholders for supporting us in our journey of growth.

Be Safe, Go Digital!

**Regards,
UTTAM TIBREWAL**



Taking the long view

Focusing on opportunities amid evolving market dynamics

The banking industry is the backbone of any economy. It also acts as an important enabler and a key contributor towards capital formation and demand creation. Currently, the banking industry is at a crossroads in India. On the one hand, its strength and resilience is increasingly being put to test. On the other hand, a large underbanked population continues to offer a multitude of opportunities to the sector, particularly for a new banking enterprise like ours.

The great Indian opportunity landscape

India

718 Districts	₹138 LAKH CRORE Deposits	~2.15 CRORE New vehicle sales in FY 2019-20
~40 LAKH Used vehicle sales in FY 2018-19	~1.74 CRORE Two-wheeler sales in FY 2019-20	~6.33 CRORE Number of registered MSMEs

AU Bank (Outstanding as on 31ST MARCH, 2020)

243 District Footprint	₹26,164 CRORE Deposits	~2.9 LAKH New vehicles financed
~2.5 LAKH Used vehicles financed	~36,000 Two-wheelers financed	~1.2 LAKH Number of MSMEs financed

In this environment, the unique combination of AU franchise i.e. a) Our Financing Vintage and b) The 'Trust and Opportunities Landscape of Banking Platform' offers best of both worlds. AU has got the agility, swiftness and push of a financier and now for the last three years it has also got the strong 'Trust'

and 'Pull' of a Bank. Banking platform allows us a plethora of opportunities for cross-selling and holistically serving the customer for all their requirements.

Moreover, AU Bank's strong balance sheet, robust liquidity and capital adequacy position, strong governance and risk management; access to diversified sources of funding, and superior digital delivery capabilities make it relatively well placed to navigate through the present challenging times.

We are constantly upskilling our team, fortifying our 'phygital' distribution, ensuring early adoption of newer trends and technologies, strengthening our technology architecture to driving process efficiency and customer delight. We are also broad-basing the use of our analytics platform to enhance the pace and quality of credit decisions, customer service and collections, new customer acquisitions, smoothen the onboarding process, and improve cross-selling opportunities.

We believe that becoming a 'Bank' has helped us harness the 'pull' of a bank and the innate 'push' orientation of a financier. In the near term, we remain cautious and continue to build a strong foundation for our Bank. However, for the long term, we remain committed to steady value creation by pursuing our retail-led growth strategy.

Our Financing Vintage offers scalable foundation

- 'Ear to the ground', agility, push and cost-conscious approach
- Nuanced understanding of perceived risks; with resilient pricing power
- 25+ years of small ticket, secured lending vintage in niche product across customer segments
- Strong underwriting, monitoring and collections abilities

Bank brand pull drives multiplier momentum - a natural pull

- Comprehensive suite of products and services along with a significant cross-sell lever gives us opportunity to foray into untapped markets
- Strong balance sheet, healthy capital adequacy, compliant with SFB guidelines
- Operating leverage unfolding gradually and driving better returns
- Investing in brand, engagement, technology, product and distribution to enhance scale
- Execution focused leadership team, stable and seasoned second line driving consistent progress

Business model

Creating, sustaining, and sharing value

We are committed to generating sustainable value for all our stakeholders including customers, shareholders, people, investors, regulators and the society.

Resources		Offerings	Business activities	Stakeholder value creation
Financial Capital Our business continuity and growth are enabled by the various financial capitals that we have, which include equity, debt, and our retained earnings.	₹ 4,377 crore Net worth	 Branch Banking	 Improve customer experience and delight	For customers - Offering innovative, relevant and efficient solutions - Making banking convenient, faster and safer - Reinforcing trust
Manufactured Capital Our investments in creating a wide branch network, implementing best-in-class modern core IT Infrastructure and development of differentiated digital products and services for our customers.	647 Touchpoints 356 ATMs 3,265 Number of tabs in operation	 Phygital banking	 Ensure trust and compliance	For shareholders - Ensuring sustainable long-term returns - Maintaining resilient balance sheet
Intellectual Capital We leverage our expertise in risk management, knowledge of our core geographies, sophisticated data analytics and deep customer connect to delight our customers while protecting value.	25 years of experience in the Banking and Financial Industry	 Retail assets, small & mid - corporate assets	 Streamline operational efficiency	For people/team - Increasing productivity - Ensuring work-life balance - Promoting diversity and inclusion - Providing wealth creation, growth and leadership opportunities
Human Capital Our robust team and their skills, experiences, motivations to innovate, develop and improve processes, products and services through meritocracy, leadership and collaboration.	17,112 Employees	 Enhance people productivity	For regulators - Maintaining fair and ethical engagement - Fostering a strong culture of compliance	For society - Driving financial inclusion - Improving life and livelihood opportunities - Reducing environmental footprint
Social & Relationship Capital Our main stakeholders (customers, partners, regulators and communities) and how we connect to them, reflecting our ability to share value and to improve individual and collective wellbeing.	17.2 lakh Customers 8.61 lakh CSR Beneficiaries 1,767 Financial Literacy Camps conducted			
Natural Capital Our impact on natural resources through our operations and business activities by remaining carbon-neutral and effective usage of energy, air, water and waste management.	2.95 tonnes of e-waste disposed			

A track record of excellence

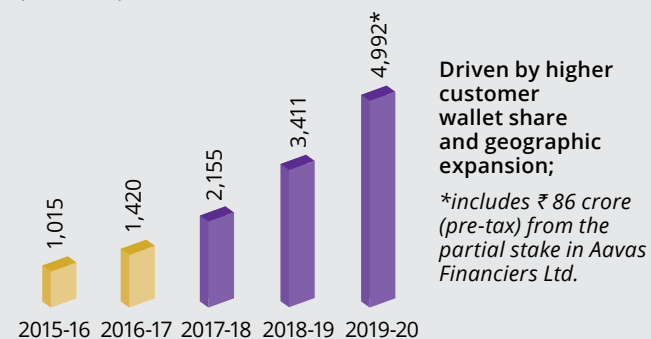
Progressing towards an enduring future

Profit and loss indicators

● AU Financiers
● AU Small Finance Bank

Total income

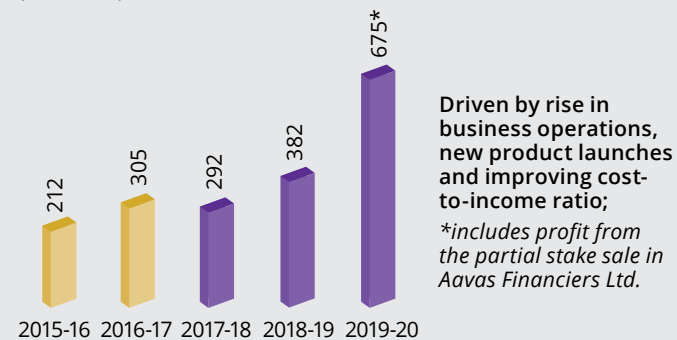
(₹ in crore)



5-year CAGR **47%** Y-o-Y **46%**

Profit after tax

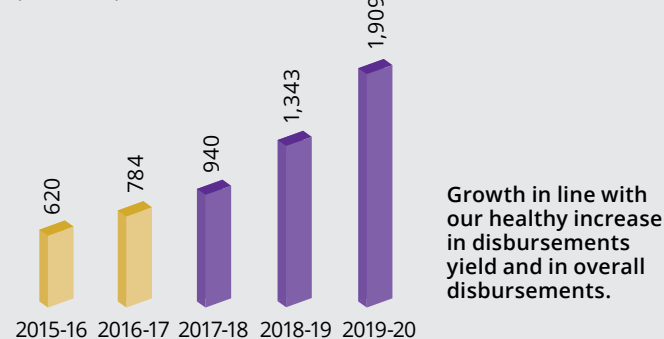
(₹ in crore)



5-year CAGR **37%** Y-o-Y **77%**

Net interest income (NII)

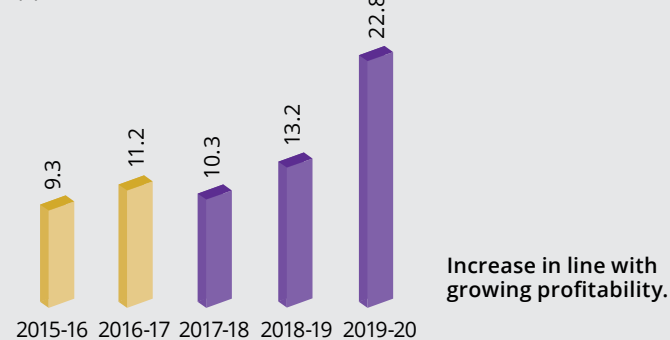
(₹ in crore)



5-year CAGR **33%** Y-o-Y **42%**

Earnings per share (EPS)

(₹)



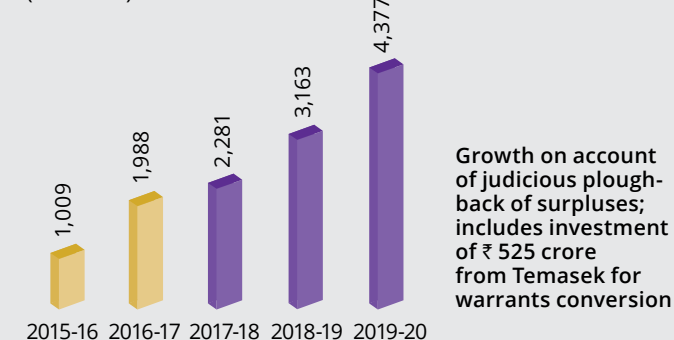
5-year CAGR **34%** Y-o-Y **73%**

Balance sheet indicators

● AU Financiers
● AU Small Finance Bank

Net worth

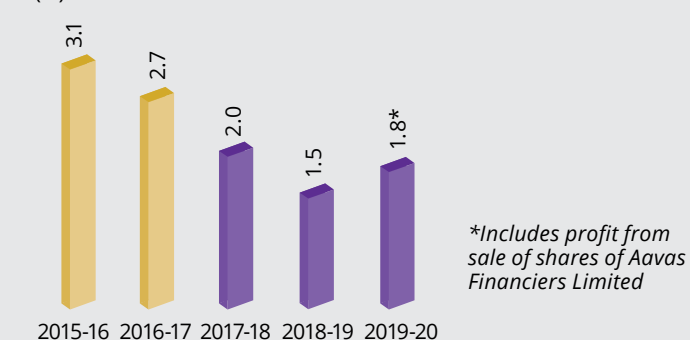
(₹ in crore)



5-year CAGR **40%** Y-o-Y **38%**

Return on average assets (ROAA)

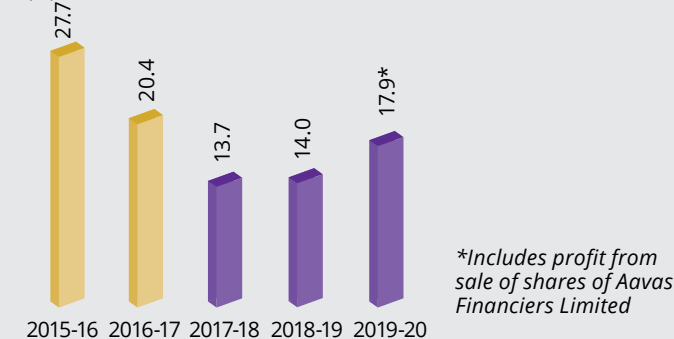
(%)



Y-o-Y **32bps**

Return on average shareholder's fund (ROE)

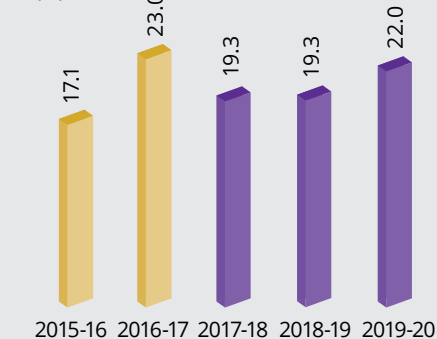
(%)



Y-o-Y **387bps**

Capital adequacy ratio

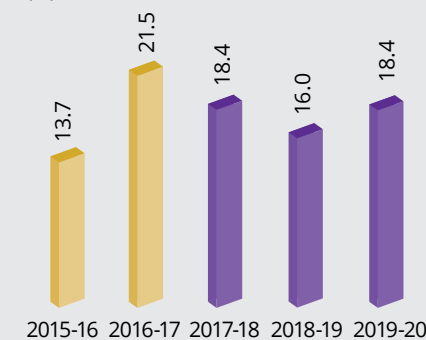
(%)



Y-o-Y **268bps**

Capital adequacy ratio - Tier 1

(%)

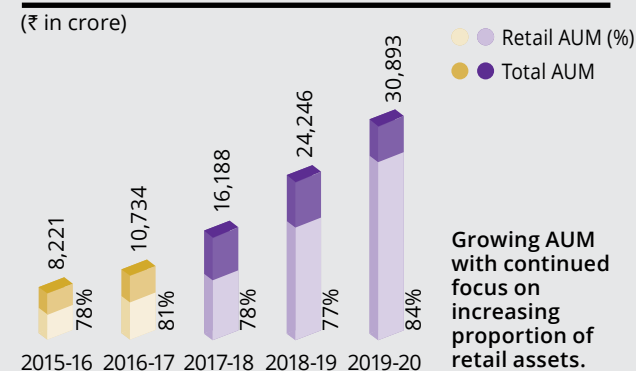


Y-o-Y **240bps**

▲ Growth ▼ Decline

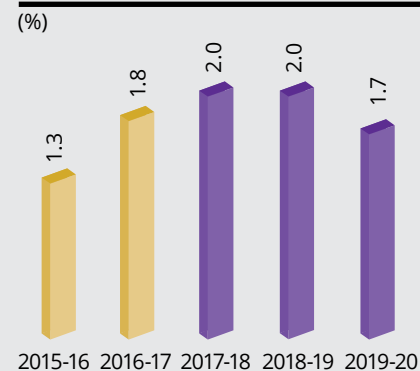
Operating indicators

Gross AUM (on and off book)



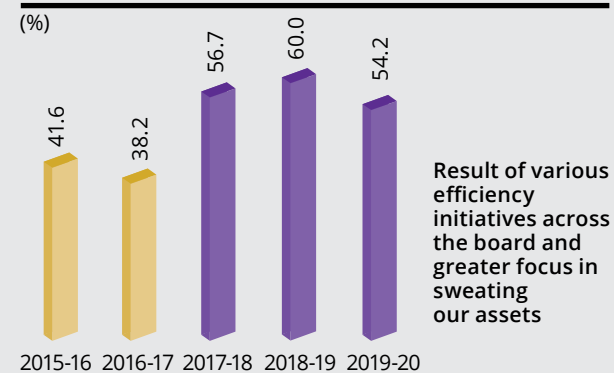
5-year CAGR **41%** Y-o-Y **27%**

Gross NPA



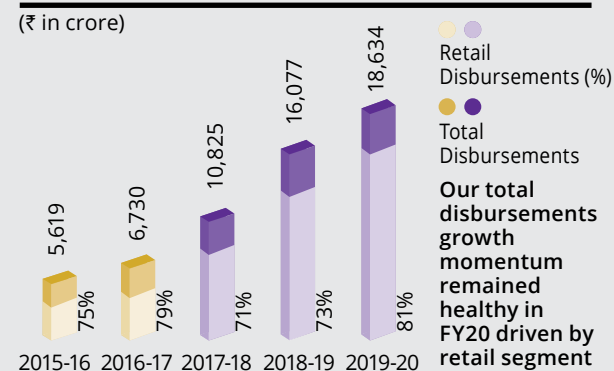
Y-o-Y **36bps**

Cost-to-income ratio



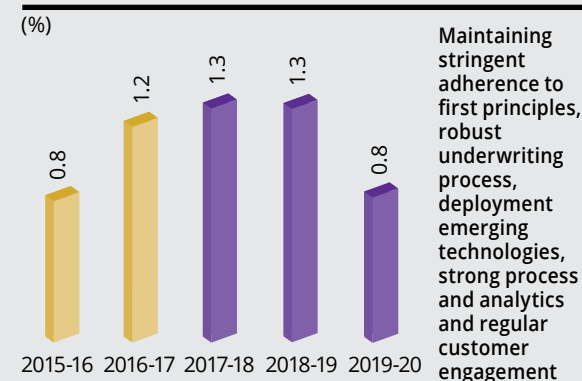
Y-o-Y **577bps**

Disbursements



5-year CAGR **41%** Y-o-Y **16%**

Net NPA

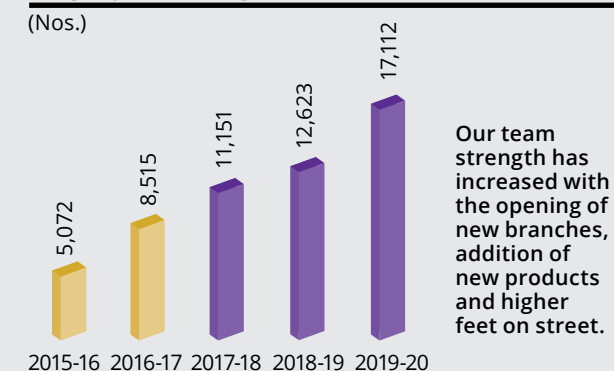


Y-o-Y **48bps**

Growth Decline

Operational indicators

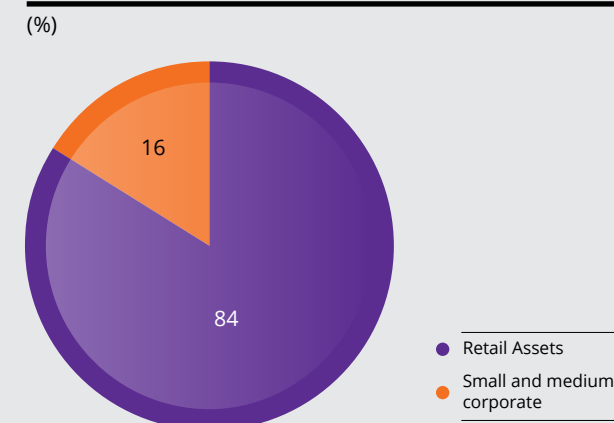
Employee strength



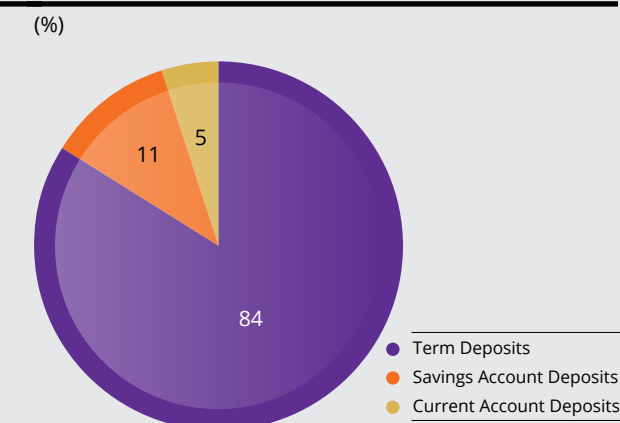
5-year CAGR **37%** Y-o-Y **36%**

Business composition in FY 2019-20

Assets Under Management

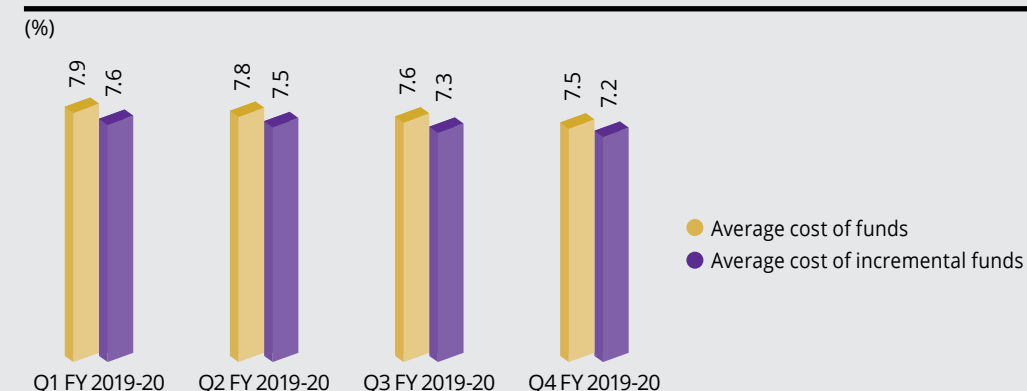


Deposits*



*ex certificate of deposits

Cost of funds trend



Leveraging our strengths

Bringing our vision to fruition

Since our inception, we have focused on building a differentiated business model of doing small ticket, secured retail loans for income generation. Now, as a Bank, we are extending the same philosophy for building our deposit franchise with a focus on granular retail deposits.

RETAIL ASSETS REMAIN OUR FORTE

We continue to strengthen our product range and value proposition in retail loans given our domain experience. The share of retail loans at ~84% of total loans is one of the highest among private sector banks. We expect growth in this segment to remain healthy with new product offerings and geographic expansion. While wheels (vehicle — new and used) and MSME loans remain our core retail asset products, home loan has been gaining greater importance as well. Further, gold loans, digital solution-based products — personal loans and consumer finance — are seeing healthy traction.

Our loans are largely for income generation purposes to self-employed and low and middle-income groups and are secured by way of underlying assets. To maintain independence and leverage functional expertise,

within each business vertical there are separate sub-teams for sales, underwriting and credit, collection, operations, among others.

We are committed to further scaling up our retail asset book by sticking to our first principles and focusing on 'essentials/consumption/ local economy businesses'. We will look to add more touchpoints through contiguous expansion, and explore opportunities to open BCs/BOs in

the unbanked areas to deepen our presence in our existing geographies. We seek to capitalise on our deep understanding of local markets and local businesses and replicate our strong underwriting and collections capabilities as we expand further. We aim to continuously tweak our loan product portfolio to adapt to our customers' needs while increasing our engagement with them on the liabilities side.

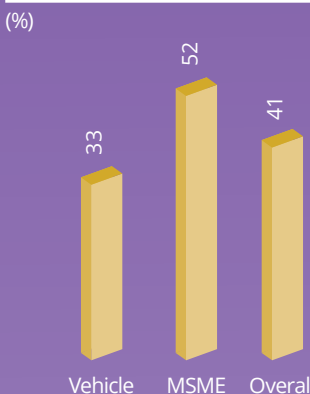
42%

CAGR of retail assets AUM over last five years (from FY 2015-16 to FY 2019-20)

80%+

Contribution from retail loan products

5-year CAGR of Wheels and SBL-MSME AUM



ON TRACK TO BUILD A STRONG LIABILITY BASE

We are emulating the retail orientation for our Liability business as well. At AU Bank, there are separate teams for Retail, Wholesale, Government and FIG Customers which allows greater and measurable focus on each segment. The Bank has clearly identified the basic utility and differentiated product propositions keeping in mind customer preferences across deposits, payments, investments, insurance, credit cards, forex, lockers and others. The focus here is also on granularity, small ticket size and retail.

In less than three years, we have built a deposit base of ₹ 26,164 crore, which stands out among SFBs in terms of granularity and branch productivity. We are strengthening this franchise with an 'acquire, activate, transact and deepen' strategy. Retail term deposits and Savings Accounts accounted for 29% and 10% of total deposits in FY 2019-20 vs. 21% and 13%, respectively, a year ago.

We have bolstered our digital platform to fortify the liability franchise with field agents equipped with tabs which enables them to open accounts without requiring any physical documentation.

During the year, we became the first Bank to launch WhatsApp Savings Account opening facility which allows all our prospective customers to seamlessly open Savings Account with us by simply initiating a chat on WhatsApp. We also launched our premium contactless debit card offering during the year called 'AU Royale', which is a best-in-class debit card product in its segment. We believe that AU Royale will increase our ability to compete in the well penetrated high value urban customer segment.

To enhance the user experience of our current as well as prospective depositors we revamped our website and also added a chatbot called 'Auro', which provides convenience to the customers along with ease of access.

To engage with our depositors we went live on Bharat Bill Payment System (BBPS) to enable customers to make online bill payments and also launched the ASBA module which allows our customers to apply for Initial Public Offerings.

We have also taken several initiatives to improve brand visibility. During the year, our digital campaign #BharosaApnoJaisa delivered more than 12 crore impressions and we also started our ads on prominent FM radio channels across large cities.

On the liabilities side, we strive to be among the most preferred banks in non-urban markets, where we have a well-established presence, by deepening our connect with the ecosystem, and be among the top three banks in terms of market share in the next two years.

For urban markets, we aim to carve out our niche by providing best-in-class product and service offerings and growing our branch presence in super metros including new urban markets, and deepening our presence in existing markets.

IMPROVING WALLET SHARE FROM EXISTING CUSTOMERS

We have built a base of 1.7 million customers and are gradually expanding the same. Now, the focus is on increasing our per customer wallet share via higher cross-selling. Our products per customer stands at 1.3x vs. average 4x for large private banks, which provides substantial headroom for growth for cross-selling.

Digital banking

Smart way of banking

Digitalisation has been reshaping the Indian banking industry over the past few years, aided by the emergence of newer distribution models and the overall development of our nation. At AU Bank, we are taking advantage of the fast emerging parallel and complementary ecosystem by investing in and implementing useful, customer friendly digital products and solutions.

FACETS OF OUR DIGITAL ECOSYSTEM



BEST-IN-CLASS DIGITAL PROPERTIES



HASSLE FREE END-TO-END CUSTOMER JOURNEY



IMPACTFUL COMMUNICATION

Best-in-class digital properties

AU BANK WEBSITE

We went LIVE with our upgraded website during the year. Apart from improving the UI/UX, we enhanced the search engine optimisation (SEO) capabilities and overall content. We have upgraded our website in an active mode across two locations with zero downtime to provide seamless customer experience.



AURO: AI-POWERED CHATBOT

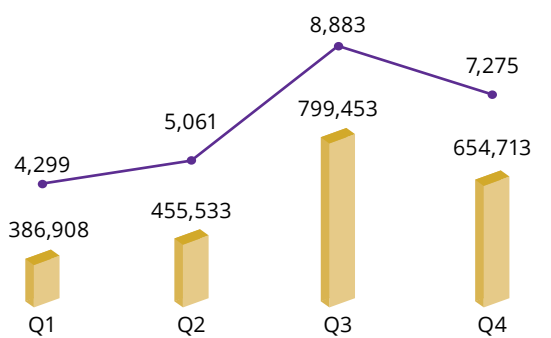
Chatbots are an integral part of our strategy to provide a seamless and humanised customer experience. During FY 2019-20, we launched Auro, our artificial intelligence (AI)-powered chatbot. Our chatbot enters into smart conversations on behalf of the Bank with our consumers, driving engagement, servicing, transactions and acquisitions.



INTERNET/MOBILE BANKING

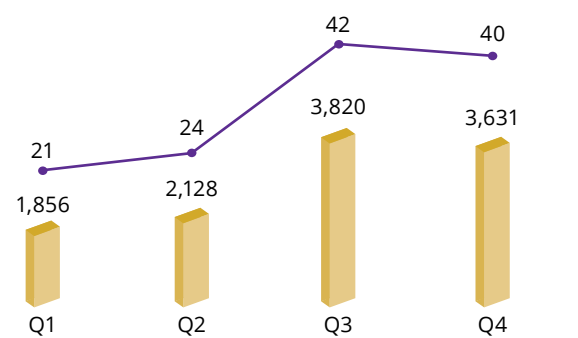
The retail net banking platform was also upgraded with improved UI/UX features and we added more than 10 functional modules. Corporate internet and mobile banking platforms were also upgraded with additional features related to bill payments and tax payments, among others.

Mobile banking and Internet banking (volume)



● Mobile and internet banking transactions (in '000)
● Average mobile and internet banking transactions per day (in '000)

Mobile banking and Internet banking (value)



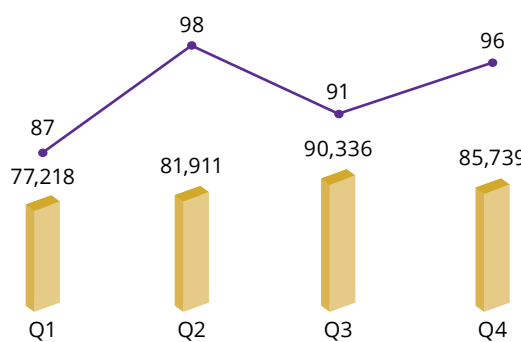
● Mobile and internet banking transactions (₹ in crore)
● Average mobile and internet banking transactions per day (₹ in crore)

Hassle-free customer journeys

We are actively using India Stack for developing paperless onboarding across all our products. Currently, we are facilitating this via Aadhar authentication (Biometric as well as OTP) for all liability customers for their Savings Account, Current Account (Companies as well as partnerships) and Fixed Deposits. Self-onboarding of Savings Account is also available on Android where customers can open a limited KYC account in real time. We will soon implement video KYC based onboarding.

We are also allowing cash deposits/cash withdrawal on Tabs through our Business Correspondents. Currently, we are facilitating paperless onboarding for all liability customers for their Savings Account /Current Account (individual) on Tab today.

TAB based paperless onboarding - Savings Account opened

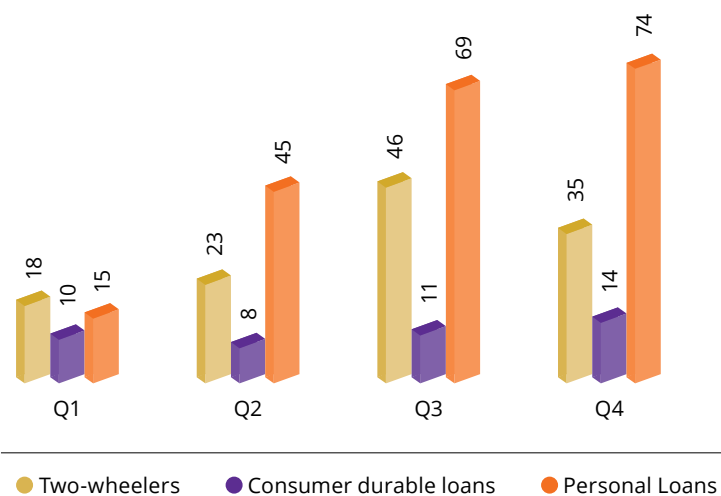


● Tab (No.) ● % by Tab

PAPERLESS LOAN ORIGATION

We have already rolled out Self and Assisted process for our Two-Wheeler and Consumer Durables loans by using Aadhaar, e-Mandate and e-Sign. This is now being extended to Personal Loans, Wheels and Small Business Loans. We are also working on making the loan origination process for corporate loans paperless. We believe this is a win-win proposition, which should scale up as its familiarity and reach increases.

Paperless disbursements (₹ in crore)



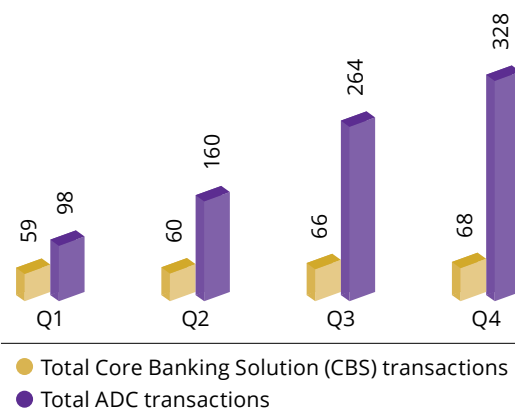
TWO-WHEELER JOURNEY – ENTIRELY PAPERLESS

Our two-wheeler loan product is best-in-class in terms of the convenience and the speed it provides to both customers and dealers. From the first time a customer meets us at the dealership to the time of disbursement, we have leveraged our digital capabilities to make the process entirely paperless. Only biometric authentication and e-sign along with Aadhaar and PAN card details are needed for the process to be completed. The payment to the dealer is also made on the same day the delivery order is issued, which is the fastest in the industry. Further, this process is more environment friendly, and also helps us capture, maintain and retrieve data much more efficiently.

DIGITAL PAYMENTS

During the year under review, we went Live with UPI, 24x7 NEFT, bill payment on web, e-Mandate and contactless debit card, among others. We are in the advanced stages of adding other value propositions such as Fastag, BBPS, and prepaid cards. UPI adoption has been encouraging for small and medium payments. We facilitated over 1.07 crore UPI transactions totalling ₹ 2,500 crore in value during FY 2019-20.

Growing alternate delivery channel (ADC) transactions (in lakh)



NEW PARTNERSHIPS

We have added a number of services in our Open Banking Framework. This has enabled us to partner with the right set of Fintech companies. Currently, we are working with them in the personal lending space and have built end-to-end capabilities to digitally onboard and service customers. We are extending our partnerships to the payments, wealth and insurance sectors. In line with our endeavour to provide customer delight, we have partnered with multiple consumer brands to provide privileges to our customers on their AU Bank debit card across categories like travel, shopping, entertainment, business, health and wellness.

Impactful communication

DIGITAL CAMPAIGN— #BHAROSAAPNOJAISA

Our #BharosaApnoJaisa ad campaign showcases how we have earned and strengthened the trust of over 20 lakh customers through 25 years of continuous and reliable service. The campaign uses four ads depicting four stories from everyday life that resonate our key values of samajhdaari (prudence), imaandaari (honesty) and zimmedari (responsibility) and drives a compelling sense of purpose at AU Bank—#BharosaApnoJaisa. We used Hotstar, Facebook, Youtube, SonyLiv, Zee5, Twitter, ET app and SMS for our digital campaigns.



SOCIAL MEDIA IMPACT

16 CRORE+

Brand impressions

8 CRORE+

Video views

IMPACT OF DIGITAL CAMPAIGN

12 CRORE+

Ad impressions

5.6 CRORE+

Video views

DIGITAL ENGAGEMENTS

We regularly send out SMS and emails on promotions, offers and product updates. We are in the process of building an analytics model to arrive at the most optimal communication channel by customer type. We went live with 'WhatsApp for Business Communication.'

During FY 2019-20, we reached out to over 3 lakh customers through emailers, with an approx. 2X average open rates against the benchmarks in the industry.

To drive customer engagement for our debit cards and internet

banking, we rolled out a dedicated offers platform for AU Bank customers.

For internal communication, we actively use chat platforms (Kaizala) and collaboration tools (Teams).

AU BANK'S SOCIAL MEDIA FOLLOWING

3 LAKH+



1 LAKH+



10,000+



5,000+



6,000+



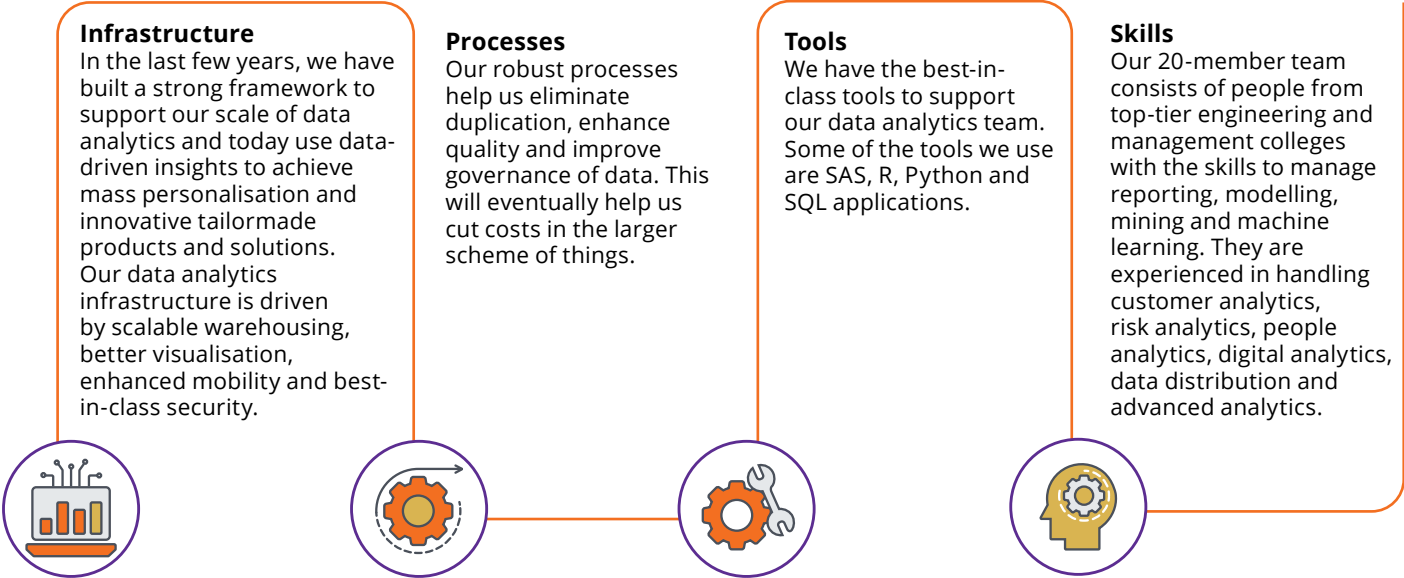
Making sense of data

Enhancing outcomes with analytics

At AU Bank, we are harnessing the power of data for effort optimisation, quick decision-making and customer delight through a 360° analytical approach. We are using automation, digitisation and artificial intelligence to expand the scope and scale of our business.



PILLARS OF DATA ANALYTICS



UNDERPINNING OUR DATA ANALYTICS ARCHITECTURE

We are strengthening our data analytics infrastructure by focusing on:

Getting the data right

The first step in developing a best-in-class data analytics department is to collect correct information across a spectrum of subjects. During the year, we emphasised on improving our data collection systems through the following steps:

- Standardise and simplify customer data collection across all sourcing systems
- Collect information on ~20 standardised mandatory fields for all customers
- Create awareness on the importance of data through an organisation-wide campaign 'Understand Your Customer (UYC)'

Simplifying data processing

We have developed a mechanism for easy consumption of raw data with a centralised repository that ensures fast processing of large customer information. Further the data is

mined by an expert team proficient in all world-class analytical tools like SAS, R, Python and SQL.

Campaigns, propensities and probabilities

Post mining the data, we use the findings to identify financial requirements of our customers and reach them as and when they need our services. This is helping us increase our wallet share and generate more revenues while reducing risks.

Learning on the go

We are tracking and monitoring the success of these campaigns that leads to centralised allocation and campaign tracking. We are also using our learning from the first-generation campaigns to build stronger second-generation campaigns with detailed tracking and monitoring of risk models and portfolios for proactive action.

ROAD AHEAD

We are gearing up to implement several data analytics programmes around acquisition, cross-sell, credit decisioning and underwriting, collections etc.

ACHIEVEMENTS IN FY 2019-20

- Reported ~₹ 500 crore in disbursements through exclusive analytics-driven campaigns.
- All disbursements were pre-approved after accounting for various risk parameters providing:
 - Instant credit decisioning
 - Minimal paperwork
 - Customer delight
 - High portfolio internal rate of return (IRR) with <0.5% NPAs
- Creation and implementation of two key bank-wide strategies
 - Geo-location-based strategy
 - Existing customer relationship based strategy
- Industry-first API-based Analytics implementation framework
 - Quick implementation of Artificial Intelligence/ Machine Learning (AI/ML) models
 - Target application agnostic

Customer delight

Turning buzzwords into reality

‘Customer focus’ is a part of the AU Dharma, defining our purpose of existence and we are making our way forward with customers at the core. What differentiates us is that our relationship with our customers begins, and not ends, by providing a product/solution.



Our focused approach to ensuring customer delight is driven by the following elements:

Attitude: We are building a bank for India and Bharat, where we cater to people from Tier-I metropolitan cities to Tier-VI Unbanked Rural areas. While catering to such broad range of customers, we believe that ‘attitude is a little thing that makes a big difference’ and we are putting this belief in action.

Knowledge: Knowledge of our customer-facing executives is a key factor in building confidence of our customers in AU. We work towards enhancing the capabilities of our teams through various programmes, enabling them to help our customers effectively through their banking journey with us.

Execution: We are an execution-oriented organisation. A huge quantum of our efforts is directed towards ensuring faster and convenient delivery of banking products and services, wherein technology and analytics are playing an increasingly greater part.

Communication: Communication is the pillar that sustains any relationship, and it is the same for our bond with customers. We communicate with them regularly to understand their requirements and have undertaken special initiatives for the purpose.

Feedback: No communication is complete without feedback, and we regularly engage with our customers to take their inputs to better our service levels.

DELIGHTING OUR PATRONS

Customer survey is a means to make customers’ voices heard. It enables us to measure satisfaction, better understand the market and gauge expectations. We don’t just listen, but act and close the loop with a resolution that leaves a smile on the customer’s face. We capture customer feedback through different channels such as phone calls, SMS and QR Codes.

Deepening connections

We are strengthening the culture of superior customer service through the following:

Elevating quality of people

- Hired service professionals with customer service experience from different industries
- Ensured orientation programmes to train and re-train the customer servicing teams

Driving engagement

- Dedicated customer delight team to execute related activities and monitor customer experience
- Constantly explain and promote customer delight activities
- Monitored metrics of customer experience such as NPS, CSAT and CES

We also have various programmes and initiatives to enhance customer experience, including:

- 24X7 toll-free customer care
- Extended working hours in branches
- Paperless banking
- Anywhere Banking, which emphasises ‘no home branch concept’
- Dedicated Customer Delight Team
- Special Customer Service Desk in Asset Centres to extend servicing support to asset customers

MAINTAINING FOCUS

We leave no room for complacency to set in and strive to make continuous improvements.

- Opened more channels for customer feedback
- Strengthened responsibilities by empowering employees
- Maintained rich learning environment for service team
- Leveraged multi-channel servicing such as self-service modes (mobile banking, net banking, website, IVR) and in-person modes (24x7 Toll-Free Customer Care, Branch Banking Retail Outlets, including BC/BO)
- Used Customer Relationship Management platform at all levels to reduce manual interventions and timely resolutions



Brand identity

Banking on trust, simplicity and convenience

Branding and marketing at AU Bank isn't a 'one-size-fits-all' strategy. We leverage our market insights, local infrastructure and experience in crafting our communication and selecting appropriate channels for reaching out to our intended audience. We are strengthening our brand through impactful initiatives for various target groups.



Corporate marketing initiatives

Corporate marketing initiatives at AU Bank are organised by our marketing department to strengthen our brand, while focusing on our core attributes. During the year, we undertook several engagement programmes



PAAKHI - SAVE THE BIRDS CAMPAIGN

We distributed AU-branded clay pots in residential societies, colonies, educational institutes, parks and various offices in branch catchment area for providing water to birds during the scorching summer. This activity helped in establishing emotional connect and at the same time enabled quality lead generation. Overall 90 branches in western, central and parts of northern India participated in this programme.

YOGA CAMP ON 5TH INTERNATIONAL YOGA DAY

We organised yoga camps in our key markets across parks, institutes, colonies and malls on the 5th International Yoga Day to engage with local residents near our branches. This activity was driven by our regional marketing teams across 90 branches and helped us generate several leads.

NATIONAL DOCTORS' DAY

Our regional marketing teams from 249 Bank branches drove this

campaign, wherein they interacted with doctors in their vicinity, gifting them a memento. These visits allowed us to introduce our bouquet of services to the doctors.

PLANTATION DRIVE

We distributed plant saplings to prospective customers. This activity was conducted across our branches in their catchment areas.

NO PLASTIC CAMPAIGN

We distributed AU-branded jute carry bags to people residing in the nearby areas of our branches. The activity allowed us to capture customer data and simultaneously build awareness towards discontinuing the use of plastics.

TEACHERS' DAY AND CHILDREN'S DAY INITIATIVES

We reached out to ~9,000 teachers with personalised appreciation cards and gifts on Teachers' Day 2019. At the same time, we floated special zero balance account offers. On Children's Day, we conducted a free eye check-up and drawing competition for kids across various schools and societies in the catchment areas of our branches. The objective of these activities was to build a strong bond with kids, their parents and school staff.



Students from Stanford University, USA visited our Head Office at Jaipur and interacted with Mr. Sanjay Agarwal, MD & CEO to understand AU Bank's approach for driving Financial Inclusion in India.



Events and sponsorship drives

Our events and sponsorship programmes enable us to reach niche audiences, increasing our visibility and lead generation.



INVESTOR AND ANALYST DAY

The Bank also organised its first Investor and Analyst Day during the year to enhance stakeholder engagement and outline the Bank's growth plans for the coming years.

ACEM CONFERENCE 2019

We sponsored the international conference of doctors in Delhi and reached out to 1,500 doctors. The goodie bags we distributed contained details about our product suite and benefits of banking with us.

FEDERATION OF AUTOMOTIVE DEALERS ASSOCIATION EVENT

We sponsored the Federation of Automotive Dealers Associations event in Delhi where Cabinet Minister Mr. Nitin Gadkari and Mr. Kapil Dev were the chief guests.

VINTAGE CAR RALLY

We sponsored Vintage Car Rally in which vintage cars travelled across different states of India covering 17 cities.

FESTIVAL CELEBRATIONS

During the year, we delivered several branding and marketing activities around the various Indian festivals, including Janmashtami, Diwali, Dandiya, Durga Puja and Dussehra. We also sponsored cultural events like Auto Expos/Loan Melas and Housie events etc.

Rajasthan Kabir Yatra

We sponsored Rajasthan Kabir Yatra, a folk music festival, where ~100 artists from the Shekawati region participate.

Christmas

In the catchment area of our super-metro and metropolitan branches, we conducted a drawing competition for kids with the theme of 'Savings for Christmas' and distributed 'Seed Pencils' to propagate the idea of growth through continuous savings. We also supported other Christmas events across Rajasthan.

Lohri

We conducted different customer engagement activities with various events in Hoshiarpur and Mohali (Punjab) on Lohri.

We also sponsored other social programmes and business events like Rotary Club Fest-Chandrapur (Maharashtra), ICEPTI-Association of State Road Transport Undertakings (ASRTU)-Delhi & Jaipur, Pravaasi Sangh Event-Mumbai, Udyog Utsav Event-Jalgaon (Maharashtra), BIB Expo at Jaipur, Makar Sankranti Festival of Jaipur Pravasi Sangh at Goregaon Mumbai and several other events.

ITBAA GLOBAL SUMMIT 2019

We sponsored the IITBAA Global Summit 2019, an IIT Bombay alumni event, which was attended by ~200 IIT Bombay alumni who are now part of various start-ups, technology giants and corporates. The sponsorship allowed us to showcase our advancements in digital banking, besides generating some new leads.

MARATHONS 2020

During the year, we sponsored three key marathons—Jaipur, Mumbai and Vadodara—and reached over



2 lakh people. We created several touchpoints for the participants along the routes that allowed us to engage with them extensively.

We also sponsored the half-marathon organised in Hoshiarpur (Punjab), Pre-Marathon and Kids Marathon in Udaipur and Jaipur, Walkathon with B.N Patel Institute in Anand (Gujarat).

TECH TRENDS EVENT

We organised the Tech Trends-2019, wherein we announced our key digital initiatives, including an industry-first, 3-in-1 Savings, Demat and Trading Account.



Team AU

Building a high-performance culture

We are crafting our employee policies with the aim of being an employer of choice that attracts, retains and nurtures the industry's finest talent. With a culture of inclusivity at the core of our HR strategy, we ensure our people grow as 'ambassadors of goodwill' for AU Bank. Our HR strategy focuses on identifying, developing and helping people transition into the right roles, besides grooming talent for future leadership positions.



HIGHLIGHTS FOR FY 2019-20

17,112	2,302	1,80,532 HOURS	13,037
Team size	Employees with ESOPs as on 31 st March 2020	Total time spent on training	Participants in trainings

RECRUITING TOP TALENT
We have a structured recruitment process that emphasises acquiring talent from top institutes across India and strengthening the campus placements with pre-hiring orientation programmes.

We also employ newspaper advertisements, walk-in and campus drives, and social media advertisements for mass hiring. Our recruitment programme concentrates on hiring individuals for high-calibre leadership positions and local hiring across new territories.

MAPPING PEOPLE'S PROGRESS
We evaluate the progress of our people consistently and for this

purpose, our HR team visits our branches periodically. For our recruits, we have structured engagement platforms that connect with them at different stages—7 days, 21 days and 45 days after joining—to measure their progress and understand their concerns.

We have established two distinct programmes, which allow us to better connect with our people:

HIGH PERFORMER CONNECT
We engage with the top performers of each business vertical to understand their job satisfaction levels. In case of any grievance, we make it easy for them to reach our HR team members and update their Cluster Heads. This enables us to

undertake proactive actions to resolve their issues.

PERFORMANCE ENHANCEMENT CONNECT
We reach out to our sales team and Branch Officers who could not achieve their targets consecutively for three months to guide them on improving their performance. We also connect with their Reporting Manager and Cluster Manager to understand their issues and encourage handholding for performance enhancement.

We are also working proactively to retain our key employees and organised an HR Day - HR SAMPARK.

Learning and Development at AU Bank

The goals of our Learning and Development initiatives is to align individual aspirations and performance to the organisational objectives. We have undertaken several learning and development initiatives, which help train our people.

During the year, we rolled out the following initiatives:

- Training Need Identification (TNI) for bridging skill gaps of our people. The pilot for TNI has already begun for Branch Banking team
- Annual Training Calendar
- Training Effectiveness Measurement tool using Kirkpatrick's Model to improve our training imparting capability
- Individual and Executive Development Programmes
- We have introduced the following training programmes across the organisation:
 - Pratyarambh training programmes for all business and support verticals, Branch Banking, Wheels, SBL and Home Loan teams
 - 'Connect' programme for Customer Delight and 'Buniyaad' which is a 'Back to Basics' programme of behaviour training.
 - E-learning through short and interactive videos through Learning Management System (LMS) and intranet
 - Management Development Programme for Cluster Business

Manager, Cluster Portfolio Manager and Cluster Credit Manager for SBL vertical

- **AU Talk Show:** Leadership connect through interactive sessions
- Virtual Training Sessions using software designed by Microsoft, to be undertaken through WebEx



Employee Health and Safety

Since the very beginning, we set high standards in building our franchise on people, process and products. We maintain high standards by ensuring a safe workplace, building best quality offices and providing a conducive work environment to our employees.

The Bank, keeps its employees at the core, considering them as our biggest asset in building a Banking franchise to trust upon.

The Bank also ensures fire safety as a key area for the safety of employees and a fire drill

training programme is organised periodically at our offices.

During the drill, we ensure that all employees exit the building on time for practice. Our safety and security team teaches employees to react well during an emergency and conduct demonstration of fire-fighting using the fire extinguisher at the premises. There were fire drills organised throughout the year, in our major offices, which were manned with enormous number of employees. We have also disseminated adequate knowledge on fire safety to our branches in the form of mailers and posters.

With the objective of gender equality, we always put our efforts to nurture the talent of our employees.

The Bank is also sensitive towards ensuring a conducive environment for both the male and female workforce, by having adequate policies and procedures in place for 'Prevention of Sexual Harassment at Workplace' which ensures a safe work-place, for its employees. The Bank has a zero tolerance policy on sexual harassment at the workplace and has constituted a committee to address the issues. It also encourages employees to feel free and raise concerns by being whistle blowers.

BUNIYAAD - BACK TO BASICS - THE AU WAY

This programme is designed to drive standardised culture across locations, strengthen the brand of AU Bank and pride of working for us, while honing skills of our people.

PERSONAL EFFECTIVENESS

This programme deals with people between Grade D1 and D3 and provides workshop and training initiatives that focus on:

- Time management
- Personal and professional goal setting
- Balancing personal and professional life

- Working on becoming a more effective leader: Internal communication, creativity and team effectiveness

7 HABITS OF HIGHLY EFFECTIVE PEOPLE SIGNATURE PROGRAMME

During FY 2019-20, we conducted a workshop on how to make individuals and leaders more effective by helping them gain hands-on experience, apply timeless principles that yield more productivity, improve communication and strengthen relationships.

EXECUTIVE COACHING

People in Grades E1 and above are part of this new programme. This initiative is spread over a period of six months with two sessions per month. We chose four leaders—two in Mumbai and Jaipur each—and have assigned them two senior executive coaches to enable them to grow in their professional and personal space.

We also conduct knowledge sharing sessions with subject matter experts to help our people improve their understanding of various work-related topics.



ENGAGING WITH OUR PEOPLE

Employee engagement plays a key role in our overall HR strategies. During the year, we organised several employee engagement activities like Townhalls, Workshops, Cricket League and celebrated various festivals like Christmas and Diwali. These initiatives helped us build synergies and team spirit and raise awareness on various AU-specific topics, besides encouraging our people to live a healthy life.

We have also integrated our HR chatbot, "Main Hoon Naa", to answer the queries on HR issues, learning and development, policies and other HR-related concerns at AU Bank.

REWARDING AND RECOGNISING TALENT

Our rewards and recognitions initiatives are based on two key functions: a) business performance and b) value-based award. We have a robust talent recognition programme that rewards and celebrates our star performers, with various programmes.

Business performance Employee of the month

This is a monthly programme conducted across AU Bank's branches. Under this initiative,

we post the photo of the chosen employee on the Wall of Fame.

Star performer/Rock star

This is a monthly recognition by the Regional & Cluster Managers to the best performer for the month on their branch visits.

Value-based award

AU Dharma Champion

This reward is given to the employees who are living our core values, AU Dharma. The employees are selected on branch level.

Vintage employees

This programme celebrates the journey of our people and provides them trophies for completing three, five, eight and ten years, along with certificates of appreciation. This is a regional award initiative. This is undertaken at the branches, an initiative driven from Corporate HR team.

Rising star/Shining star/Crowning star

This is a rewarding platform for Collection Officers. A Badge along with an appreciation letter from Chief of Human Resources is awarded to boost morale.

WAY FORWARD

With our objective to emerge as a preferred employer, we are investing in our people and empowering them with contemporary skills. Besides, we are adopting data-based decision-making and preparing our people to embrace automation. Going forward, we will enhance engagement with our people, encouraging them further to espouse the latest technology and management techniques. We will also concentrate on retaining our star performers, simultaneously developing bench strength for key positions to bolster our pipeline.

Response against COVID-19

Stepping up during crisis

By the end of the financial year, the novel Coronavirus pandemic had spread across more than 200 countries. India was no exception. The Central Government, in co-ordination with states, imposed a nationwide lockdown to break the chain of transmission. Economic activities came to a halt. As a provider of 'essential services', we took several initiatives to uninterruptedly serve our customers while ensuring the safety of our people.



CELEBRATING 25 YEARS WITH A PURPOSE

During the Coronavirus outbreak, we celebrated our 25th anniversary by distributing 25,000 freshly prepared meals in a single day. To reciprocate the love and blessings bestowed on the Bank, we thought it was best to give back to the most-needy members of our community

Proactive response to the pandemic

- Served 2,50,000 hot cooked meals across the 11 states where AU is present
- Conducted COVID-19 awareness campaigns through 25 Vehicles with PA mounted across Gujarat, Rajasthan, Madhya Pradesh and Maharashtra
- 25,000 masks, gloves and sanitation kits distributed across AU's 11 states
- 25,000 ration kits distributed across AU's 11 states
- 25 foot operated hand-washing stations installed in Rajasthan
- Inaugurated RT PCR Test Lab at RVRS Govt Medical College, Bhilwara, Rajasthan



CARE FOR CUSTOMERS



- During the lockdown, rural customers were affected to a large extent. Therefore, we took the initiative to provide banking and support to our customer at their doorsteps
- Considering the preparation for such emergency situations, we launched a new product, 'COVID Shield'. This product allows customers to create an emergency fund through special fixed and recurring deposits with higher interest rates. Besides, it comes with added features like life insurance, zero balance, and preferential rates on loan products, among others
- Started AU CARE for senior citizens and partially disabled persons by providing support for health, medicine and essential items. We also helped them with emergency travel requirements. We successfully interacted and offered help to 42,000+ senior citizens
- Regular digital marketing campaigns on awareness, education, engagement and motivational aspects
- Moratorium option given to all eligible customers
- Initiated engagement initiatives for internet banking registrations
- Maintained zero downtime across customer care numbers, Retail & Corporate Internet Banking, Mobile Banking, ATMs and all operational branches





CARE FOR OUR PEOPLE

The well-being of our people is always our utmost priority. We took several initiatives for safety and awareness of our employees during the Coronavirus outbreak.

- Imparted regular information on safety protocols at home and work around hygiene, social distancing, policies and government updates
- Provided reskilling and training on products, customer centricity, branch sales strategy, COVID Shield product and banking knowledge, among others
- Provided health advisory ensuring physical and mental well-being. We offered a provision of doctor consultation on call. Started AU Karamveer series with a goal to appreciate employees going the extra mile during this testing time
- Ensured full reimbursement of medical expenses for treatment of employees suffering from COVID-19
- Made it mandatory for all branch employees to wear masks and money officers to wear disposable gloves while handling cash



PROACTIVE BUSINESS CONTINUITY PLANNING (BCP)

We invoked our BCP Plan for uninterrupted working from home. We also initiated the following IT measures:

- 310+ new laptops allocated to enable work from home during lockdown
- Cloud IVR setup for IT Helpdesk to forward business calls on IT person's mobile
- Microsoft Teams collaboration tools implemented for team meetings
- Requisite enablers under CBS, VPN, IVR, etc. being made to ensure smooth customer services.
- To increase awareness about online banking, the Bank continuously sent messages/e-mails to its customers to use digital and internet banking for transactions and their service needs



CARE FOR OUR COMMUNITY

During these unprecedented times, we carried out several CSR activities and contributed funds for the well-being of the community.



- Donated a fully functional RT PCR lab for COVID - 19 Testing to RVRS Govt Medical College, Bhilwara, Rajasthan
- Deployed 25+ vehicles for awareness about COVID - 19 preventive measures at Guj, RJ, MP & MH
- Distributed 25,000+ masks
- Distributed 2,000 litres of hand sanitisers
- Distributed gloves and masks to Police staff
- Set up online donation campaign for AU employees and AU customers
- Supported local level government agencies in different cities as per requirement
- Contributed ₹ 2 crore to PM CARES FUND and ₹ 51 lakh each to Delhi and Maharashtra State relief funds, cumulatively have committed ₹ 5 crore
- Distributed ~2.5 lakh food packets with the help of AU team volunteers
- Partnered with various organisation to serve meals to needy
- Started Project Humsafar to help migrant workers go home to their families. More than 6,500 migrant workers got benefit from this project
- Distributed 25,000 dry ration kits to needy families
- Started appreciation of Corona warriors Programme, to appreciate the work done by Police Staff, Hospital Staff, NGOs etc.

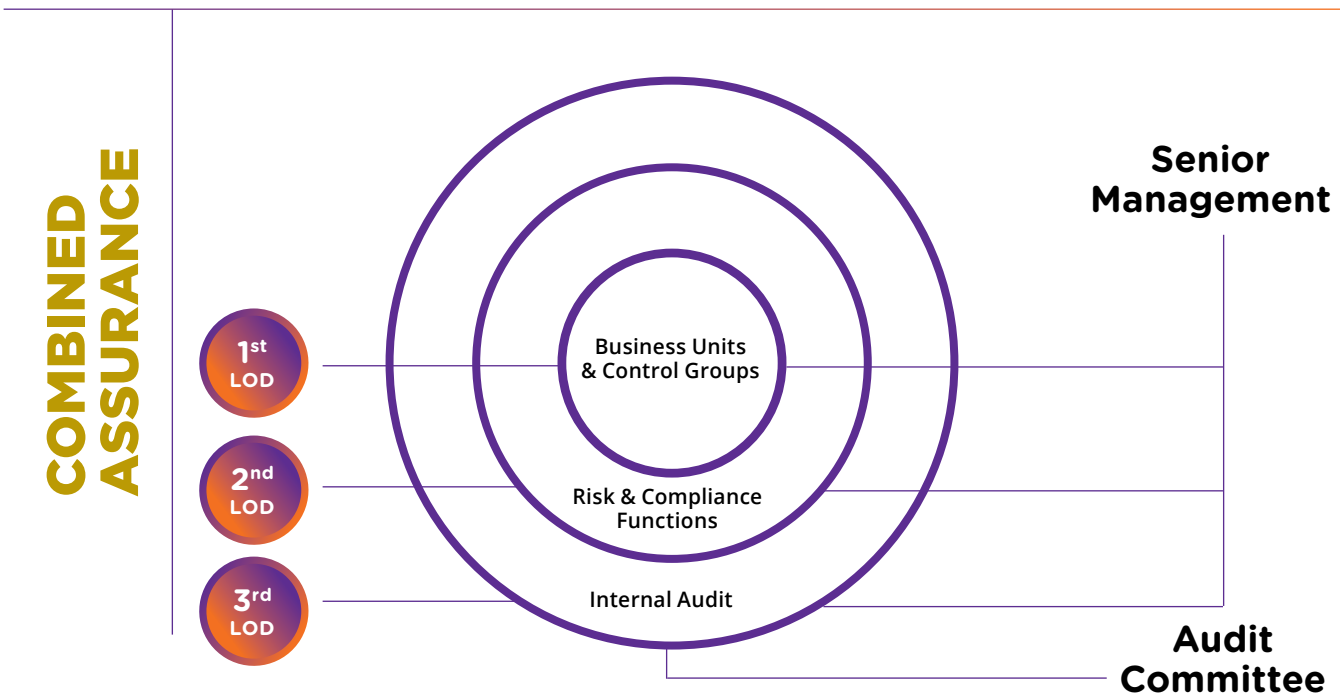
Risk management

Safeguards for sustainability

We believe a strong risk management culture is fundamental to our success. It ensures that our activities and impact are consistent with our overall strategy and priorities. Our risk approach aims to instil conscious risk assessment and control throughout the Bank as we pursue our identified growth opportunities. Our well-developed risk management framework and clear risk appetite, which describes the levels of risk we are willing to accept in executing our progress strategy, ensures a consistent focus on robust risk management.

At AU Bank, risk management is an independent function, which monitors liquidity, operational, market, credit, information security and other risks with robust tools and knowhow.

RISK GOVERNANCE STRUCTURE WITH THREE LINES OF DEFENCE (LOD)



- Control groups are attached to the first Line of Defence (LOD) that monitor the business unit activities 'and ensure 'first time right'
- As the second LOD, the risk function complements the business line's risk activities through its monitoring and oversight of the Bank's risk-taking activities, assessing risks and issues independently from the business line
- The compliance function monitors compliance with regulations and laws to which the Bank is subject
- As the third LOD, internal audit function provides independent review and objective assurance on the quality and effectiveness of the Bank's internal control system
- Internal audit, risk and compliance functions leverage each other's work without compromising independence. This results in better coordination, increased efficiency and total assurance on all the important processes/ functions
- There is no 'dual hatting' by the heads of these functions

OPERATIONAL RISK MANAGEMENT (ORM)

Our Bank has a Board-delegated committee for Operational Risk Management (ORMC) to review and advise for implementation of measures for risk mitigation. This committee reports to Risk Management Committee of Board (RMCB). With a view to having a comprehensive view on operational risks, our Bank follows an integrated risk approach where operational risk and its monitoring fold into Chief Risk Officer (CRO) and ORMC. We have business continuity framework to ensure the continuity of services in the event of any catastrophic event. Our operational risk management framework is designed with a clear understanding of various operational risks faced by our Bank, and for our continuous monitoring, disciplined risk assessment and mitigation measures have been put in place.

FRAUD RISK MANAGEMENT

We have effective risk management framework and Risk Containment Unit (RCU) that is guided by a Board-approved Fraud Risk Management Policy. We have an experienced Risk Containment Unit, which develops anti-fraud measures, executes surveillance mechanism on banking transactions and analyses causal factors of frauds. The unit has established a robust fraud detection process and periodically carries out various fraud prevention awareness campaigns for employees as well as customers.

VIGILANCE RISK

At AU Bank, we have a solid and transparent vigilance mechanism that covers each aspect of staff accountability. The vigilance team endeavours to promote integrity, transparency and accountability in our day-to-day working environment. We practice all three types of vigilance, i.e., Preventive, Detective and Punitive.

CREDIT RISK MANAGEMENT

All aspects of credit risk are governed by the Credit Risk Management Policy and other Policies managed by the Credit Risk team. The scope of the Credit Risk unit includes measuring, assessing and monitoring credit risk within our Bank. We have laid down prudential limits and caps on various aspects to control the magnitude of credit risk. Rigorous risk reporting and controlling mechanism is prevalent across the organisation. Loan administration and monitoring is carried out through Portfolio Profiling, Early Warning Framework, Rapid Portfolio Review and Annual Monitoring of High Value Customers. We have in place an integrated risk measurement framework that captures all components of market risks, including volatility and unpredicted movement in the market value of the investments.

LIQUIDITY AND MARKET RISK MANAGEMENT

The Asset Liability Management Committee (ALCO) of our Bank oversees the framework for identification, measurement and management of market risk, interest

rate risk and liquidity risk in our Bank, and ensures compliance with established internal and regulatory prudential limits. ALM helps in strengthening the framework to ensure that enough liquidity and contingency buffers are maintained for the banking business. We have put in place an integrated risk management framework that captures all components of market risk, including volatility and unpredicted movement in market value of the investments. Market risk is being managed using Board-approved investment limits and monitored using different measures that give a detailed picture to the management of potential gain/losses for a range of market movement.

Our Bank has a well-developed market risk framework comprising Board-approved policies and governance structure. In our Bank, Market Risk management is an independent function, which reports to the CRO.

INFORMATION SECURITY RISK MANAGEMENT

At AU Bank, we have established robust information and cyber security framework for securing its IT infrastructure and systems. The Chief Information Security Officer ("CISO") is responsible for monitoring the information security risks covering all aspects of data security for the Bank and reports to Chief Risk Officer (CRO). Further, the Cyber Security Operation Center (CSOC) with qualified professionals reports to CISO for monitoring of real-time cyber security threats.

Robust governance

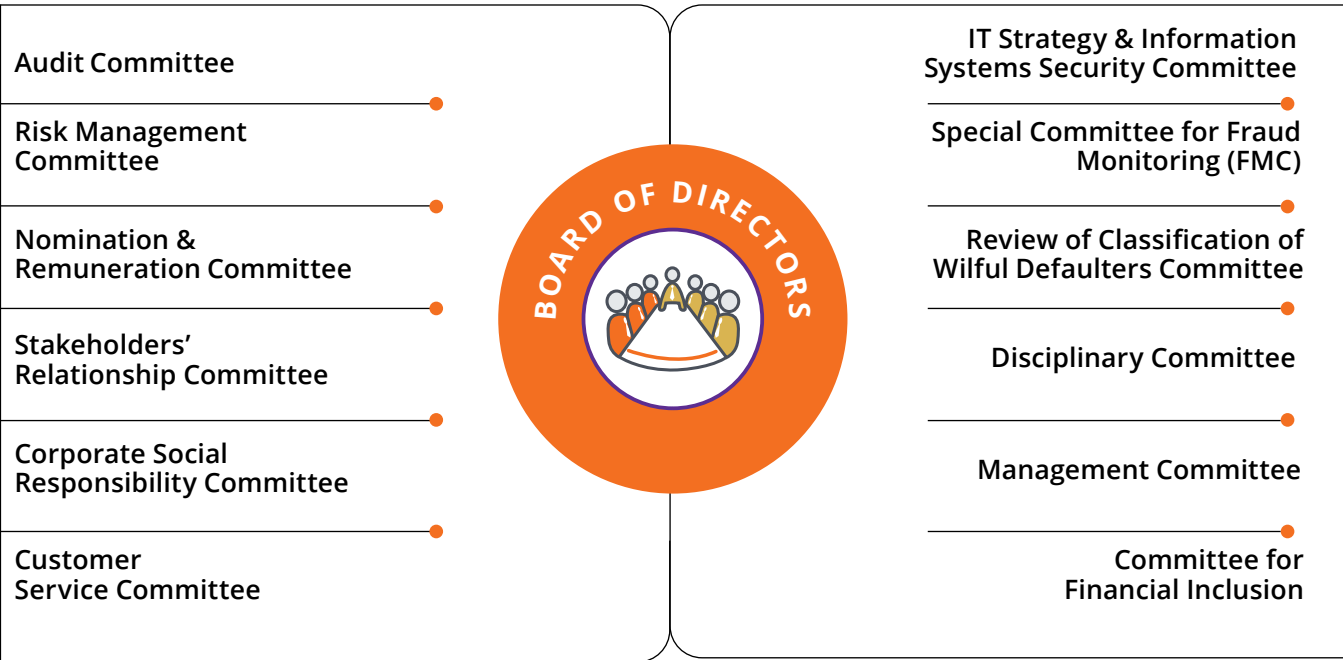
Good governance, better outcomes

We believe good corporate governance is an essential foundation for strong performance. It provides proper oversight and accountability, strengthens internal and external relationships, builds trust with our stakeholders and promotes the long-term interests of shareholders.

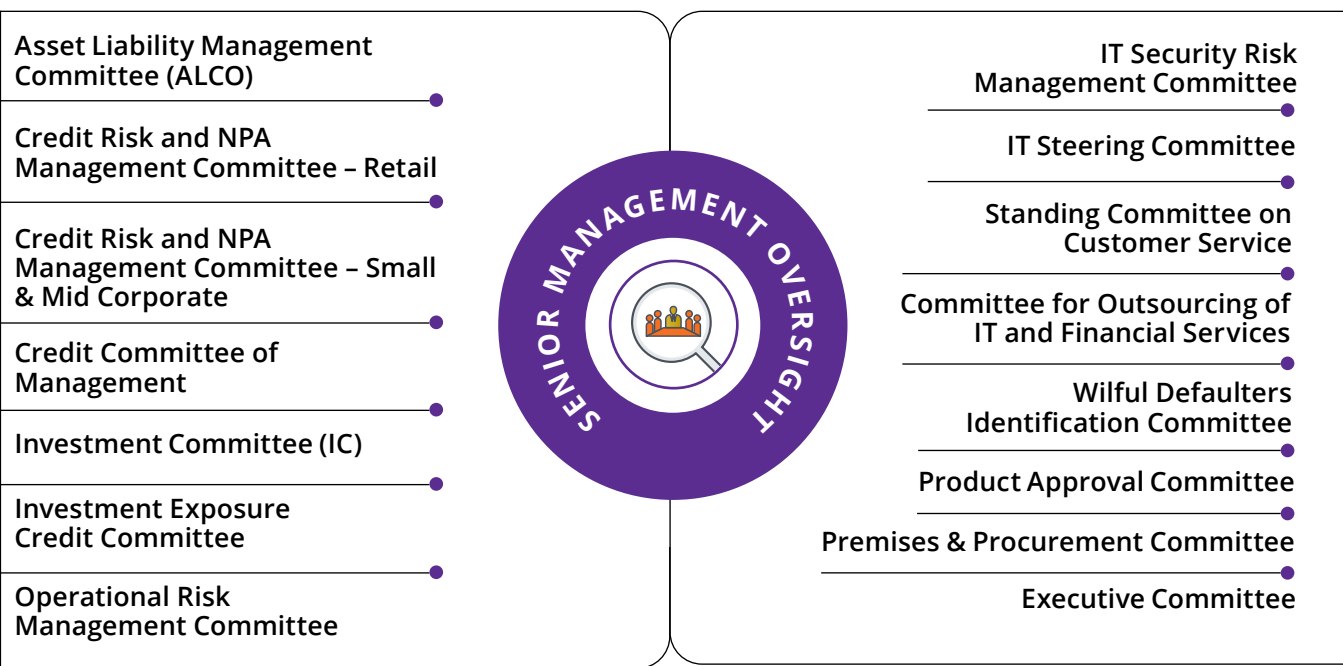


Corporate Governance Structure

BOARD OVERSIGHT



MANAGEMENT OVERSIGHT



Board of Directors



Mr. Mannil Venugopalan
Former Chairman

Mr. Krishan Kant Rathi
Independent Director

Mr. Pushpinder Singh
Additional Director (Independent)

Mr. Raj Vikash Verma
Chairman

Ms. Jyoti Narang
Independent Director



Mr. V G Kannan
Additional Director (Independent)

Mr. Sanjay Agarwal
Managing Director & CEO

Professor M S Sriram
Additional Director (Independent)

Mr. Narendra Ostawal
Non Executive Director

Mr. Uttam Tibrewal
Whole-time Director

For a detailed profile of Board members, please refer to the Report on Corporate Governance section on page 158 - 160.

Leadership team

KEY MANAGERIAL PERSONNEL



Mr. Deepak Jain
Chief Operating Officer



Mr. Vimal Jain
Chief Financial Officer



Mr. Manmohan Parnami
Company Secretary

LEADERSHIP TEAM



Mr. Manoj Tibrewal
Group Head – Marketing & Distribution



Mr. Rishi Dhariwal
Group Head - Branch Banking



Mr. Shoorveer Singh Shekhawat
Chief of Products - Liabilities



Mr. Yogesh Jain
Group Head Strategy – Treasury, FIG, DCM, Investor Relations and Wholesale Liability



Mr. Bhaskar Vittal Karkera
Chief of Wheels



Mr. Naveen Vashisht
National Business Manager - Used Wheels



Mr. Sachin Jain
National Credit Manager Wheels



Mr. Vivek Tripathi
Chief of Strategy- Business Solutions and Transaction Banking



Mr. Pankaj Sharma
National Business Manager – Secure Business Loans



Mr. Aalekh Vijayvargiya
National Credit Manager – Secure Business Loans



Mr. Aditya Sharma
Chief Technical Officer Mortgage



Mr. Mayank Markanday
Chief Risk Officer



Mr. Vinay Vaish
Chief of Credit Risk



Mr. Vijendra Singh Shekhawat
Chief of Operations - Assets



Mr. Shekhar Shukla
Chief of Operations- Branch Banking



Mr. Ankur Tripathi
Chief Information Officer



Mr. Shantanu Prasad
Chief Treasury Officer



Mr. Nitin Gupta
Chief Audit Officer



Mr. Ashok Khandelwal
Chief Compliance Officer



Mr. Amit Malhotra
EVP - Human Resource



Mr. Sai Suryanarayana
Chief of Human Resource

SUSTAINABILITY INITIATIVES

Staying true to
our commitments

AU Small Finance Bank, with its 25 years of experience and a mission to give wings to the aspirations of millions through its financial services in the unserved and underserved market, has successfully built a business model to gain the trust of its stakeholders. The business model of the Bank is aligned to generate sustainable value for its customers, clients, shareholders and employees.

Sustainability priorities



The Bank has taken several steps to unredeem the shadow of financial duress of underprivileged people, by galvanising its financial inclusion and financial literacy efforts. The Bank has developed customised products and services to cater to the needs of all the sections of the society, without any discrimination.

Our prudent strategies on economic and social upliftment, along with leaving a positive impact on the environment, have always been the bedrock of our inclusive growth.

The Bank's business responsibility of conducting ethical business is deep rooted in our DNA and in our people. We have structured and inculcated our AU Dharmas in the entire ecosystem of our Bank, thereby laying a strong foundation for business ethics.

Through CSR initiatives, the Bank has made a creditable endeavour for social development, building a better society by ensuring livelihood options, empowering women, skills enhancement, financial literacy & education and sports development.

Environment protection is the need of the hour and AU, as a responsible organisation, always strives to run its business in an eco-friendly manner, with the adoption of various measures to reduce emission of green-house gases.

Our seamless, advanced, integrated technology framework enables the users to bank digitally,

thereby enhancing customer delight and saving the cost and time of our customers.

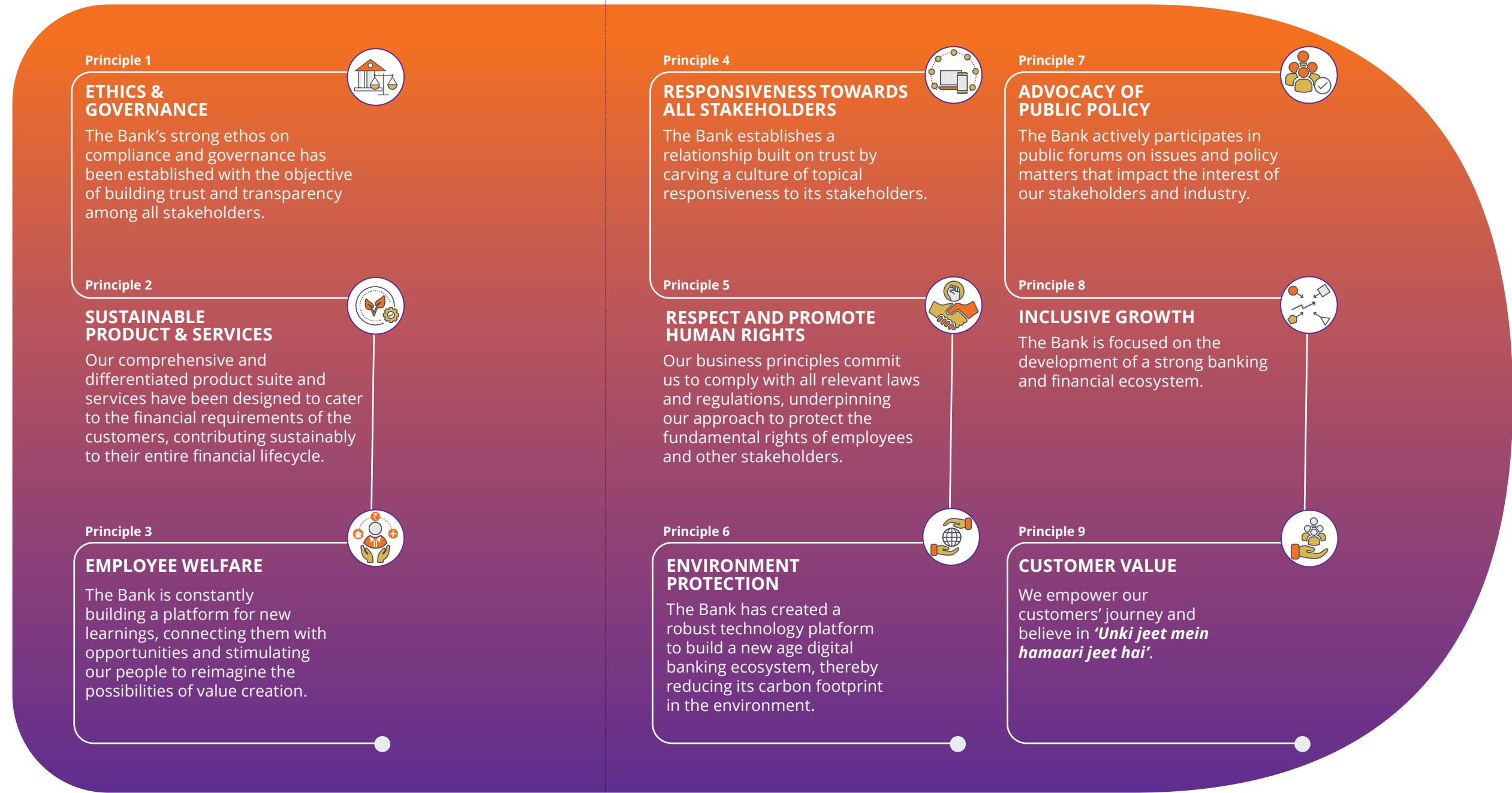
The reporting framework used in this report is based on the 9 Principles of 'National

Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs)' released by the Ministry of Corporate Affairs, Government of India, in July 2011, the disclosures made under this

report provide transparent and relevant information on the Bank's efforts and performance against the principles of Business Responsibility as stipulated in Regulation 34(2)(f) of The Securities and Exchange Board

of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, covering topics across environment, social, governance, and stakeholder perspective. It is intended to transparently

disclose our performance based on the principles provided in the NVGs and is meant for all our stakeholders.



Social impact

Corporate Social Responsibility Initiatives



USHERING IN THE CHANGE WE WISH TO SEE

Over the years, AU Bank has gained prominence as a trusted and responsible banking institution. However, our responsibilities extend much beyond banking. AU Foundation, under the umbrella of AU Bank, is moving relentlessly in the pursuit of social development and upliftment.

'The future of business as well as societal progress are intertwined, and one cannot succeed at the cost of the other'.

AU Foundation, with its firm conviction of sustainable development, focused on building a platform for underprivileged and unserved people to fulfil their aspirations through its CSR initiatives. It seeks to improve the life and livelihood of people and bring out visible transformation.

We have developed several community upliftment programmes and livelihood projects with requisite intervention, after understanding the requirements, aspirations and expectations of the communities.

Our penetration areas are broadly classified under:

- AU Udyogini – Empowering Women Entrepreneurship
- AU Skills Academy – Empowering Self-Reliance
- Sports for Development – Making a Healthier India
- Financial and Digital Literacy Initiative – Empowering with Financial Knowledge and Wisdom

Livelihood enhancement

Our core business philosophy has always been to serve the underserved. Our livelihood enhancement programmes take this tenet of AU Bank's purpose ahead and guide community members to create a better life for themselves. We run two different programmes — AU Skills Academy and AU Udyogini — to deliver growth opportunities to rural, semi-urban and urban areas focussed on the marginalised communities.

638

Youths trained in AU Skills Academy

AU Skills Academy

Skilled human resource is the asset of a nation.

At AU Skills Academy, we offer vocational skilling programmes to the youth from needy backgrounds.

Through these programmes, AU Skills Academy follows a holistic approach and emphasises on polishing soft skills covering communication, presentation, leadership, teamwork, language proficiency and personality development.



The programme trains aspiring youths to be ready for work in the daunting environment of different industries in diversified roles including Customer Relationship Management (CRM), Office Assistant, Retail Sales Associate, Food & Beverages and in the Hospitality & Tourism sector. During the year,

we have trained 638 youngsters, and most of them are suitably placed. We further incorporated the following action points for strengthening these initiatives:

- Launched the alumni club to create a network of ex-trainees with placements

- Felicitated outstanding trainees
- Standardised mobilisation process to reduce human bias and intervention



AU Udyogini
AU Udyogini, a livelihood and women empowerment initiative of AU Foundation, operates with the objective of transforming and empowering rural women into village-level entrepreneurs with a sustainable business model. The programme trains groups of rural and semi-urban women with income/employment generation skills, including multiple soft

skills and business skills, along with backward and forward market linkages, procurement of raw materials and selling of the finished product.

During FY 2019-20, we supported three projects under this initiative and empowered 330+ women.

330+
Total Women trained under AU Udyogini

THE POWER OF UNRESTRAINED DETERMINATION...

“Becoming a bread earner for my family, was never a choice, but a compelling circumstance,” – says Champa Devi a woman in her mid-forties, living in the hinterland of Jobner, a suburban area of Jaipur city.

Champa Devi, began earning a living when her husband was diagnosed with a fatal disease.

She started working as a wage labourer in agriculture fields in the vicinity. Survival with this meagre income from labour work was difficult as she was unable to satisfy the needs of her family.

She was always on the lookout for multiple sources of livelihood to build a better future for her family. Her eyes lit up with aspirations when she heard about the AU Udyogini programme. She joined the programme and has since, shown zeal in becoming a part of the Food Processing and Masala Making unit, besides learning the art of selling her products at better prices.

AU Udyogini helped her to recognise her true abilities and sharpen her skills to fly high.

Within a short span of time, she moved up the ladder and became a team leader of the group, scaling new heights every day. She has also learnt leadership skills and motivates other women around her to join her team.

Today, Champa Devi is the co-owner of her masala brand, **Maa Annapurna Masala** with a motto of selling the purest and finest spice mixes, without compromising on quality.

In her words, “Customer health is our utmost priority and hence we only sell quality products. The trust of customers always comes with the time and efforts we put in, to serve them with the highest quality products. Money will come eventually.”

She is now an inspiration to several other women in her community.



Financial and digital literacy

As a Small Finance Bank (SFB), our objective has always been to build a strong banking and financial ecosystem that caters to the unbanked and unserved, with easy access to credit and banking services. Over the years, we have served the needs of the underbanked and marginalised segments of the society — small and marginal farmers, micro and small industries, and the unorganised sector.

These associations pointed out the lack of financial literacy among certain strata of the society, which hinders the adoption of formal financial services. Remedying the situation, the Bank conducted programmes for imparting financial literacy and education as a mode of creating awareness about banking products, government schemes, insurance and pensions etc.

We follow a unique creative model of *Nukkad Natak* (Street Play) to reach

Sports for development

Sports is associated with improvements in health, cognitive processes, sociability, productivity and quality of human life. Sports are crucial in the overall development of children as it helps in learning life lessons on discipline, team handling, and co-ordination, inculcating team-spiritedness, besides building strategies and developing leadership qualities among others.

At AU Foundation, we initiate multi-faceted sports intervention programmes that encourage youngsters to take up sports and coach them for state and national level participation.

“A community that plays together, stays together because it knows ways to win any challenge that life throws at them.”

out to our target audience, primarily to farmers, workers, school/college students, women, Self-Help Groups (SHGs) both in urban and rural populations. With our expertise, we have made the sessions more interesting by adding animated videos for delivering the right messages in their local dialects.



We promote team sports like football and basketball through our 19 sports development centres at five different districts. These centres help the athletes to learn skills and discipline, increase endurance and



During the year, we conducted 1,767 financial and digital literacy camps in more than 82 districts of 6 states (Rajasthan, Gujarat, Madhya Pradesh, Maharashtra, Haryana and Punjab), reaching out to nearly 3 lakh people.

3 lakh

people reach through various financial and digital literacy programmes

agility, and build general awareness about current affairs and sports. Our sports programme, 'Khel-Khel Mein' benefited over 3,300 children during FY 2019-20.

Financial Inclusion

Global Findex database of the World Bank 2017, reported that globally 1.7 billion adults lack an account, and approximately 31% people do not have a bank account and are totally excluded from mainstream financial services and products. Access to affordable financial services is an ultimate tool for overcoming poverty and minimising income inequalities, and hence the role of financial inclusion becomes significant.

Relatively speaking, India has been one of the bright spots in an otherwise lacklustre global economy. As we move ahead, the near-term growth outlook especially for discretionary spends is sluggish. However, India's favourable demographics, continuing policy reforms, significantly better Current Account Deficit (position 0.2% of GDP for Q3 FY20), and improved banking and corporate balance sheets augur well for its medium - to long-term growth prospects.

At AU Bank, we are committed in bringing more and more unbanked and underbanked people under the ambit of formal banking channels by addressing and offering adequate and timely solutions to break the shackles of exclusion.

Our market insights and greater penetration in rural and semi-urban areas enable us to build the right platform for financial inclusion. Over the years, our approach of personalised touch, assessing customers more on their behaviour and offering them customised lending products to suit their needs, have enabled us to reach out to over one and a half million people to fulfil their dreams.

The RBI has formulated the National Strategy of Financial Inclusion, defining its objectives with the vision of ensuring access to an array of basic formal financial services to all the sections of society. AU Bank has designed its programme structure revolving around these key objectives.

UNIVERSAL ACCESS TO FINANCIAL SERVICES

ACCESS TO LIVELIHOOD AND SKILL DEVELOPMENT

CUSTOMER PROTECTION AND GRIEVANCE REDRESSAL

ENSURING BASIC BOUQUET OF FINANCIAL SERVICES

FINANCIAL LITERACY AND EDUCATION

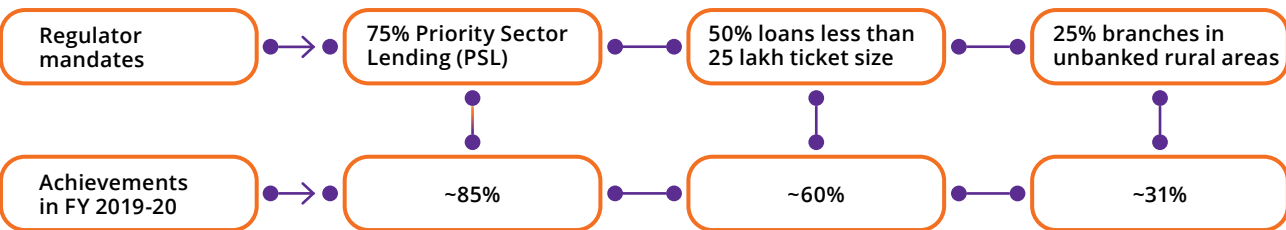
EFFECTIVE CO-ORDINATION AMONG STAKE HOLDERS

www.aubank.in/financial-inclusion





AU Bank Financial Inclusion (FI) objectives and achievements



KEY HIGHLIGHTS, FY 2019-20

₹ 2,857 crore
MUDRA# disbursements

~80,303
BSBD^ Accounts, Cumulative numbers as on 31st March 2020.

~₹19 crore
Disbursed Under PMEGP*

~₹ 4,098 crore
Deposits collected in semi-urban, rural and UBR

#Micro Units Development & Refinance Agency Ltd. | ^Basic Savings Bank Deposit Accounts | *Pradhan Mantri Employment Generation Programme

Where everyone banks

Inclusive banking remains a challenge in India. Our financial inclusion programmes focus on increasing access of formal banking services to benefit small and marginal farmers, economically weaker sections, micro, small & medium sized enterprises & business owners.

50%

of retail asset customers are self employed

57%

of liability customers are self employed

Priority sector lending

As per RBI, the sectors which are important for our country's development - agriculture, Micro Small & Medium Enterprises, education, housing, exports, social infrastructure, renewable energy etc. - come under the ambit of priority sector lending.

As a Small Finance Bank, we continue to abide and focus on extending credit to these priority sectors.

We at AU, always choose to serve the unserved and underserved sections of the society, with no formal document for income

proof and no document to prove the intention of borrower for graduating to the next level.

"We came into existence to serve the unserved & underserved. Lending to the priority sector is embedded in our design."

Our target customers include low and middle-income individuals and credit-worthy micro/small enterprises that possess business potential, but are unable to avail financing from formal channels viz. drivers, small transport operators, kirana and general stores, carpenters, textiles, hardware and electrical shops, furniture works, fabrication units, flour mills, educational institutes, healthcare institutions, and various other small manufacturers and traders.

~22%

Priority Sector Lending under Agriculture & Agri-Allied activities

₹ 64 crore

Disbursed under CGTMSE* Scheme

₹ 23 crore

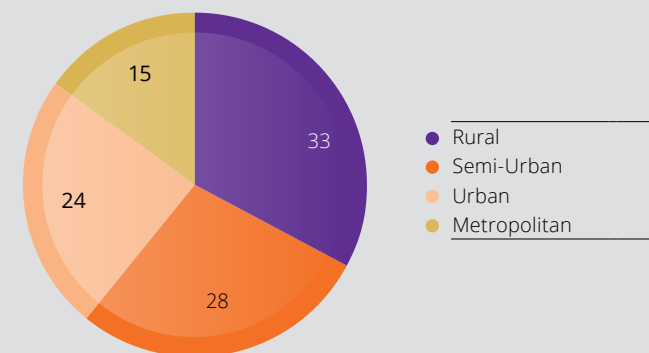
Transferred under PMAY-CLSS^

#Credit Guarantee for Micro & Small Enterprises ^Pradhan Mantri Aawas Yojna - Credit Linked Subsidy Scheme

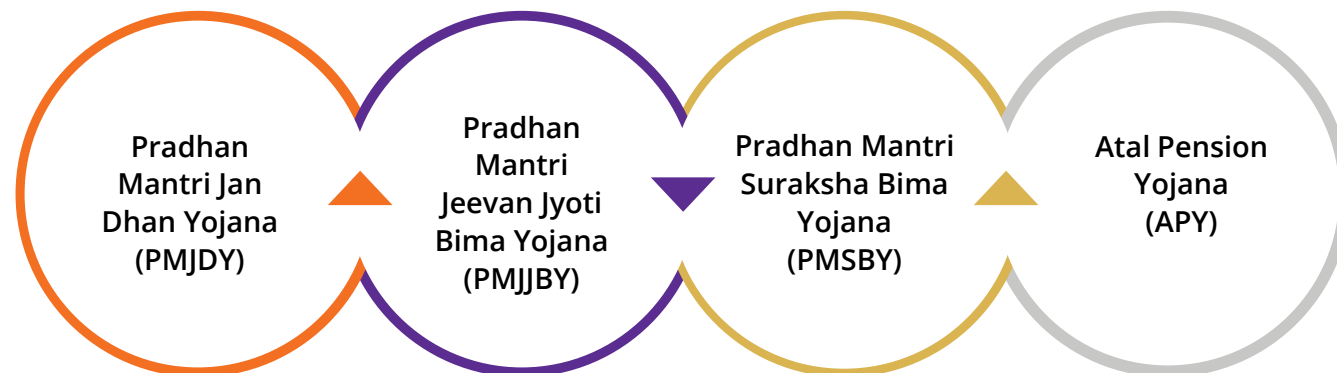
Covering across geographies

We serve in geographies across the spectrum - from Tier-I to Tier-VI centers, in metropolitan, urban, semi-urban and rural/unbanked rural (UBR) areas, through our 528 Bank branches, of which 164 are in UBR regions.

Region-wise Branch Distribution (%)



TO ADDRESS THE NEEDS OF LOW INCOME GROUPS, WE ALSO DRIVE GOVERNMENT OF INDIA'S INITIATIVES



Financial literacy and education

Financial inclusion and financial literacy are two important elements in the developmental role of the Bank in banking the unbanked. In order to spread financial literacy and education, the RBI has developed and shared awareness content on financial

products and services, good financial practices, going digital and consumer protection with different stakeholders. RBI encourages digital financial literacy initiatives in rural areas.

During the year, we conducted several financial literacy and

education camps, and created awareness on various banking habits like the importance of saving, introduction of various deposit products, importance of KYC, Social Security Schemes, insurance and consumer protection while going digital.



Driving financial inclusion through technology

Our TAB-based banking, ‘paperless onboarding’ of customers, eKYC with support of AePS (Aadhar Enabled Payment System) technology are redefining customer experience.

“Our digital interventions with a re-engineered approach, testify the intent to simplify banking, by eliminating unnecessary steps and enabling smooth onboarding of the customer’s journey.”

Our doorstep banking, tab banking, AU Abhi, WhatsApp Savings Account, Chatbot, Tax Payment from Branches, Missed Call Banking, Internet Banking and Mobile Banking — all come together to enhance one’s visualisation of how technology is transforming banking and augmenting customer ease.

REACHING THE LAST MILE

We have established a robust network of Banking Outlets in the unbanked rural areas and Business Correspondents to extend banking services to the remotest areas. These, technology-enabled outlets provide all basic banking

services remotely with a handheld device (TAB), such as opening of accounts through eKYC, facility of cash deposit, withdrawal and remittances, insurances and pension.

The AePS enabled devices allow customers to carry out interoperable financial transactions using the Aadhar with customer’s biometric authentication.



EMPOWERING FARMERS

₹ 2,723.46 crore

Disbursed under Agri Portfolio in FY 2019-20

Nearly 70% of the rural population in India is dependent on agriculture and its allied activities as a source of livelihood. These people suffer from a great deal of indebtedness and are subject to exploitation in the credit market, due to high interest rates and lack of convenience of credits.

To avoid these debt traps of unorganised credit lending to the agriculture sector, AU Bank has developed a conduit of products that meet the credit needs of agriculture and its allied activities.

The Bank, besides not limiting its services in extending credit for farm-based activities, has also achieved discernible progress in developing the product to satiate the credit need of the entire agri value chain.

We categorised our products under Agriculture Funding into three major pillars:

- Farm Based Activities (Land Based Activities & Agri-Allied Activities)
- Agriculture Infrastructures
- Ancillary Activities/ Agri Enterprises

In Farm based activities, we have unrestrained funding for purchase of Agri-Equipment like tractors and to Agri Allied activities like dairy, bee keeping, poultry, fisheries, etc. In FY 2019-20, we have funded ₹ 769.93 crore under Farm Based Activities, reaching out to 19,827 beneficiaries.

Majority of the farmers engaged in agricultural activities in India, are small and marginal, considered most vulnerable in terms of accessing the formal financial system to meet their funding needs. The upliftment of the sector is possible by injecting adequate amount of credit to support these small and marginal farmers. In FY 2019-20, we have funded ₹ 1,270.21 crore to small and marginal farmers.

The Bank intends to build a conducive environment for funding to the agricultural sector and its allied activities. Hence the Bank has adopted a prudent strategy in extending credit facility for setting up of Agri-Infrastructure

to support a strong network of forward linkages of farm produce. We endeavour to provide both term as well as overdraft facility by funding for Agri-Infra creation like the construction of warehouses, godowns, cold storages, market yards, etc. for storing agricultural produce.

The Food and Agro Processing sector is one of the most critical links in the entire Agri value chain. Agri Ancillary activities include loans to high-tech horticulture projects, food and agro processing units, etc. To fulfill the credit appetite of the Food and Agro Processing sector, the Bank offers wide range of working capital products. We have extended our support by funding 1,723 cases, with ₹ 178.91 crore in Agri Ancillary activities.

The Bank has also funded in other Agriculture activities with disbursement of ₹ 485.64 crore in FY 2019-20.

We are thrilled to be seamlessly fulfilling the credit needs of several such farmers, and be a part of their success stories.

Environmental Impact

As a financial services provider operating in a developing economy, we are keenly aware of the seriousness and urgency of climate change. In response, we have incorporated environmentally oriented measures into a range of bank operations, lending, products, and services to enable the transition toward a low carbon measure. We have policies and processes in place for reducing energy usage and minimising our environmental footprint. Our efforts also focus on reducing waste, harnessing renewable energy through installed solar panel in the office premises, reducing electricity consumption, savings in paper usage.



Reducing our carbon footprint

Conservation of Energy

AU Bank endeavours to improve energy efficiency and systematically manage energy use throughout its operations. Some of the key initiatives undertaken to drive energy efficiency are:

- Installing a BTU Meter in the chilled water system for air conditioning at our Head Office to reduce the consumption of energy
- Designing and planning the ecosystem to maximise the use of day-light in office premises and use of energy efficient LED Lights in our offices & Branches
- Installing Energy Star appliances to meet the Environmental Safeguard Agency's (ESA) Power Star advisory for minimal electricity usage
- Optimising the use of energy by installing a solar panel at our head office for reduction in carbon footprint
- Planting more than 1,000 trees in FY 2019-20 to neutralise impact of the carbon footprint

Advanced Setting Power Use Interface

The Bank implemented the latest Operating Systems and is working on setting up of the Advanced Settings Power Use Interface (ACPI) enabled devices. During FY 2019-20, we have saved nearly **59,20,000 kWh** electricity using **13,200 ACPI** enabled devices.

Reduction in Consumption of Fuel

- The Bank understands the criticality of environmental challenges and the benefits of transitioning towards a low carbon economy. We have setup lithium ion batteries/ invertors in our branches in place of DG sets, saving the use of diesel and reducing emission of CO₂ in the environment.



- We have encouraged our customer to use our digital channel of banking like net banking, mobile banking, UPI etc. for financial and non-financial transactions to promote ease of banking, save consumption of fuel as well as reduce travel time and expenses of customers

Virtualised Info Centre

Server virtualisation allows the business to migrate data from physical servers to software based virtual machines, which can hold data equivalent to that held on many physical servers. This remains the most effective way for the Bank to reduce energy consumption while boosting system efficiency and agility. We have saved nearly **82,05,000 kWh** of energy by virtualising the **1,094 servers** in FY 2019-20.

Energy Management

Electrical and electronic equipment contain different hazardous materials, harmful to human health and environment, if not disposed carefully. The e-waste generated, is disposed through authorised recyclers. A total of **2.95 tonnes** of e-waste was disposed in FY 2019-20.

Our approach of reusing electronic devices like laptops/desktops is also an important focus area in energy management.

Technology Absorption

The Bank witnessed a strong growth in adoption of TAB-based account opening, android-based mobile banking, and internet banking, thus minimising paper usage, reducing waste generation and achieving improved waste management. In FY 2019-20, we have opened **3,46,818** accounts digitally, and saved the usage of tonnes of paper.

The Bank's initiative in paperless banking for processing the loan applications of Two-Wheeler and Consumer Durables loans as well as the 'No deposit slip' policy, have significantly reduced the use of paper.

(Regulatory Disclosures as per SEBI Circular No. CIR/CFD/CMD/10/2015 in respect of Business Responsibility Report is annexed as Annexure VII to the Board's Report)

Awards and accolades

Milestone moments



Corporate Information

BOARD OF DIRECTORS

Mr. Raj Vikash Verma
Part-Time Chairman (Independent Director)

Mr. Krishan Kant Rathi
Independent Director

Ms. Jyoti Narang
Independent Director

Mr. Pushpinder Singh
Additional Director (Independent)

Mr. M S Sriram
Additional Director (Independent)

Mr. V G Kannan
Additional Director (Independent)

Mr. Narendra Ostawal
Non - Executive Director

Mr. Sanjay Agarwal
MD & CEO

Mr. Uttam Tibrewal
Whole Time Director

KEY MANAGERIAL PERSONNEL

Mr. Deepak Jain
Chief Operating Officer

Mr. Vimal Jain
Chief Financial Officer

Mr. Manmohan Parnami
Company Secretary and Compliance Officer

REGISTERED OFFICE

19A, Dhuleshwar Garden, Ajmer Road, Jaipur – 302001,
Rajasthan, India
Contact No.: 0141-4110060

HEAD OFFICE

Bank House, Mile 0, Ajmer Road, Jaipur – 302001,
Rajasthan, India
Contact No.: 0141-6660666

CORPORATE OFFICE

5th Floor, E – Wing, Kanakia Zillion, Junction of CST
Road & LBS Marg,
Kurla (West) Mumbai – 400070, Maharashtra
Contact No.: 022-62490600

STATUTORY AUDITOR

M/s S.R. Batliboi & Associate LLP
Chartered Accountants,
Golf View, Corporate Tower B, Sector 42,
Sector Road, Gurgram – 122002, Haryana

SECRETARIAL AUDITOR

M/s V.M. & Associates
Company Secretaries
403, Royal World, S.C. Road, Jaipur – 302001,
Rajasthan

 website - www.aubank.in

 mail - investorrelations@aubank.in





Management Discussion and Analysis



MACROECONOMIC OVERVIEW

For most part of the FY 2019-20, global growth was impacted by a wide set of issues including weaker trade and investment activity, elevated trade tensions, geopolitical uncertainties, and volatile crude prices. Though there was a minor pick-up in the third quarter, the overall world economic performance mostly remained subdued as the Global GDP grew ~2.9% in calendar year 2019 (source: IMF), its weakest since 2009 post the global financial crisis. The outbreak of the novel coronavirus in the fourth quarter led to the onset of a bear market with a global sell-off in equities and a sharp movement in yields. COVID-19 is expected to have major economic and socio-economic implications in the medium-term including dislocations in global production, supply chains and trade, and extreme volatility across global commodity prices.

Inflation, for most part of the year, remained benign in most advanced and emerging market economies. Given this backdrop, most central banks maintained an accommodative policy stance and undertook several policy and quantitative easing initiatives in line with the macro.

As we progress to FY 2020-21, albeit on a sombre note and under the shadow of COVID-19, governments across the world are taking numerous measures for balancing the safety and continuity lives with means of livelihood, and containment of the spread of COVID-19. The pace of recovery would be slow and gradual.

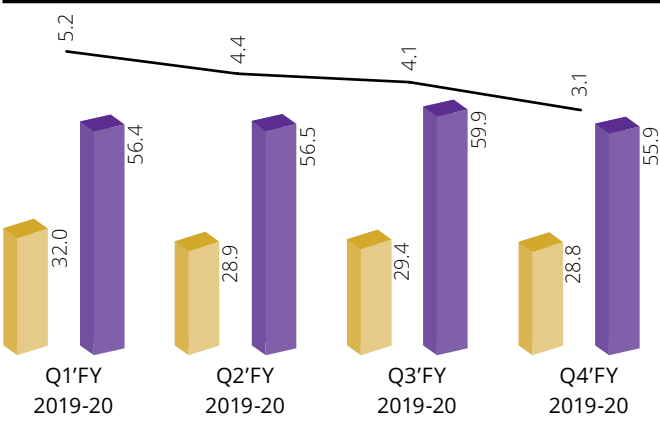
The Indian economy underwent a cyclical downturn in the last financial year with growth further slowing down in the second half. Multiple events weighed on growth in the previous fiscal including contraction in private consumption, drag in gross fixed investments, decline in manufacturing capacity utilisations, and stress in the banking and NBFC sector. However, this was partially offset by higher revenue spending by the government, reduction in current account deficit, a major cut in corporate tax rate, initiatives for easing funding, and liquidity issues in general.

The Indian government was quick to respond with its war-scale containment, relief and sustenance measures, including the imposition of a 21-day complete lockdown from 25th March 2020 and extending it with some partial relaxations.

Following the lockdown announcement, the RBI came up with its monetary policy announcement on 27th March 2020 (brought forward from early April) and announced a slew of measures aimed at improving liquidity (by announcing long-term repo operations, reducing Cash Reserve Ratio (CRR) requirements), and providing interim relief to borrowers by announcing moratorium on

EMI payments for term loans and lowering policy rates. This was followed by another announcement on 17th April 2020 which gave further relief to borrowers in terms of NPL classification forbearance, taking measures to ease liquidity for the banking system, and particularly for the Non-Banking Financial Company/Microfinance Institutions (NBFCs/NBFC-MFIs).

GDP growth trends



● Gross Fixed Capital Formation as % of GDP
● Private final consumption expenditure as % of GDP
— India GDP Growth Y-o-Y

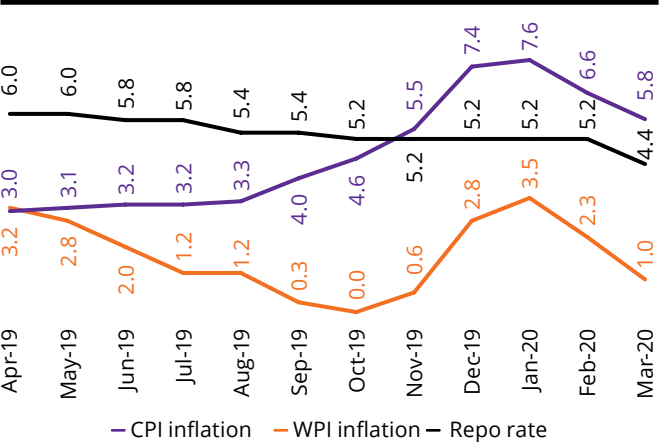
Source: PIB

During the FY 2019-20, the Index of Industrial Production (IIP) contracted by 0.7%, compared with 3.8% growth in the previous financial year. A sharp decline was seen in the capital goods (-13.7%), consumer durables (-8.4%), and construction and infrastructure (-4.0%) sectors, while primary and intermediate goods grew by 0.8% and 8.8% respectively.

Inflation, as measured by the Consumer Price Index (CPI), remained well under the RBI's medium-term target of 4.0% until September 2019. However, post September 2019, it overshot for the next five months straight to hit a six-year high of 7.6% in January 2020, before cooling off to 5.8% in March 2020. Overall, for most part of the previous year, CPI inflation was primarily driven by elevated prices of food and vegetables. Wholesale Price Index (WPI) inflation too remained in low single digits in FY 2019-20.

The RBI made four consecutive cuts in its policy rates before holding the rates in October 2019, following the CPI inflation spike. RBI went back to its accommodative stance in February 2020 as a measure to support economic growth and maintained the stance in March 2020, post the COVID-19 outbreak.

Policy actions and inflation trends



Source: RBI

The Indian rupee (₹) remained weak for most part of the year and hit an all-time low against the US dollar (USD) owing to improving US yields, weak domestic fundamentals and outflows from domestic markets.

Despite the weak near-term outlook, the outbreak of COVID-19 presents an opportunity for India to emerge as a credible manufacturing alternative. India's long-term economic fundamentals remain intact with favourable demographics, continuing policy reforms, significantly better Current Account Deficit (position 0.2% of GDP for Q3 FY2019-20), and improved banking and corporate balance sheet positions. Moreover, a prolonged fall in crude prices could further boost India's current account balance.

INDIAN BANKING INDUSTRY

For the near-term including FY 2020-21, recovery is expected to be gradual and is likely to be significantly

Credit and deposit trends

	Y-o-Y growth (%)			
	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20
Aggregate deposits	10.1	10.1	10.0	9.5
Bank credit	11.7	8.9	7.4	6.4
Credit-deposit ratio	76.7	75.6	75.7	76.0
Small Finance Banks				
Aggregate deposits	104.3	131.9	96.3	66.7
Bank credit	81.8	104.0	72.5	57.6
Private Sector banks				
Aggregate deposits	16.3	16.9	14.0	10.4
Bank credit	17.5	14.4	13.1	9.3
Public Sector Banks				
Aggregate deposits	6.7	6.6	7.8	8.2
Bank credit	8.7	5.2	3.7	4.2

Source: RBI

influenced by the trajectory of COVID-19, and the growth outlook for the Indian Economy which is bleak for FY2021.

The Indian banking industry faced multiple challenges through the year – a slowing macro, adverse events related to specific financial institutions, which threatened the overall stability of the financial system, fresh sources of corporate stress, and the more recent jolt from the COVID-19 pandemic.

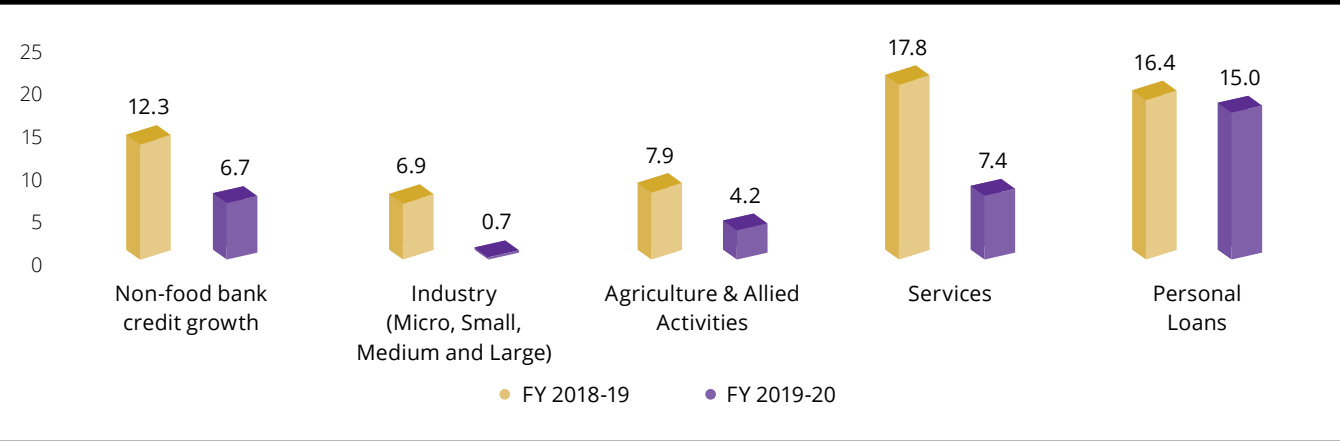
Policy responses to the challenges mentioned above led to key measures in banking regulations to boost growth, better financial system stability, and improve monetary policy transmission. Some notable measures with a more durable impact, in our view, include 1) reducing risk weights for retail loans (excluding credit card loans) from 125% to 100%, 2) making it mandatory for banks to link all new floating rate personal or retail loans, and floating rate loans to Micro, Small and Medium Enterprises (MSMEs) to an external benchmark, 3) introducing Liquidity Coverage Ratio (LCR) requirements for NBFCs, 4) increasing the deposit insurance amount from ₹ 1 lakh to ₹ 5 lakh. To tackle more near-term challenges, several measures such as temporary and partial exemption of CRR requirements, relaxation of Non-Performing Loans (NPL) recognition in MSME and real estate sectors, and Long-Term Repo Operation (LTROs) were implemented. Moreover, restructuring of a private bank and the Reserve Bank of India's (RBI's) regular reiteration on safety of deposits with private sector banks, were other notable initiatives.

These measures notwithstanding, the credit growth of scheduled commercial banks declined to 6.4% in March 2020 as against 13.1% in March 2019 as non retail growth remained lacklustre and retail lending remained the key driver.



Sector-wise credit Y-o-Y growth

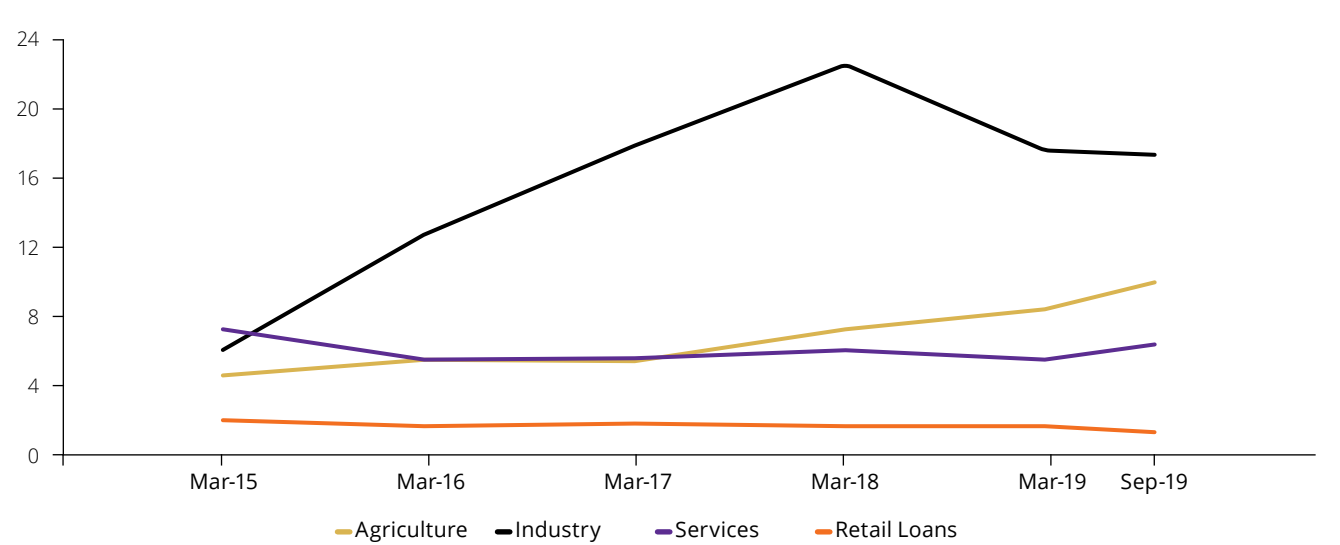
(%)



Source: RBI

GNPA Ratio of major sectors

(%)



Source: RBI

However, if we look closer into banking system credit growth trends, we observe that credit growth was significantly muted in metros and urban (partly due to deceleration in corporate credit), while semi-urban and rural grew at a faster clip. Similarly, even though the progress of the banking system has been anaemic, private banks (including SFBs), continued to gain market share and grow in double digits. Further, the upcoming PSU banks consolidation could create more opportunities for market share gains by private banks.

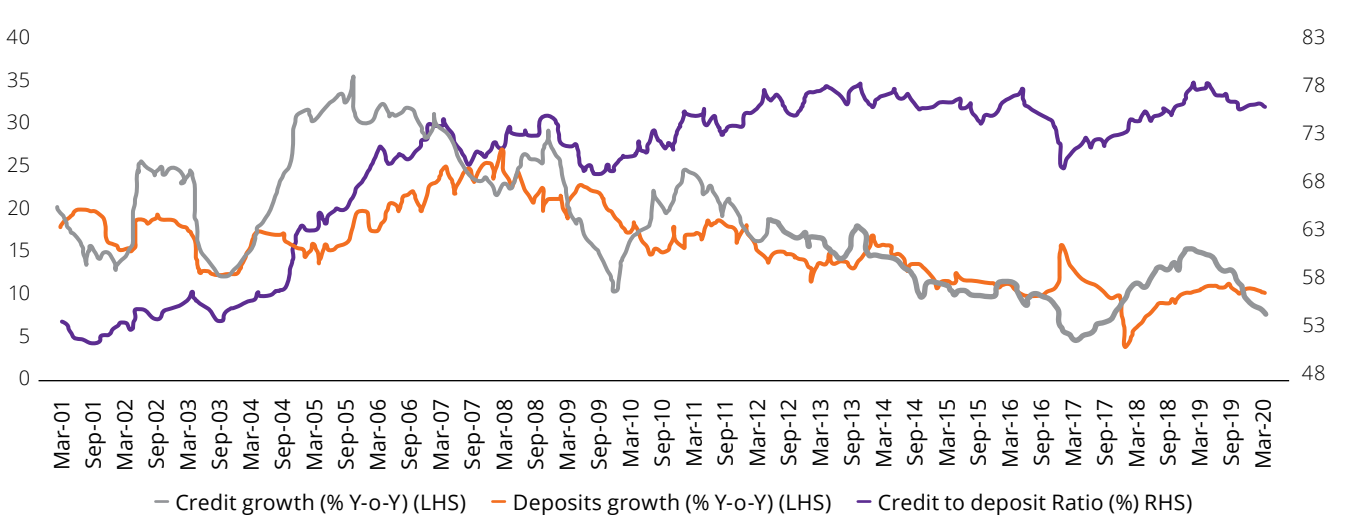


Demography-wise credit and deposit trends for the banking system

	June 2019	September 2019	December 2019	March 2020
Annual Growth Rates (%)				
Aggregate Deposits	10.1	10.1	10.0	9.5
Bank Credit	11.7	8.9	7.4	6.4
Population Group Annual Growth Rates (%)				
Rural				
Aggregate Deposits	11.5	12.1	12.8	15.5
Bank Credit	13.8	14.8	13.0	11.5
Semi-urban				
Aggregate Deposits	10.2	11.2	11.4	12.3
Bank Credit	12.3	12.3	11.1	8.4
Urban				
Aggregate Deposits	9.6	10.7	11.2	10.5
Bank Credit	10.9	9.9	9.9	8.8
Metropolitan				
Aggregate Deposits	10.0	9.0	8.5	6.9
Bank Credit	11.5	7.2	5.3	4.8

Source: RBI

Credit and Deposit trends for the banking system



Source: RBI

Key measures for the financial sector in the Indian Budget

Proposals	Impact on sectors
Increased deposit insurance coverage from the current ₹ 1 lakh to ₹ 5 lakh per depositor	Positive for overall stability of banking system and positive for SFBs at the margin
Extended tax holiday by one year to 31 st March 2021 for affordable housing projects. Tax holiday is provided on the profits earned by developers of affordable housing projects	Beneficial for affordable housing finance segment
Extended MSME restructuring scheme. The extant scheme for restructuring of MSME loans was up to 31 st March 2020, which would get extended to 31 st March 2021	Provides interim relief to struggling MSMEs, which have been impacted by the slowdown in economic activity and ongoing reforms



Proposals	Impact on sectors
Lowered personal income tax rates for income up to ₹ 15 lakh, but individuals opting for this regime will need to forego most of the exemptions available to them. Exemption for Housing Rent Allowance (HRA), interest on housing loans has also been removed	May have adverse impact on housing sales, which in turn could impact demand for housing loans. Further, cross-sell fee on sale of insurance could come under pressure due to potentially lower demand for these products for the purpose of savings
Undertook measures to improve regulatory framework for NBFCs, which included widening scope for debt recovery for NBFCs, as well as partial credit guarantee scheme for the NBFCs	Beneficial for NBFCs struggling to obtain liquidity, as well as for their collection mechanism

Following the outbreak of COVID-19 and the ensuing lockdown, the Reserve Bank of India (RBI) came with several measures including – repo rate cut by 75bps, widening of the policy rate corridor, liquidity infusion, and providing regulatory forbearance. Further, it announced a three-month repayment moratorium for all outstanding term loans, as on 29th February 2020. A deferment of interest to be paid on outstanding working capital loans (cash-credit/overdraft) as on 29th February 2020 for three months, was also announced. Further, for moratorium granted for overdue term loans and working capital, facilities which were overdue but standard as on 29th February, the moratorium period shall be excluded by lending institutions from the number of days for the purpose of asset classification under the Income Recognition and Asset Classification Norms (IRAC norms). These should significantly alleviate pressures of borrowers, whose repayment ability could be impaired by the lockdown. Overall, RBI's measures including those relating to Targeted Long Term Repo Operations (TLTROs), CRR and Marginal Standing Facility (MSF) will inject total liquidity of over ₹ 3.5 trillion into the system. The CRR cut will also marginally help bank profitability.

On the fiscal side, the Indian government announced several welfare measures including cash transfers, measures on food security, free cooking gas to the poor, and insurance cover of ₹ 50 lakh to healthcare workers. Going forward, more fiscal measures are likely to be announced depending on how the situation evolves.

Outlook

Given the macro uncertainties, RBI abstained from providing any GDP growth estimates for FY 20-21 in its March 2020 monetary policy announcement. Overall, the outlook for FY 2020-21 remains uncertain as the full extent of the COVID-19 impact is yet to be ascertained.

We believe the government's 21-day country-wide lockdown imposition was an assessed step. Further, in our view, the responsibility of fighting the pandemic and mitigating its fallout should be collectively shared by everyone, including corporates, banks, Financial

Institutions (FIs) under the guidance of the RBI and the Government of India, to avoid any long-term negative impact on the Indian economy.

SMALL FINANCE BANKS

Small Finance Banks (SFBs) had been introduced by the RBI with the intent of driving financial inclusion for the unbanked and under-banked sections of the economy. In their three years of existence, SFBs have made their presence felt, growing their market share in both loans and deposits.

SFBs: Growing prominence

Particulars	(Share as % of total)	
	March 2019	March 2020
Deposit	0.3	0.5
Credit	0.6	0.9
Reporting offices	1.5	2.8

Source: RBI

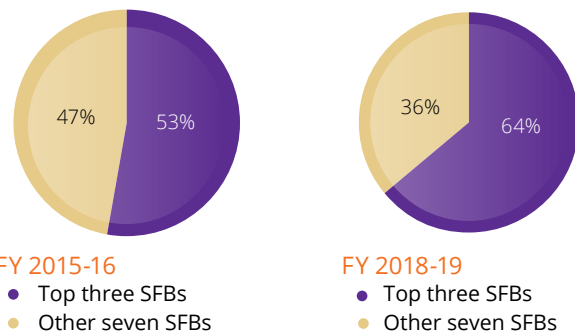
We believe these early trends are encouraging and further testimony to the significant untapped opportunities in the informal/semi-formal sectors, and efficacy of this delivery model for financial services for the underserved segments. This is further vindicated by the fact that RBI introduced on-tap licensing guidelines for SFBs during FY 2019-20.

In terms of outlook, we believe there remains significant scope for growth in several underserved segments. Further, as branches mature and visibility for the SFBs improves, benefits from improving operating leverage will improve core profitability, going ahead.

Growth trajectory for SFBs

SFBs have been gaining market share in loans and grew at a CAGR of 26% from FY 2015-16 to FY 2018-19, and should continue to gain the market share in the medium term. Notably, share of top three SFBs (AU Bank being one of them) increased between FY 2015-16 to FY 2018-19 within total SFB AUM as they recorded a CAGR of 34% for the period.

SFBs - Market share split evolution



Performance of key sectors

Wheels loans

India is one of the largest automobile markets in the world. The sector contributes about 7.5% of India's GDP and employs, directly and indirectly, ~3.7 crore people, while continuing to present a significant opportunity for financiers.

The vehicle loans market stood at ₹ 4.4 trillion, growing at 10.3% Y-o-Y as on 30th September 2019, though origination volumes and balances declined on the back of tepid demand. Despite the ongoing slowdown in vehicle sales, the structural growth outlook remains intact as vehicle sales are likely to benefit from relatively low car penetration, emerging demographic dividend, increasing urbanisation and nuclearisation, rising incomes levels, and consumption.

Furthermore, opportunities are opening up as the industry evolves. In recent years, the vehicle financing business has expanded beyond the traditional core segment of new vehicles to the used vehicles and refinance as well. This has been driven by increasing formalisation in the used car space and deeper and wider proliferation of credit bureau scores. In the past few years, we have witnessed a significant roll out of new 'used vehicle' dealerships by Original Equipment Manufacturers (OEMs), emergence of well-funded online used car dealers offering certification, and ease of registration transfer and financing.

The key trends in both new and used vehicle segments are briefly discussed here under:

New vehicles

Particulars	(in Units)						5-year CAGR
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	
All vehicles including two-wheelers	19,724,371	20,468,971	21,863,281	24,981,312	26,266,179	21,547,552	2%
Y-o-Y growth		4%	7%	14%	5%	-18%	

Particulars	(in Units)						5-year CAGR
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	
All vehicles excluding two-wheelers	3,748,810	4,013,120	4,273,543	4,781,195	5,086,332	4,129,936	2%
Y-o-Y growth		7%	6%	12%	6%	-19%	
Passenger Vehicle (PVs)	2,601,236	2,789,208	3,047,582	3,288,581	3,377,389	2,775,679	1%
Y-o-Y growth		7%	9%	8%	3%	-18%	
Commercial Vehicle (CVs)	614,948	685,704	714,082	856,916	1,007,311	717,688	3%
Y-o-Y growth		12%	4%	20%	18%	-29%	
Three-wheelers	532,626	538,208	511,879	635,698	701,632	636,569	4%
Y-o-Y growth		1%	-5%	24%	10%	-9%	

Source: SIAM

The sharp decline partly reflects the impact of demand moderation (exacerbated by the outbreak of COVID in March 2020), liquidity crunch for some lenders, and inventory de-stocking by dealers on the back of transition to BS-VI.

It is expected that post COVID-19 lockdown there could be an increase in demand for vehicles arising from preference

for personal mobility versus public transport. Besides this, factors like favourable demographics with a growing middle class and young population, improved road infrastructure, Goods and Services Tax (GST) implementation paving the way for bigger warehouses, increased e-tailing, last-mile delivery opportunities and pent-up demand following migration to newer emission standards, will continue to drive growth for this segment.

Projected growth in disbursements*

Category	(in ₹ billion)		
	FY 2018-19	FY 2023-24	CAGR FY 2019-24
Passenger vehicles	1,012	1,486	7-9%
Commercial vehicles	820	1,133	6-8%
Three wheelers	302	496	10-12%
Two wheelers	104	142	5-7%

Source: Crisil Research, Retail Finance – Auto November 2019 | *The growth projections were forecasted prior to COVID -19

With reference to the medium-term estimates mentioned above, it is important to note that they may be revised downward as they were forecasted prior to the COVID-19 outbreak. However, structural growth drivers (which include relatively low penetration of vehicle ownership, favourable demographics, and increasing disposable income) remain intact and should play out in the medium to long term.

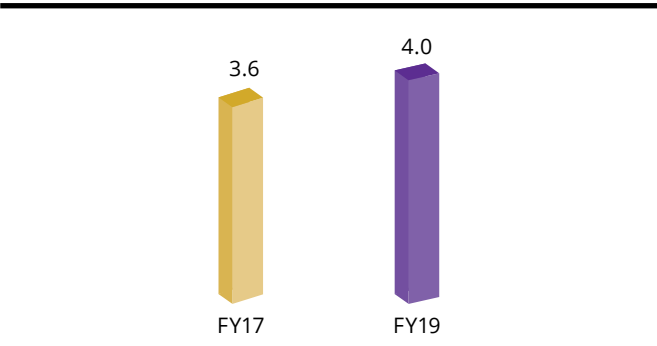


Used Vehicles – Cars

The Indian used car market was valued at USD 24.2 billion in 2019, with the pre-owned car market rapidly evolving in recent years. As per the Indian Blue book, it crossed the 4-million-unit mark and stood at 1.2x the size of new car market. The industry has been seeing increased investments across the value chain, from procurement to retail. This has resulted in a shift in market composition where the organised channel of the pre-owned car market almost doubled its share from 10% to 18%, between FY 2010-11 and FY 2018-19.

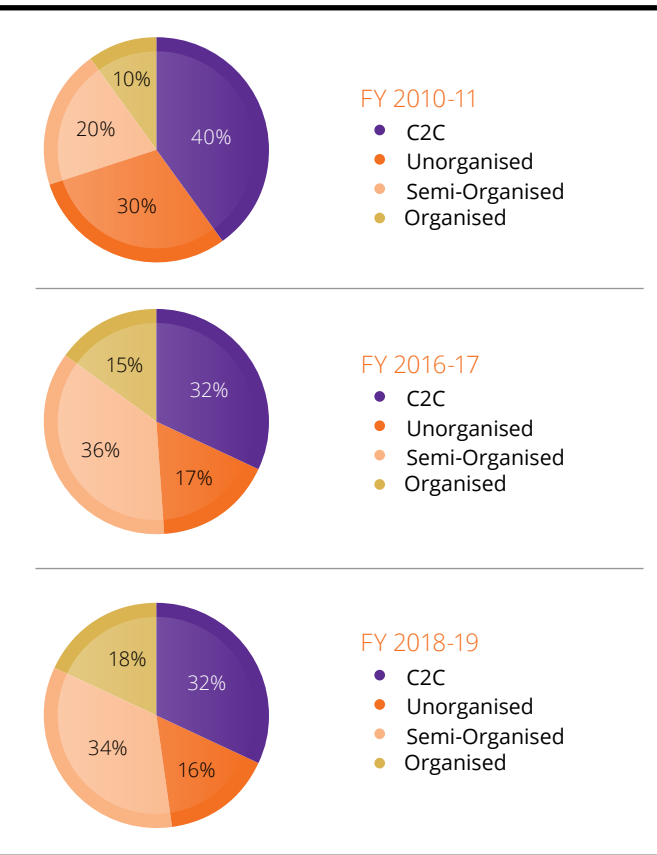


Pre-owned car market



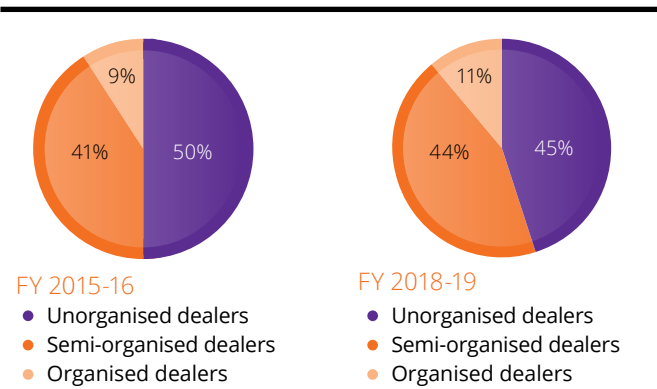
Source: Indian bluebook

Evolution of pre-owned car market in India



Source: Indian bluebook

Types of dealers across India – organised dealers' presence in the mix has been increasing



Source: Indian bluebook

Some key growth drivers that would drive used vehicles industry growth include:

- Migration of two-wheeler owners to pre-owned car owners and increased share of value seekers
- Trickle down impact of massive investment of ₹ 5,000 crore in new-age digital companies in the previous four years
- Leasing and corporate fleet buyers are expected to grow significantly in the next couple of years. Owing to their focus on car quality, it is likely to shorten the replacement cycle for their fleets and increase supply in the used car market as well
- Emergence of online marketplaces has significantly increased options for online buyers
- Increase in total cost of ownership of new cars on account of changes in insurance cost, taxes and other such factors has increased the relative appeal for used vehicles
- Some key changes in the auto industry are creating favourable tailwinds for used cars. These include 1) transition to BS-VI from April 2020, where price differential between new and used cars is likely to grow further 2) gradual focus on reducing the production of diesel cars would also increase the demand for compact diesel cars in the used car market

Banks have significant room to grow in pre-owned cars segment, which is still at 17% (compared to 75% for new cars). The development of the organised channel for buying used vehicles also bodes well for the banks as buyers who use the organised channel can be offered pre-approved loans since majority of the transactions are below ₹ 3 lakh and the ease of finance will encourage buyers to avail loans.

MSME lending

Globally, MSMEs are regarded as the engine of equitable economic development, providing large employment opportunities in less developed regions. In India too, MSMEs have been the backbone of the Indian economy. According to the Annual Report of the Ministry of MSME of FY 2018-19, India is home to ~6.34 crore MSMEs (51% are in rural areas and more than 99% of them are categorised as micro), which cumulatively accounted for 30% of nominal GDP. These MSMEs together employ ~11.1 crore people with micro enterprises accounting for 97% of the total employment in the MSME sector.

MSME classification (as of 31st March 2020*)

Nature of activity	Micro enterprises	Small enterprises	Medium enterprises
Manufacturing – investment in plant and machinery	<= ₹ 25 lakh	> ₹ 25 lakh but <= ₹ 5 crore	> ₹ 5 crore but <= ₹ 10 crore
Services – investment in equipment	<= ₹ 10 lakh	> ₹ 10 lakh but <= ₹ 2 crore	> ₹ 2 crore but <= ₹ 5 crore

*New definition of MSME was announced in May 2020

Overview of MSMEs in India and AU Bank's focus segments

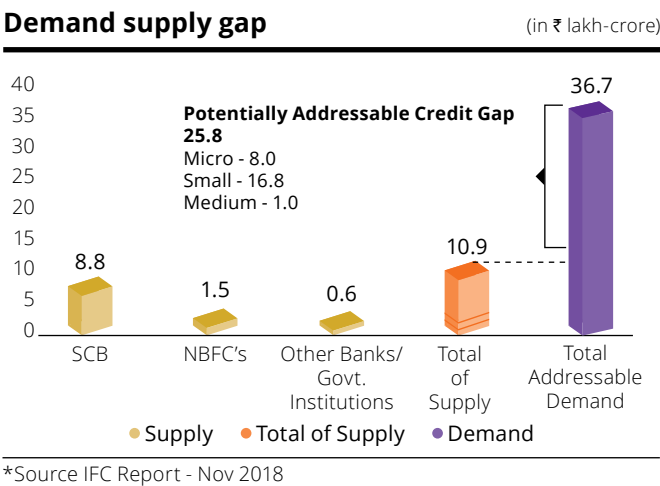
Most of the MSMEs in India are informal in nature, which makes accessing finance a challenge for them partly due to their lack of comprehensive documentation for income proof and collaterals, perceived higher risk of the segment and higher cost of delivering services from the perspective of mainstream banks. Besides, the MSMEs' informal set up also does not make it easy for them to avail government schemes, which are based on digital infrastructure and require beneficiaries to have some form of digital presence.

Credit opportunities for lenders in India's MSME space

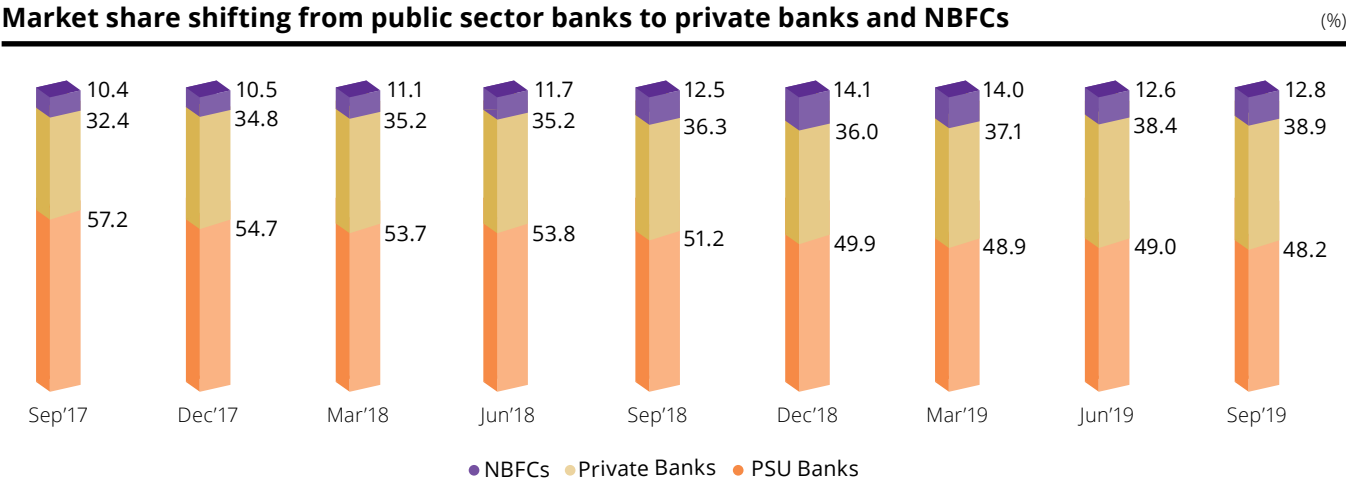
Banks/Development Institutions	Banks/SFBs/NBFCs/ Co-op Banks	Micro Finance Institutions
More than ₹ 25 Lakh • Organised sectors • Corporate entity • Organised financials • Cash flow analysis • Projects specific loans	₹ 2 Lakh - ₹ 25 Lakh • Unorganised sectors • Cash basis accounting • Composite loan requirements	Upto ₹ 2 Lakh • No financials • General need of funds

Access to credit and opportunities for AU Bank

The growth outlook for this segment is quite encouraging due to the size of the opportunity and several reforms such as implementation of GST, extension of the credit guarantee fund scheme to NBFCs and lower tax rates, which will incentivise lenders and improve transparency. These and several other focused initiatives aim to increase the sector’s contribution to GDP to over 50% as the nation aspires to be a ₹ 5 trillion economy. The opportunity size for financiers is significant – an IFC study (November 2018) pegs the addressable credit gap at ₹ 25.8 lakh crore, which is more than 2.5x the current size of formal credit to this sector, with the bulk of it in the micro and small segments.



Private banks have been growing the fastest in this segment in recent years, and of late have been gaining market share from PSU banks and NBFCs alike. AU Bank has emerged as one of the leading lenders to MSMEs since 2009 and is perceived as a trusted solution provider to the sector with strong track record in maintaining asset quality while scaling up. With average ticket size around ₹ 10-12 lakh, AU Bank has catered to only 0.11 million units as on date and has a long runway for growth in this segment.



Source: TransUnion CIBIL



Housing loans

Of India's 130 crore+ population, rural population constitutes over 60%, where there is a massive shortage of housing and further, rapid urbanisation is also increasing the demand for housing in urban areas.

The housing mortgage market, particularly the affordable housing segment, has received significant regulatory support, in terms of lower risk weights, tax exemptions, interest subventions, and incentives for developers. The Government of India has taken several measures to address this gap. Under the 'Housing for All' scheme, 60 million houses are to be built—40 million in rural areas and 20 million in urban areas by 2022—which will provide significant demand growth for the housing finance industry.

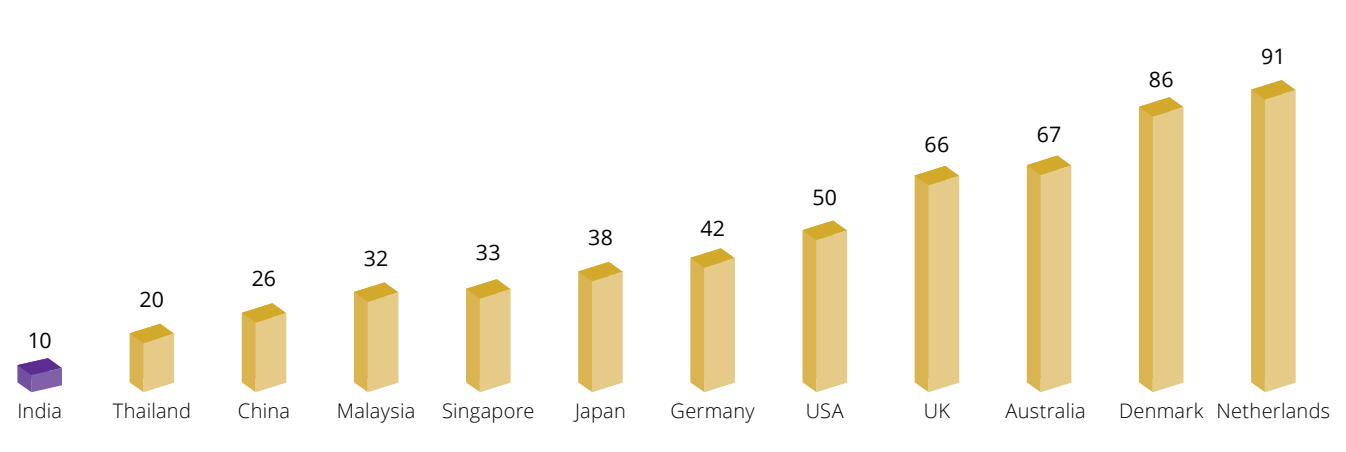
Requirement/shortage of housing units (units in lakh)

Category	Analysts estimate	Government estimate
Economically Weaker Section (EWS)	336	450
Lower Income Group (LIG)	440	500
Middle Income Group (MIG) and above	64	50
Total	840	1,000

Source: Gol, Analyst Estimates

Overall, the mortgage market in India is relatively under-penetrated compared to peers (see figure below). According to industry estimates, India's mortgage penetration stood at ~10% and is expected to reach to 14% by FY 2021-22.

Low mortgage penetration offering huge headroom for growth (mortgage as a % of nominal GDP)



Source: European Mortgage Federation, Hofinet and HDFC estimates for India

Despite the strong impetus by policymakers and the significant size of the opportunity, credit growth in home loan (including affordable housing) continued to decelerate as aspiring buyers deferred their purchase decisions given the slowing macro, and broadly stagnant housing prices. As a result, origination volumes and balances continued to decline, while delinquencies recorded a slight increase. As of Q2 FY20, housing loans stood at ₹ 19.1 trillion (~50% of consumer credit), with growth decelerating to 10% Y-o-Y from 20% in Q2 FY19. Notably, private banks have increased their market share in recent quarters and have increased focus on affordable housing. Balances originated by private banks from the affordable segment increased 14% Y-o-Y in Q2 FY20. Also, of the total volumes originated by private banks in Q2 FY20, 63.5% were from the affordable housing segment, up from 59.3% in Q2 FY19.

At AU Bank, the housing loans segment has been one of our focus areas and was re-launched in Q4 of 2018. Through our housing loan offering, we aim to help our customers in building/buying probably the most valuable and cherished asset in their lifespan, and onboard their entire family with us.

Gold loans

Gold loans are typically small ticket, short tenor loans, which offer the convenience of quick disbursements during times of emergency or meeting short-term cash flow mismatches. As of March 2019, the gold finance industry AUM recorded a growth of ~13% Y-o-Y and stood at ₹ 2.8 trillion. As per industry reports, the gold loan market is further expected to grow at a CAGR of ~10% to ₹ 3.8 trillion by FY 2021-22. India is the world's largest consumer of gold jewellery and holds a stock over 20,000

tonnes of gold valued at over USD 800 billion with rural India holding ~65% of it. Although gold has been one of the oldest forms of collaterals for loans, the organised gold loan segment still has low penetration. Informal and unregulated players, including local money lenders, control ~ 60% of all gold loan transactions and typically charge usurious interest rates due to the lack of formal financing channels.

However, technological advancements are giving new-age banks such as us, the ability to improve accessibility and offer tailored schemes with flexible tenors. Our gold loan product was rolled out ~ 2.5 years back and has been performing well. Our experience so far has given us more confidence in our ability to scale up in this segment and we will be investing in it further and making it a significant revenue stream in the next three to five years.

Consumer durable loans

Growing awareness, easier access, and changing lifestyles and mindset (perception of some consumer durables as a need rather than a luxury, for instance) are likely to be the key growth drivers for the consumer durables market. In rural/semi-urban areas, there is significant scope for growth of consumer durables with consumption expected to grow in these areas as penetration of brands increases. Also, demand for durables like refrigerators as well as consumer electronic goods are likely to witness growing demand in the coming years in the rural markets as the government plans to invest significantly in rural housing and electrification.

A consumer durable loan gives an opportunity to the customers to buy consumer durables and electronics like refrigerators, washing machines, TVs, smart phones and others at an affordable instalment plan. The consumer durable loan segment has been seeing increasing interest

by mainstream banks. The government and the banking industry's continued push for digitisation, as well as a higher financial inclusion, augur well for consumer durable loan growth in the near to medium term. This product offering helps us leverage our reach and relationships to capitalise on this trend. Further, it helps our offering to be more comprehensive and meet our customer's evolving needs.

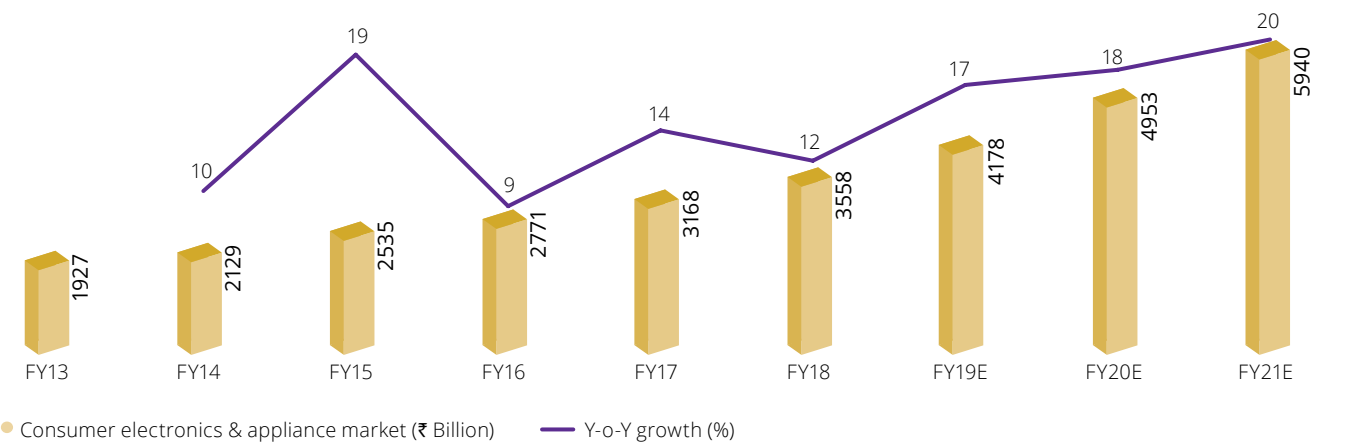
- Consumer durable loans is estimated to have grown by 27-29% in FY 2019-20 (Source: Crisil)
- Consumer durable loans remained one of the fastest growing sector within the banking industry
- More players (banks as well as NBFCs) entered this segment during the year
- Asset quality remained strong in this segment



Key growth enablers

- Increasing disposable incomes
- Easy credit availability
- Rising aspirations of consumers

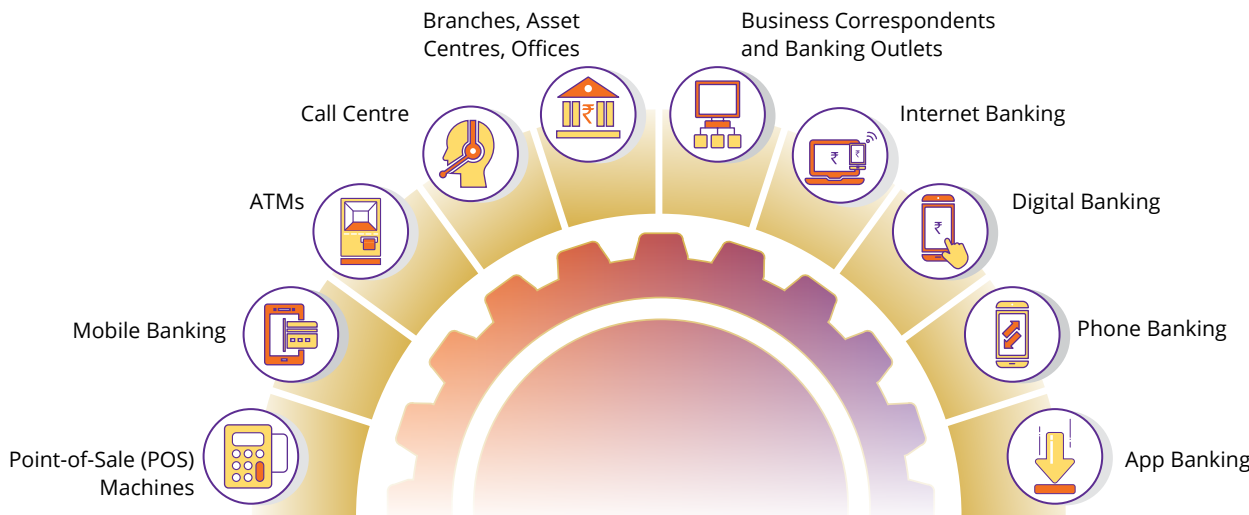
Strong prospects of the consumer electronics and appliances market in India



Source: MOSL, Company, Frost & Sullivan analysis, CEAMA, Dixon Technologies RHP

AU SMALL FINANCE BANK AT A GLANCE

AU Small Finance Bank Limited (AU Bank) is a Fortune India 500 Company. We are the only scheduled commercial Bank headquartered in Rajasthan. As on 31st March 2020, we had ~647 touchpoints operational across 11 states and 1 Union Territory of North, West and Central India with a team of 17,112 people.



Synopsis of our financial performance
Profit and Loss Summary

	FY 2019-20	FY 2018-19	Y-o-Y
(In ₹ crore)			
Income			
Interest Earned	4,286	2,949	45%
Interest Expended	2,377	1,607	48%
Net Interest Income	1,909	1,343	42%
Other Income	620	462	34%
Income from sale of equity shares of Aavas Financiers Ltd.	86	-	-
Total Net Income	2,615	1,805	45%
Expenses			
Operating Expenses			
Employee Cost	760	601	26%
Other Operating Expenses	658	481	37%
Operating Profit before Provisions and Contingencies	1,197	722	66%
Provisions (other than tax) and Contingencies	283	142	100%
Exceptional Items			
Profit Before Tax	914	580	58%
Tax Expenses	239	198	21%
Profit After Tax	675	382	77%
Profit After Tax (excluding profit from partial divestment in Aavas)	596	382	56%

Asset and liability composition

	31 st March 2020	31 st March 2019	Y-o-Y
(In ₹ crore)			
Liabilities			
Capital	304	292	4%
Money Received against Share Warrants	-	175	-
Employees Stock Options Outstanding	52	43	21%
Reserves and Surplus	4,021	2,653	52%
Deposits	26,164	19,422	35%
Borrowings	10,335	8,613	20%
Other Liabilities and Provisions	1,267	1,424	-11%
Total liabilities	42,143	32,623	29%
Assets			
Cash and Balances with RBI	1,050	811	29%
Balances with banks and money at call and short notice	2,320	929	150%
Investments	10,668	7,162	49%
Advances	26,992	22,819	18%
Fixed Assets	448	447	-
Other Assets	665	455	46%
Total Assets	42,143	32,623	29%

Key Ratios

	FY 2019-20	FY 2018-19
(%)		
Net Interest Margin (NIM)	5.4	5.5
Net Interest Income (Excluding Income from Securitisation and Assignment) as a % of Average Total Assets	4.6	4.6
Total Cost to Average Assets	3.8	4.2
Return on Average Total Assets (ROA)	1.8	1.5
Return on Average Total Equity (ROE)	17.9	14.0
Gross Non-Performing Advances (GNPA)	1.68	2.04
Net Non-Performing Advances (NNPA)	0.81	1.29

Key highlights of FY 2019-20

- Acquired ~0.5 million new customers and expanded AU Bank customer universe to ~1.7 million+ satisfied customers
- Our Assets Under Management (AUM) increased by 27% Y-o-Y from ₹ 24,246 crore to ₹ 30,893 crore primarily driven by growth in the retail asset under management, which expanded ~38% over the same period. Share of Retail AUM in Total AUM increased from 78% as on 31st March 2019 to 84% on 31st March 2020
- Nearly 79% of loans are small ticket secured loans primarily for income generation/productive purposes; ~98% portfolio is secured by collaterals, which is predominantly a key/sole income generating asset for the customers
- Despite a challenging environment and change in Non-Performing Assets (NPA) reporting to daily basis, our Gross NPA/ Net NPA (GNPA/NNPA) ratio improved to record 1.68% and 0.81%, respectively as on 31st March 2020 vis-à-vis 2.04% and 1.29% as on 31st March 2019, partly due to improved collections
- Clocked 10% and 35% sequential and annual growth in its aggregate deposits, which stood at the ₹ 26,164 crore mark on 31st March 2020
- Strong compliance with regulatory requirements with Capital Adequacy Ratio of 22.0% and Tier-I ratio of 18.4% well above minimum requirements of 15% and 7.5%, respectively
- As on 31st March 2020, we maintained a Liquidity Coverage Ratio of ~133% against the regulatory requirement of 90%, which also speaks of our strong liquidity position.
- Enhanced governance by increasing our Board strength to 9 members (six Independent Directors) from seven members at the end of FY 2018-19

- For FY 2019-20, the aggregate Priority Sector Lending (PSL) Certificate sold amount to ~₹ 15,505 crore
- Average PSL achievement of ~85% for FY 2019-20 against regulatory requirement of 75%
- For FY 2019-20, expanded distribution and opened 33 new bank branches and 36 banking outlets – on track to widening geographic footprint in newer metros
- Launch of our best-in-class offering 'AU Royale' – premier Contactless Debit Card targeting the upper middle-income segment
- First bank to offer Saving Accounts on WhatsApp; launched fully automatic, paperless two-wheeler loans and consumer durable loans
- Enhanced our customer engagement; launched our first-ever digital brand campaign #BharosaApnoJaisa on Hotstar, which generated over 120 million impressions
- Profit After Tax (PAT) grew by 77% from ₹ 382 crore to ₹ 675 crore (includes ₹ 79 crore of profit from Aavas sale), driven by robust growth, improving cost efficiencies and stable asset quality
- Our net interest income increased by 42% from ₹ 1,343 crore in FY 2018-19 to ₹ 1,909 crore in FY 2019-20 driven by healthy AUM growth of 27%. Other income (excluding gains on sale of partial divestment of shares of Aavas Financiers Ltd.) grew broadly in line with balance sheet (34% Y-o-Y) from ₹ 462 crore to ₹ 620 crore
- Despite COVID-19 impacting operations in the last two weeks of March 2020, disbursements for the full year FY 2019-20 rose 16% over FY 2018-19 led by 27% growth in retail disbursements
- In FY 2019-20, blended disbursement yield for our new loans increased by 123 bps to 15.36%. As on 31st March 2020, our full-year yield on our Assets Under Management was at 14.71%
- Our average cost of funds improved by ~18 basis points to 7.69% for FY 2019-20, causing an improvement in 60 bps in our spreads Y-o-Y.
- We continued to derive benefits of improving operating leverage, which resulted in the cost-to-income ratio declining from 60% in FY 2018-19 to 54.2% (56.1% excluding impact of partial divestment in Aavas) in FY 2019-20. We expect to see further cost efficiencies improving in the near to medium term as branch productivity improves
- There has been a significant improvement in our Return on Equity (ROE), mainly on account of improving leverage and other income from partial divestment of Aavas stake from 14.0% at the end of FY 2018-19 to 17.9% (15.8% excluding impact of partial divestment in Aavas) at the end of FY 2019-20. We delivered a ROA of 1.8% (1.6% excluding impact of partial divestment in Aavas), which is a significant improvement from 1.5% in FY 2018-19. While these are comparable to the best-in-class private banks, we expect further improvement from improving productivity in branch banking, which is still in its build-out phase and continues to be a drag on overall ROA, as on 31st March 2020
- Our other asset products (business banking, gold loan, home loan, Agri-SME, consumer durables and two-wheelers) were introduced in the last few years, and were in the build-out mode throughout FY 2019-20. As these products gain more market traction and scale, they would start contributing to our profitability

Business segment review

AU Bank is emerging as a trusted banking partner for customers and various stakeholders with our longstanding presence and stable growth trajectory. As a bank, our endeavour is to carve a strong and lasting identity for ourselves in the banking space, which stands for trust and customer centricity. We aspire to leverage our proven systems and skills in the small ticket secured retail lending segment, with the underserved segment as our focus. Through this, we will empower people at the bottom of the pyramid in some of the remotest parts of the country.

We entered India's dynamic banking landscape in 2017, after two decades of expertise in lending to the underserved. With over 61% of our branches in rural and semi-urban areas, we have enhanced our focus on the unbanked and underbanked customers at the bottom of the pyramid to drive financial inclusion. Retail loan assets are our mainstay comprising over 80% of our loan AUM. Besides retail, we also offer small and mid-corporate loan asset products.

Lending Segments

Retail assets

We have a fairly long, and stable track record in lending small ticket, secured, retail loans primarily to unbanked and underbanked self-employed individuals for purchasing assets that will generate income. Our retail asset segment includes our three key focus products – Vehicle Loans, Small Secured Business Loans to MSMEs and Housing Loans. It also includes Gold Loans, Consumer Durable Loans and Personal Loans, along with overdraft (OD) on fixed deposits (FD).

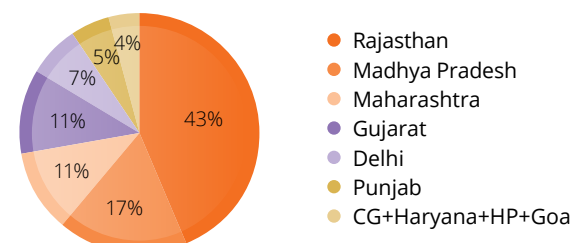
Breakup of retail assets

Type of retail asset	Disbursement in FY 2018-19 (₹ in crore)	Disbursement in FY 2019-20 (₹ in crore)	Y-o-Y growth (%)	Share in total AUM (%)
Vehicle Loans	6,725	7,799	16%	42%
SBL – MSME	3,698	4,865	32%	37%
Housing Loan	115	490	326%	2%
Gold Loan, Consumer Durable Loan and Personal Loan	83	331	299%	1%
OD Against FD	1,178	1,555	32%	3%
Total	11,800	15,040	27%	84%

As on 31st March 2020, 61% of our loan portfolio was upto ₹ 25 lakh.

Geographically well diversified

Retail AUM – geography-wise



Growth trajectory outside of Rajasthan

Details	FY 2019-20	FY 2018-19
Total Retail Assets	15,040	11,800
Disbursements		
Rajasthan Disbursements	40%	40%
Outside Rajasthan Disbursements	60%	60%

Vehicle loan

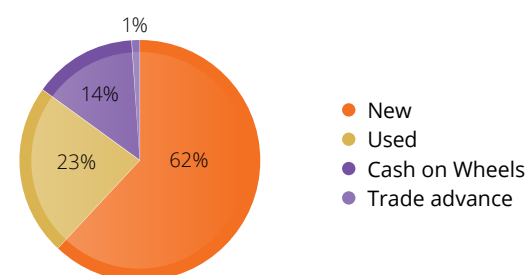
Vehicle loan has been a key product since our inception and is the most seasoned book in our portfolio. Despite sluggish growth in the overall automobile sector, our vehicle loan AUM recorded a growth of 27% and stood at ₹ 12,985 crore comprising 42.0% of our total AUM during FY 2019-20. Wheels disbursements grew 16% Y-o-Y to ₹ 7,799 crore during the reporting year. Average Ticket Size (ATS) for this product was ₹ 2.4 lakh for FY 2019-20.

We offer one of the widest product ranges in the industry and extend credit for 2 to 22 wheeler vehicles for personal and commercial use. We offer loans for new and pre-owned vehicles and for refinancing of vehicles across several categories including cars, Multi-Utility Vehicle (MUV), Sports Utility Vehicle (SUVs), Light Commercial Vehicle (LCV), Medium and Heavy Commercial Vehicle (MHCVs), Construction Equipment (CE), tractors, two and three-wheelers. We finance vehicles for personal as well as commercial use. In the commercial space, we serve First-Time Buyers (FTBs), First-Time Users (FTUs), Small

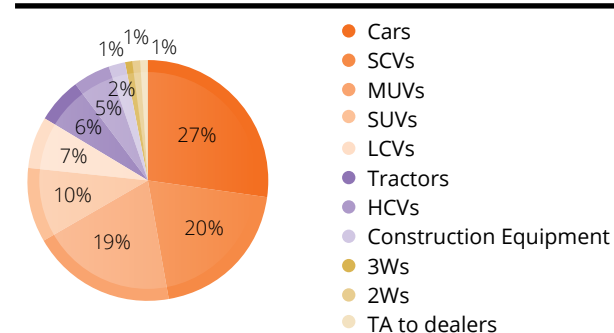
Road Transport Operators (SRTOs) and captive users. We secure our wheels loans with the vehicles we finance.

Vehicle loan – AUM split

Segment-wise



Vehicle type-wise split



During FY 2019-20, we took several initiatives that helped us stay ahead of the curve:

- Continued focus on used refinance vertical
- Reduced Heavy Commercial Vehicle (HCV) exposure judiciously and focused more on Small Commercial Vehicle (SCV)
- Introduced a complete digital journey for two-wheelers enabling higher customer convenience and lower cost of acquisition for the Bank
- Created separate team for the tractors business for better focus and execution

Secured Business Loans (SBL)

Secured business loans MSME (SBL-MSME) is a key product within the retail assets segment and comprised 36.5% of our total AUM as on 31st March 2020.

Our loans primarily serve MSMEs with annual turnover between ₹ 40 lakh and ₹ 10 crore, having at least a few years of track record in such businesses, generating cashflows at high frequency and having limited or no formal documented income proofs (for example grocery/kirana stores, dairy/cattle rearing and hotel/restaurants). Such loans are then secured by immovable property, and the uses include working capital needs, expansion, purchase of machines/equipment and infrastructure requirements. We understand our customers' business and their future requirements to arrive at the loan amount that can be offered to them.

We also cater to larger businesses in terms of turnover, which have more formal and documented income proofs. Our target Small and Medium-sized Enterprises (SMEs) include traders, wholesalers, distributors, retailers, manufacturers and self-employed professionals, and these loans are meant to meet their needs for expansion, working capital and purchase of equipment.

Gross AUMs for our SBL business increased by 44% Y-o-Y to ₹ 11,287 crore as on 31st March 2020. SBL disbursements grew 32% Y-o-Y to ₹ 4,865 crore in FY 2019-20. Average ticket size for this product was ₹ 9.4 lakh for FY 2019-20.

Home loans

We provide a comprehensive range of home loan products to cater to every home buyer's loan needs (self-construction, purchase of flat/house, extension/renovation and takeover/top-up), with a focus on the affordable housing segment. We offer loans from ₹ 2 lakh to above ₹ 50 lakh for a maximum 30-year tenure for salaried customers; and 20 years for self-employed non-income proof/self-employed income-proof profile customers. Our customers can apply for loans at any of our branches. We have well-trained relationship officers,

who help customers select the right loan mix, calculate a suitable loan EMI and choose tenure.

Gross AUMs for our home loans business increased by 388% to ₹ 567 crore as on 31st March 2020 from just ₹ 116 crore a year earlier. Home loan disbursement increased by 326% to ₹ 490 crore from ₹ 115 crore in FY 2018-19.

Gold Loan

Gross AUMs for our gold loans business increased by 11% to ₹ 55 crore as on 31st March 2020 from ₹ 49 crore a year earlier; gold loan disbursements grew 27% Y-o-Y to ₹ 85 crore during the year.

Personal loans

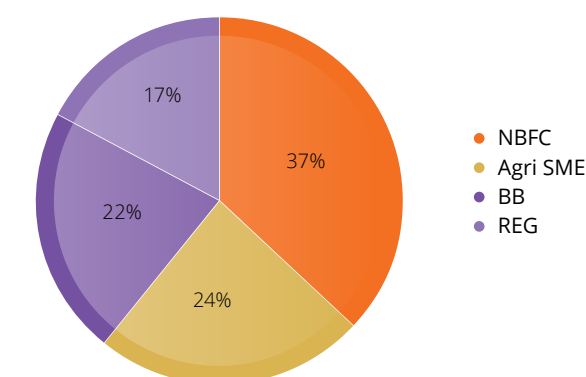
We offer easy and convenient personal loans that enable our customers to meet emergency needs/spends, as well as take care of all their necessities. We have a seamless, flexible and transparent paperless loan process along with quick approvals. Existing AU Bank customers can get a pre-approved personal loan instantly with no additional documents.

Gross AUMs for our personal loans business increased to ₹ 181 crore as on 31st March 2020 from nil, a year earlier.

Small and mid-corporate (SMC) assets

We cater to SMEs for their business banking, working capital and trade finance needs in this segment. We understand the bespoke requirements of businesses, therefore have created comprehensive offerings with simplified documentation and efficient turnaround time. We also lend to Non-Banking Financial Companies (NBFCs), Housing Finance Companies (HFCs), Micro Finance Institutions (MFIs) and Real Estate Developer construction finance. As on 31st March 2020, small and mid-corporate assets declined by 3% Y-o-Y and comprised 16% of gross AUM as we become more cautious and slowed down disbursements in Real Estate and NBFCs in the past 18 months.

SMC Mix





Business banking

Business banking provides fund-based credit facilities such as overdraft and cash credit and non-fund-based facilities such as letters of credit and bank guarantees to SME customers. We cater to wholesalers, retailers, traders, manufacturers, service providers, contractors, stockist, distributors, educational institutes and healthcare enterprises in this segment.

Gross AUMs for our business banking increased 33% Y-o-Y to ₹ 1,081 crore as on 31st March 2020; business banking disbursements grew 77% Y-o-Y to ₹ 1,641 crore.

Lending to NBFCs, HFCs and MFIs

After two decades of functioning as a NBFC, we understand the need for constant stream of funds for NBFCs, which include Asset Finance Companies (AFCs), Housing Financial Companies (HFCs) and Micro Finance Institutions (MFIs). Our ears to the ground approach and presence in areas where these NBFCs are active, improves our knowledge and understanding of their business and prospects. With our customer-centric approach, we are well prepared to serve these financial institutions at various stages in their business cycles.

NBFC leading spread across varied asset categories – substantially in asset finance companies

NBFC Type	No. of Clients	POS (₹ crore)	% Mix	Deposits (₹ crore)
Asset Lending	91	1,070	57.7%	902
- MSME	48	655	35.3%	
- Vehicle	21	155	8.3%	
- Two-Wheeler	17	145	7.8%	
- NBFC having RE book	2	64	3.5%	
- NBFC having some RE exposure	3	52	2.8%	
MFI	24	225	12.1%	418
HFC	21	362	19.5%	323
Fintech	14	144	7.8%	134
Gold	4	55	3.0%	10
Total	154	1,856	100.0%	1,787

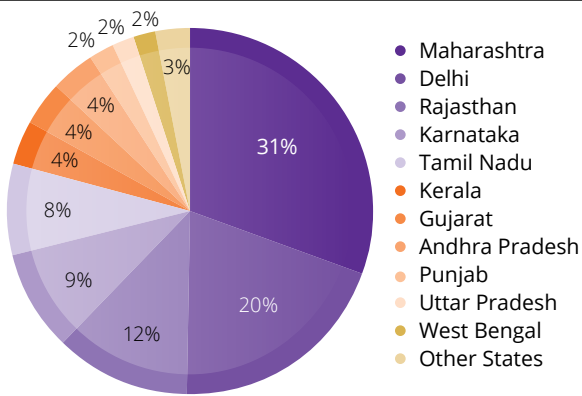
Over 88% of the NBFC exposure is in investment grade category

Credit Rating	POS (₹ crore)	Exposure (%)
Investment Grade	1,638	88.3%
- AA	35	1.9%
- A	738	39.8%
- BBB	865	46.6%
Non-Investment Grade	71	3.8%
Unrated	147	7.9%
Total	1,856	100%

We cater to diverse asset categories with a substantial proportion to asset finance companies (~58%) in this segment. Our book has a granular spread across 150+ customers. Over 92% of our lending is Term Loans (mostly for two years and above). With a stringent verification process, we verify quality of underwriting, assets, governance practices, capital, balance sheet strength and promoter involvement before disbursing the loans. We start with small ticket size loans and gradually build upon it, after examining the business across various parameters. In recent years, we have implemented stricter standards in asset provisioning at 1% against a requirement of 0.4%. Our exposure remains largely to small and mid-size customers with higher capital adequacy and with limited dependence on capital market borrowings.

With a cautious approach on NBFC sector, gross AUMs for this business decreased by 26% from ₹ 2,511 crore on 31st March 2019 to ₹ 1,856 crore as on 31st March 2020. Lending disbursements declined by 61% Y-o-Y to ₹ 940 crore in FY 2019-20.

NBFC Book geographic distribution



Agri - SME loans

Agri banking aims to meet the comprehensive requirement of all the stakeholders engaged in the agri value chain. Product Offerings are similar to SBL-SME loans wherein we have a dedicated team to serve the term loan, and working capital requirements of the entities involved in agriculture and allied value chain like food and agri processing units, warehouses/cold storages, fertilisers/seeds/pesticides wholesalers and retailers. Loans are also provided for construction, acquisition, renovation and carrying out machinery or equipment upgradation. We have a greater focus on customer segments in non-urban areas, where we can leverage our distribution network.

Gross AUMs for our agri business loans increased by 23% Y-o-Y from ₹ 984 crore on 31st March 2019 to ₹ 1,213 crore as on 31st March 2020, while disbursements grew 19% to ₹ 608 crore during the year.

Real estate group (REG)

We cater to the credit needs of small builders, who operate in the affordable housing segment or who develop small projects (majorly one or two tower projects) having completion period of 24 months to 36 months. In this vertical, we primarily cater to projects with last-mile funding towards project completion or payment of statutory approval cost.

We follow a strict and very selective sourcing model largely focused on near completion projects with fast-moving small units. We have internally developed an online tool for project monitoring, including No Objection Certificate (NOC) issuance and escrow management, and closely supervise timely action for key monitorables like cost overrun, time overrun and slow-moving inventory.

Gross AUMs for this segment's lending business increased marginally by 3% from ₹ 801 crore as on 31st March 2019 to ₹ 826 crore as on 31st March 2020; disbursements in FY 2019-20 declined by 8% at ₹ 406 crore versus ₹ 440 crore in FY 2018-19.

Liabilities and branch banking

As on 31st March 2020, we had 647 touchpoints, which comprised 406 bank branches, 122 banking outlets, 88 business correspondents, 31 asset centers, 13 offices and 356 ATMs (including TATA Indicash ATMs) across 11 states and one Union Territory.

We aim to address all the banking requirements of our customers as individuals as well as business owners.

Through branch banking, we provide savings, investments, insurance, payment solutions, and loan products such as auto loans, home loans, personal loans, OD against FD, CD loans and gold loans to individuals.

For transactions and investments, we offer Current Account, Savings Account (SA), Term Deposits and Recurring Deposits. We are focused on building a granular retail deposit base. We are quite competitive in terms of pricing and product features, as well as service intensity vis-à-vis private sector banks. The share of CASA + Retail term deposits has been steadily increasing and stood at 43% in end-FY 2019-20 as against 39% in end-FY 2018-19. We constantly improvise based on our learnings and customers' needs. In December 2019, we launched AU Royale, a premium savings account targeting high-value customers with best-in-class features. The product has seen significant traction in the three months since its launch in December 2019, and we have acquired 4,701 New-to-Bank customers, and a total of 11,120 customers including upgrades of Existing-to-Bank account holders with an overall ATS of ₹ 10.5 lakh.

We use digital technology extensively to enhance customer experience wherever possible. For instance, new customers can open Savings Account (SA) using tablets that offer Aadhar validation through biometric identification. It enables us to open accounts without any forms, documents or photographs. In FY 2019-20, ~93% of our SA accounts were opened through TABs. We also rolled out digital Current Account (CA) opening on tablets and increased thrust on this segment with a dedicated Current Account acquisition team. Additionally, we have developed a dedicated team for government business across locations.

We sourced 572 crore of asset products through our liabilities team during FY 2019-20, and contribution of cross-sell will only grow in the future. At present, we are committed to developing new avenues for growth.

We provide a mix of investment and insurance products to our customers. During FY 2019-20, we sourced 82,508 life insurance policies, 3,74,332 general insurance policies and 48,325 health insurance policies. We have 5575 active SIPs, and we also opened 5,777 3-in-1 accounts in a tie up with Motilal Oswal Financial Services. During FY 2019-20, we earned ₹ 41 crore of cross-sell fee vis-à-vis ₹ 35 crore in FY 2018-19.



Deposit mix – by amount

Financial year	(₹ in crore)			
	Current Account	Savings Account	Term Deposits	Total deposits
FY 2019-20	1,114	2,673	22,377	26,164
FY 2018-19	1,082	2,508	15,832	19,422

Deposit mix – by number of accounts

Financial year	(No.)			
	Current Account	Savings Account	Term Deposits	Total deposits
FY 2019-20	78,907	12,33,929	2,08,776	15,21,612
FY 2018-19	47,783	8,73,031	107,912	10,28,726

Share of retail in term deposit (Excluding CD)

Financial year	Retail TD	Bulk TD
FY 2019-20	39%	61%
FY 2018-19	30%	70%

Digital banking

Digital banking services are an essential part of our strategy to enhance customer satisfaction, and as a young, agile bank we continuously invest in our digital banking franchise. Our key digital offerings include an instant Savings Account, two-wheeler and consumer finance loan.

Instant Savings Account

Our new-age instant Savings Account, AU ABHI, can be opened by just downloading the AU ABHI App and registering with the Aadhaar number, PAN and other minimal details.

WE ALSO STARTED AN INDUSTRY-FIRST INITIATIVE OF SAVINGS BANK ACCOUNT OPENING THROUGH WHATSAPP

Consumer finance loans

Our paperless digital consumer finance loans are processed digitally either by sales personnel at the point of sale or by customers themselves, thereby reducing operational processes and costs.

We offer consumer durable loans in partnership with a leading digital platform, which offers cashless Equal Monthly Instalment (EMI) options to customers purchasing

consumer durables from various online retailers. Consumer finance loan disbursements through our digital platform grew from ₹ 6 crore to ₹ 43 crore in FY 2019-20.

Financial inclusion

At AU Bank, we are building a bank for 'Bharat' and are working ceaselessly to reach the remotest corners of the country. The RBI's small finance banking licensing guidelines require us to have:

- 75% of our loan portfolio under Priority Sector Lending
- 50% of loan portfolio should be upto ₹ 25 lakh of ticket size
- 25% branches in unbanked rural areas

With financial inclusion at the core of AU Bank's business philosophy, leveraging our deep market penetration and market insights, we have developed a unique business model and have been working relentlessly for 25 years to ensure easy access to credit in the unserved and under served markets. We are also driving various financial inclusion initiatives including the Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY) Atal Pension Yojana (APY).

Over the years, our financial inclusion initiatives have encouraged over a million plus underbanked and unserved people to join the formal banking sector. At present, ~61% of our branches are in rural and semi-urban and unbanked areas of the country. We have increased our reach to the unserved section of society by opening our branches in unbanked rural areas and our reach stands at 164 (31% of total) from 116 as at end of FY 2018-19. During the year, we have opened 46,973 BSBD accounts, and 80,303 cumulatively as on 31st March 2020. The Bank has disbursed, ₹ 2,857.4 crore under MUDRA scheme in FY 2019-20 and have issued 3,85,653 Rupay card as on 31st March 2020.

Total 1,767 financial literacy and education camps were organised in FY 2019-20, covering nearly 3 lakh people.

Treasury management

The treasury function at the bank is primarily responsible for our Asset Liability Management (ALM); effective fund planning and positioning; day-to-day liquidity and fund management; managing statutory reserves in adherence to the statutory guidelines and judiciously managing investments and trading portfolio according to regulatory and internal policy frameworks. In addition, risk management is a key focus for us whereby market risk, ALM risk, interest rate risk and liquidity related risks are effectively monitored and managed. The treasury, along with Financial Institutions Group (FIG) maintains a close interface with financial markets and participants for augmentation of counter-party lines for our balance sheet management.

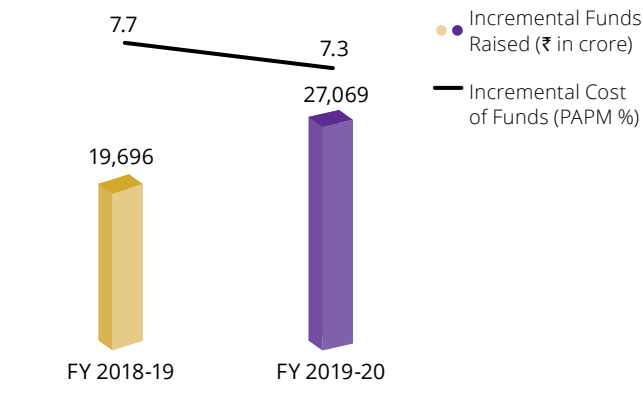
The treasury on a day-to-day basis focuses on fund management, compliance with regulatory requirements of Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR) and Liquidity Coverage Ratio (LCR) and managing liquidity and interest rate risks, along with effective assets and liability management. The treasury maintains a portfolio of government securities, in line with the regulatory norms governing the SLR. SLR securities are primarily retained as Held to Maturity (HTM), and remainder portions are held as Available for Sale (AFS). It concentrates on optimising yield on the overall portfolio, while maintaining an appropriate portfolio duration within the overall risk framework and under the oversight of regulatory framework and internal policy parameters.

Funding profile

Funding sources	(₹ in crore)			
	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20
Deposits + Borrowings	28,856	30,732	32,534	36,499
Deposits	68.8%	72.1%	73.4%	71.7%
Refinance from FIs	20.0%	19.7%	18.7%	18.4%
NCDs	5.0%	3.7%	3.4%	2.7%
Loans from Banks and NBFCs	0.7%	0.5%	0.4%	0.7%
Tier II Capital	2.5%	2.3%	2.1%	1.9%
CBLO*/line of credit /inter-bank/others	3.0%	1.8%	2.1%	4.7%
Total	100%	100%	100%	100%
Off-book Source of Funds				
Securitisation and Assign O/s AUM	2,266	2,795	3,019	3,582

*Collateralised Borrowing and Lending Obligation

Incremental Funds Raised* and Cost of Raising



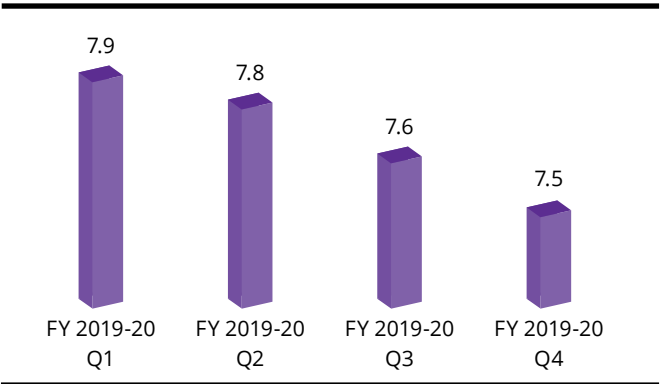
*Including Securitisations Assignments

Credit Ratings

Rating Agency	Term	Current Credit Ratings
CRISIL Ratings	Long term	AA-/Stable
	Short term	A1+
ICRA	Long term	AA-/Stable
	Short term	Not Rated
India Ratings	Long term	AA-/Stable
	Short term	A1+
CARE Ratings	Long term	AA-/Stable
	Short term	A1+



Cost of Funds Trend



Our incremental cost of funds declined by 32 bps to 7.33% in FY 2019-20 helped by a more granular liability base. Our cost of deposits (excluding certificates of deposit) stood at 7.44%. As on 31st March 2020, we maintained Statutory Liquidity Ratio (SLR) investments of ₹ 7,313 crore (versus requirement of ₹ 5,303 crore) in the form of government securities/SDLs (held to maturity) and government securities/T-Bills (available for sale). There was no mark-to-market (MTM) provision/loss during FY 2019-20 for both SLR and non-SLR portfolio. During FY 2019-20, we maintained a healthy LCR of 97%, well above the minimum requirement of 90% for SFBs. We have built a profitable and high-quality non-SLR investment book of ~₹ 1,896 crore to offset negative carry on account of incremental cost of funds to maintain SLR and LCR. Our treasury reported a profit of ₹ 54 crore in FY 2019-20.

Liquidity, interest rate and ALM management

We are maintaining sufficient liquidity and contingency buffer in the wake of volatile markets, which are invested in High Quality Liquid Assets in the form of excess SLR and high-quality Debt Capital Market instruments (G-Sec/T-Bills and AAA/AA+ Non SLR instruments) and can be readily used for repo or liquidated in secondary market. We have strengthened and diversified our liquidity profile in view of additional regulatory requirements through a judicious mix of deposit mobilisation (CASA, Retail Deposit and Bulk Deposit) and rupee borrowing in the form of CDs, Term Money, securitisation of portfolio, and re-finance from various domestic financial institutions (NABARD, SIDBI, MUDRA and others) to optimise cost and manage the ALM profile. During the year, high-cost grandfather borrowing in the form of Term Loans and NCDs were substituted with low-cost deposits and market borrowings.

The treasury closely works with the internal teams and monitors deposit mobilisation besides regularly undertaking analysis of competitive landscape of interest rates to benchmark our deposit rates. The treasury regularly monitors the portfolio and incremental cost of funds and takes suitable measures to optimise cost

of funds by allowing branches to mobilise deposits by offering competitive rates of interest, keeping in view the prevailing interest rate scenario, along with ALM position and optimum liquidity management.

We have also established a trading desk for government bonds and highly rated money market instruments. We endeavour to generate trading surplus by prudently taking advantage of interest rate movements through proprietary positions at appropriate levels with approved policy and risk framework with the guidance of Investment Committee and the Board. During the year, we also participated in the RBI's Open Market Operations (OMO) bond buying programme, and generated capital gains from the SLR portfolio. We also participated in Long-Term Repurchase Operations (LTRO) to raise long-term funds at repo rate to provide credit to productive sectors.

All ALM parameters like Structural Liquidity Statement (SLS) and Interest Rate Sensitivities (IRS) positions are efficiently managed within regulatory and the Board approved limits under the supervision and guidance of the Asset and Liability Management Committee (ALCO) through investments and borrowings in appropriate buckets. We also have well-defined Contingency Fund Planning parameters to monitor liquidity under stress scenarios. In line with RBI guidelines, we have moved to External Benchmarked Rate (EBR) based pricing of floating rate loans for better transmission of rates to our customers.

Debt Capital Market (DCM) Desk

The DCM desk was started in FY 2018-19, for investments in short-term and medium-term bonds, debentures and commercial papers. Its objective is to enhance return on funds and create high-quality liquid assets to aid in regulatory LCR as well as effective liquidity management within regulatory and investment policy risk parameters. DCM undertakes investments, origination, holding and trading of bonds, and works closely with leading corporates, asset managers, insurance companies, other banks and market participants with understanding of day-to-day market positioning and changing dynamics. During FY 2019-20, we generated income from our high-quality liquid investments in addition to the fundamental of adequate liquidity cushioning at all times with prudent risk framework.

Financial Institutions Group (FIG)

Financial Institutions Group (FIG) is responsible for managing overall relationships with various financial market participants such as banks, mutual funds, cooperative banks, insurance companies, Development Finance Institutions (DFI) and multilaterals, as well as associates and intermediaries such as credit rating agencies, legal firms and stock exchanges. The group

helps in setting up fund-based and non-fund-based limits with various counter parties and market participants and vice versa. This group is also responsible for raising Tier-II capital for us according to capital adequacy requirement to maintain healthy capital position.

FIG also facilitates the raising of medium to long-term liability, depending on our funding and ALM position through various borrowing instruments like bonds, securitisation and managing deposit relationship with other FIs.

During the year under review, we continued to grow our relationships with banks and financial institutions in both private and public sectors through mutual counter-party limit set up, including committed lines of credit for ensuring various inter-bank transactions and liquidity management.

We tied-up with various banks to ensure availability of trade and remittances products for our clients. We successfully facilitated inward and outward foreign currency transactions, including issuances of trade instruments (letters of credit and bank guarantees) and processing of trade payments within the capacity of an AD-II category bank.

As part of liquidity management measures, we continued to enhance our relationship with domestic Development Financial Institutions (DFI) and availed long-term, low-cost refinance facilities under various schemes. Money raised under various refinance schemes helps to lower our cost of funds and improve the ALM profile, concurrently allowing us to continue providing long-term financing assistance to various underbanked and underserved customers in rural and semi-urban locations.

In the current financial year, we also used securitisation route for raising long-term, low-cost liability by assigning part of our retail-loan portfolio to various investors. During the year under review, we securitised a total portfolio of ₹ 4,042 crore, with ₹ 1,013 crore worth of portfolio being securitised in March 2020 itself helping the Bank enhance its liquidity position.

Credit management

Credit underwriting is an integral part of our frontline functions at AU Bank. It plays an active role in portfolio building within the accepted risk appetite of AU Bank. We use in-house field investigation techniques to evaluate and analyse customers' income and repayment ability. With a robust and comprehensive credit assessment architecture we cater to a large segment of underserved customers, who are primarily first-time users of financial products.

A separate credit team for each business vertical evaluates prospective customers' business needs, identifies expansion plans and analyses their ability to repay.

Our credit assessment framework follows a three-layered system of assessment, which includes visits by credit officers, relationship officers and business officers to inspect the business and collateral quality.

Legal assessment: We have a central legal team that facilitates both external and internal legal investigations. A two-level inspection of title papers and legal documents help, us manage the risks. We have added people across all states and branches with legal experience and domain knowledge in our legal teams.

Technical setup: We have a centralised technical team with experienced coordinators for both external and internal technical checks. We also have appointed valuers across all states and branches.

Risk Containment Unit (RCU): Our regional RCU teams conduct detailed document verification and thorough checks on several parameters before disbursing loans.

Post-disbursal monitoring: We also have a post-disbursal monitoring process, which allows us to maintain portfolio quality. This mechanism also helps us adhere to policy and improve the documentation process. The monitoring of working capital limits is also under this process. It is conducted regularly for all working capital products across AU Bank.

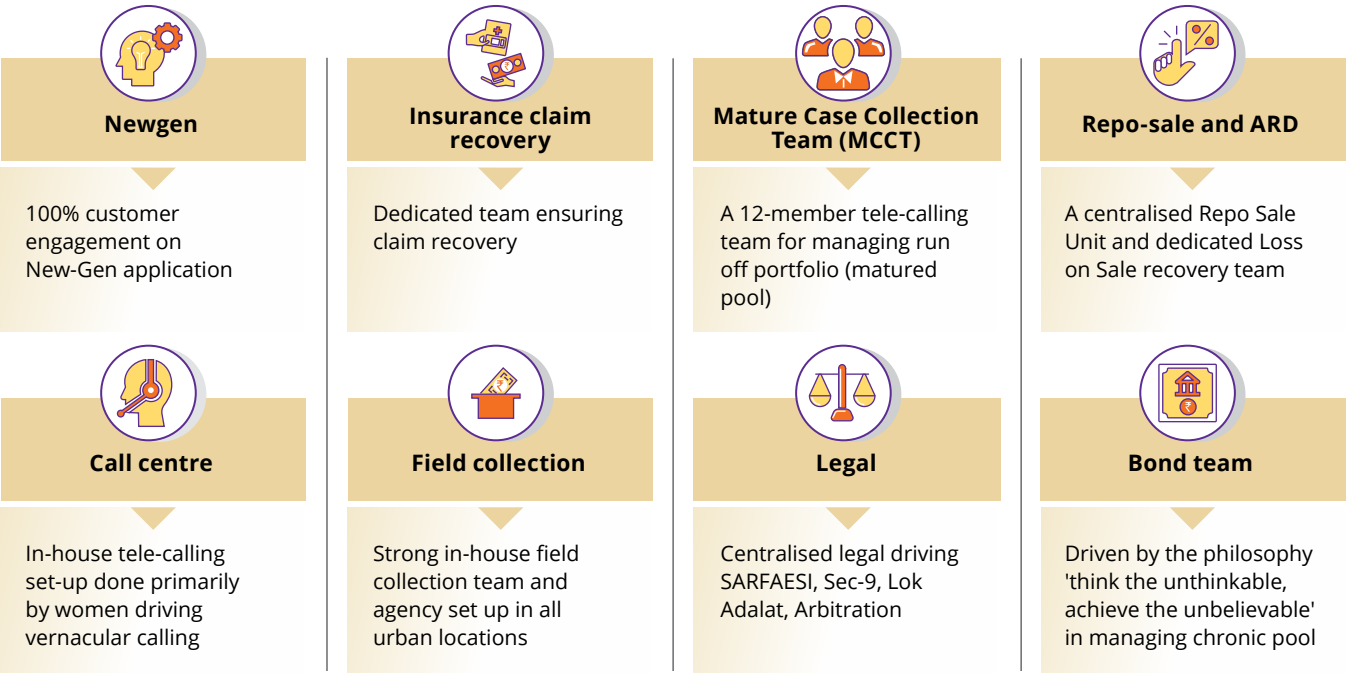
Collection management

Our asset quality is a result of our robust collections management system. Our collections management function is based on geography, delinquency, products and customer repayment history, among others.

Our regular customer engagement and Business-to-Employee (B2E) communication enable us to strengthen the collection management function of AU Bank. We capture profile data of customers to develop a strong customer database, which our MIS and reporting departments use for regular updates to the management.

Over 85% of the collection is in-house, which enables us to maintain superior asset quality. We have specialised partners in select metro and micro markets for bucket 1 and bucket 2 cases, which provide cost efficiency in collection management operations. At AU Bank, we are inculcating proactive collections that help us better bond with our customers.

Collection facilitators



Information technology

We use the latest technology across all functions in AU Bank, enhancing convenience for our customers, streamlining operations and reducing costs. With our transition into an SFB, we also underwent major technology upgradation, by incorporating modern hardware, software, risk management products and solutions. We are confident that this infrastructure investment will serve us well, going forward.

We procured our Core Technology Stack (CBS) from Oracle Corporation. Our other key systems include customer relationship management application, treasury application, expense management system, compliance and others encounter regular upgrades and integration. With our flexible yet robust technology architecture, we nurture partnerships with digital applications of other technology and IT partners.

We have strategically aligned our skilled workforce into three focussed IT sub-verticals:

- Build the Bank
- Run the Bank
- Govern the Bank

This ensures hassle-free banking for our customers and the continued growth of our organisation.

We will continue to upgrade our systems with automated, digitised and other technology-enabled platforms and tools, which will help us in delivering banking services to a broad spectrum of customers. A greater adoption of our digital service delivery mechanism and innovative applications will enable us to be more efficient and customer friendly. Today, our branches are equipped with paperless and faster customer onboarding processes across products and our customers have various digital payment options via Net banking and UPI (Paytm and PhonePe).

For our corporate customers, we have the 'Corporate Internet Banking' platform. For further empowering our customers, we have integrated our systems with two of the largest payment gateway aggregators, CCAvenue and Bill Desk, among others. This will help our customers to make payments to various merchants directly from their bank accounts. We also implemented Rupee Power, a paperless two-wheeler loan origination system, which enabled us to process two-wheeler loans faster during the last financial year.

At AU Bank, we are focusing on implementing cutting-edge banking solutions to enhance our systems' stability and sustainability. Our disaster readiness has been tested in a range of scenarios to ensure there is no business disruption beyond the stipulated threshold.

We have dual network connectivity at most of our branches to maximise business uptime. Error free and rule-based automated computation of various banking charges are also live to enhance staff productivity.

Serving India's vision of financial inclusion Aadhar Enabled Payment System (AEPS) on Micro ATMs and OFF US Card transactions have also been implemented to serve the respective sectors.

Human resource

We have been unlocking the power of our people through a culture based on inclusivity, which enables them to grow as goodwill ambassadors of AU Bank. Our organisational culture serves as the key enabler for the progress of our people and enriches their experience of working with us.

We are evolving to meet the demands of the workforce and grow as a preferred employer with contemporary management practices and a well-defined HR structure. Our processes are designed for taking a strategic approach towards talent acquisition, performance mapping, and rewards and recognitions.

Our people receive several opportunities to grow, while we consistently engage with them. During the year, we introduced the following training programmes:

- Pratyarambh training programmes
- Connect-Customer Delight
- Buniyaad – Back to Basics – The AU Way
- E-learning
- Management Development Programme
- AU Talk Show: Leadership Connect
- Virtual Training Sessions
- Executive coaching

As part of rewards and recognitions programme, we have several awards based on business performance and the AU value that acknowledges people based on their accomplishments and ability to embrace the AU Dharma. We also have different programmes for employee engagement, including townhalls, workshops, Connect (for recruits), HR Sampark and Retention Day, among others.

At AU Bank, we are embracing data-based decision-making and automation to enhance services and reduce risks. In the coming years, we will focus on retaining our best performers, concurrently building our pipeline for leadership roles and promote the use of technology among our people.

Compliance

At AU Bank, compliance starts at the top and is a shared responsibility of the entire team. Our Board of Directors and Audit Committee are responsible for overseeing the management of compliance risk and implementation of the compliance risk management framework across the organisation.

We promote awareness of compliance obligations and ethical values across the organisation to build a culture focused on compliance. The key elements for building and maintaining a strong compliance culture at AU Bank are:

Engaging the leaders: Our Board and senior management actively participate, provide direction and vision within the defined compliance and risk management framework. With a well-defined risk management infrastructure, we involve the senior management in monitoring operations of the organisation continuously. We have various Board-level and Board-delegated committees, where the Board members and the senior management are apprised of the current affairs of AU Bank.

Stringent policies and procedures: We have a set of well-documented policies and procedures in place and operate within the framework defined by the regulator and the policies approved by the Board.

Monitoring our functions: Audit, risk and compliance departments conduct regular reviews to ensure that our operations are within the defined framework, which helps us monitor these functions. We operate according to the laid down/defined principles, guidelines and policies, thereby reducing risk and uncertainty through the establishment of sound governance mechanism and strong compliance culture. These three functions roll up to the Audit Committee and Board through managerial hierarchy.

Training our teams: We educate our people on internal policies and external regulations in a regular and influential way. With a dedicated training department in place, we ensure to circulate relevant information among our people. Our communication channels are open to all our employees, who can approach various departments and senior management officials for guidance and resolution of their queries.



Technological support: We adhere to all transaction-based requirements/limits by using technology. Our systems and applications are used for monitoring transactions as well as for ensuring that post facto controls are in place.

Incident reporting and case management: Incident reporting and case management is an important aspect of our compliance programme. They help us track and address any misconduct. Being aware of non-compliance is half the battle won, when it comes to mitigating risks. We identify misconduct/noncompliance/violation through regular monitoring programme and system controls and undertake appropriate actions thereafter.

We believe integrity, ethics and compliance are important. We reiterate this idea to our people through policies and trainings. Ensuring that we have our finger on the pulse of the evolving laws and regulations helps us proactively steer the organisation in accordance with the requirements.

Internal control systems

At AU Bank, our management is the first line of defence and is primarily responsible for ensuring adequate and effective internal control systems.

Risk, compliance and internal audit together form the second line of defence and perform the governance function. Internal audit is the third line of defence operating independently with functional reporting to the Audit Committee of the Board. It works in close conjunction with Risk and Compliance functions (second line of defence) to ensure a strong overall governance mechanism within the Bank.

To bring in more efficiencies and to eliminate duplication, the Internal Audit, Risk and Compliance functions leverage each other's work without compromising on their independence. This in turn, results in better coordination and total assurance on all the important areas/processes/functions of our Bank.

- Our Internal Audit department evaluates business and controls risks of all business processes and branches to create a risk-based internal audit plan, aligned to the regulators' expectations. This risk-based Internal Audit plan is approved by the Audit Committee.
- Our Internal Audit function performs independent and objective assessments. It monitors adequacy,

effectiveness and adherence to internal controls, processes and procedures instituted by the management and extant regulations.

- Following RBI's guidelines, we have adopted a robust Internal Audit policy, which drives the conduct of Risk-Based Internal Audit (RBIA) across all auditable entities.
- The audit frequency of auditable units is aligned with the risk profile of each auditable unit.
- As part of audits, internal audit also provides process improvement recommendations to the management and the same is tracked/followed up for implementation.
- As part of meeting management expectations, in addition to the approved internal audit plan, internal audit also carries out certain management-advised audits based on specific areas/triggers identified and communicated by the management/senior leadership to internal audit.
- Moreover, the internal audit function conducts self-assessment of our internal financial controls, adequacy and operating effectiveness of such controls in terms of the Companies Act, 2013.
- Our Audit Committee is appointed by the Board of Directors and it assists the Board in reviewing auditing and accounting matters as well as risks related therewith. It assesses the robustness, adequacy and reliability of our internal control systems and provides assurance to stakeholders accordingly.
- Our internal audit function is using the renowned Pentana Audit System (audit documentation tool) for end-to-end management of audits carried out during the year. For any audit, the above system captures the entire audit lifecycle – audit preparation, planning, providing assurance (design & operating effectiveness evaluation, validation & reporting) and action against the findings.
- Internal Audit has also started evaluating few data analysis tools and the goal is to move from excel based data analysis to CAAT tools for data analysis due to the ever increasing volume and complexity of data.

SWOT ANALYSIS

STRENGTHS

Our capabilities and resources that enable us to grow and sustain in the competitive banking landscape:

- Well positioned to derive benefits of both the 'Pull' factor of being a bank, and 'Push' factor of its NBFC roots
- Secured retail loans focussed scheduled commercial bank with strong track record of underwriting loans to under-banked population
- Comprehensive suite of products and services – a significant cross-sell lever; longstanding presence in relatively untapped markets
- Extensive phygital distribution network enabling efficient delivery of products and services to customers across urban, semi-urban and rural (Tier I to VI) centres
- Healthy capital adequacy levels and options to augment capital to absorb negative surprises
- Execution focused leadership team, and stable and seasoned second line



OPPORTUNITIES

We are consistently identifying potential areas where we can grow and enhance market and brand prominence:

- Leveraging technology, along with door step servicing would enable us to rapidly gain market share. Proliferation of data, digital usage and smartphones is opening new opportunities
- Longstanding presence in underpenetrated regions offers strong growth potential
- New retail products—gold loan, home loan, two wheeler loan, agri-SME loan and consumer durable loan—hold significant growth potential
- Scaling up of third-party products (mutual funds, general insurance, health insurance and life insurance) could boost other income



THREATS

We are identifying potential threats to our business, owing to evolving macroeconomic factors and consumer perceptions:

- Growing competition from other banks and financial institutions
- COVID-19 situation and related lockdown is an unprecedented situation and poses a threat to asset quality and growth if situation becomes worse than expected
- Dent in depositors' confidence in private banks following several events including moratorium being placed on deposits withdrawals for two private banks in FY 2019-20 could slow our growth in granular deposits
- Volatility in global or domestic economy and political uncertainty might hamper growth



WEAKNESSES

Aspects of the business that can be improved to minimise risks in our business:

- Geographical Concentration: Four states (Rajasthan, Madhya Pradesh, Maharashtra and Gujarat) together account for ~80% of our loan book
- Product Concentration: Significant concentration of wheels (~42%) in total loan assets



Board's Report

To
The Members,
AU SMALL FINANCE BANK LIMITED

Your Board of Directors are pleased to present report of the business and operations of AU Small Finance Bank Limited ("Bank") along with the Audited Financial Statements for the financial year ended 31st March 2020. Your Board of Directors deeply believe in responsible banking and understand the positive impact that financial inclusion has on economic growth. This conviction has led to the development of a business model that makes it possible for us to serve the lower income population adequately. In this regard, your Bank is continuously striving to enhance its capabilities to provide new digital technologies, increased number of products and services offerings through phygital platform and low-cost innovative financial solutions for achieving customer delight.

A. FINANCIAL PERFORMANCE & COMPANY AFFAIRS

(₹ in crore)

Particulars	y-o-y Growth (%)	For the year ended	
		31 st March 2020	31 st March 2019
Total Income	46.35	4,991.98	3,411.04
Interest Income		4,285.89	2,949.13
Other Income		706.09	461.91
Interest Expenditure		2,376.94	1,606.53
Operating Expenses (excluding depreciation)		1,329.25	1,020.85
Profit before Depreciation, Provisions and Tax	64.08	1,285.79	783.66
Depreciation		88.62	61.75
Provision for Income Tax		239.19	198.32
Other Provisions and Write-offs		283.20	141.78
Net Profit	76.73	674.78	381.81
Appropriations			
Transfer to Statutory Reserve		168.70	95.45
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		67.00	37.80
Transfer to Capital Reserve		6.93	2.76
Transfer to Investment Fluctuation Reserve		90.43	22.12
Dividend (including tax/cess thereon) pertaining to previous year paid during the year		26.44	17.48
*Dividend (in ₹) (Per Equity Share)		-	0.75
Surplus carried over to Balance Sheet		1,887.32	1,572.03
Earnings Per Share (EPS) (in ₹) (After excluding Exceptional Items not annualised)			
Basic (in ₹)		22.78	13.16
Diluted (in ₹)		22.32	12.90

*Pursuant to the directions issued by Reserve Bank of India, Commercial Banks shall not make any further dividend pay-outs from profits pertaining to the financial year ended 31st March 2020 until further instructions, the Board of Directors has not recommended any dividend for FY 2019-20.

Key Performance Indicators

- Profit Before Tax for FY 2019-20 has increased to ₹ 913.97 crore vis-à-vis ₹ 580.13 crore for FY 2018-19. Earnings Per Share (EPS) has increased to ₹ 22.78 compared to ₹ 13.16 last year.
- Net Profit grew by ₹ 292.97 crore to ₹ 674.78 crore for FY 2019-20 vis-à-vis ₹ 381.81 crore for FY 2018-19.
- Net Interest Income grew by ₹ 566.34 crore to ₹ 1,908.94 crore during FY 2019-20 from ₹ 1,342.60 crore during FY 2018-19 with y-o-y growth of 42.18%.
- Balance sheet size grew to ₹ 42,143.07 crore as on 31st March 2020 vis-à-vis ₹ 32,622.80 crore as on 31st March 2019 with y-o-y growth of 29.18%.
- Capital Adequacy Ratio increased to 21.99% as on 31st March 2020 vis-à-vis 19.31% as on 31st March 2019.
- The Return on Equity (ROE) and Return on Asset (ROA) has been recorded at 17.90% and 1.81% respectively for FY 2019-20. (Excluding profit on sale of equity shares of Aavas Financiers Limited).

- Gross NPA and Net NPA is at 1.68% and 0.81% respectively, as on 31st March 2020 as compared to 2.04% and 1.29% respectively as on 31st March 2019, there has been improvement in asset quality.

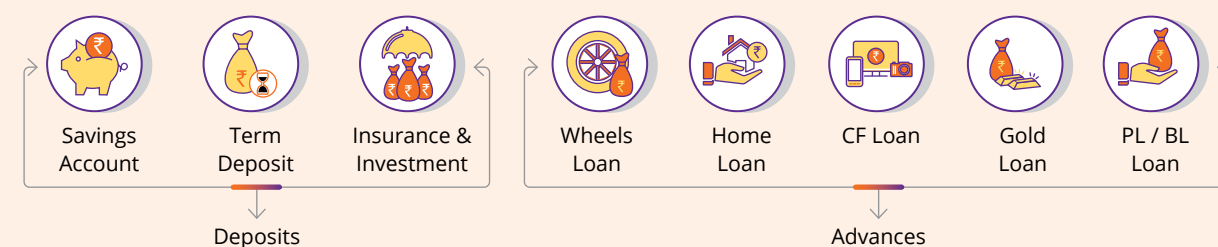
Business Overview

On completion of 3 successful years on the Banking platform and 25 years as a financial institution, your Bank understands that each customer financial needs are unique and requires meticulous focus by segregating the product bouquet covering Personal and Commercial Banking for Retail and SME Mid Corporate customers. All Business verticals operates in synchronisation with each other to ensure that the Bank is moving in the right direction, bringing better operational efficiencies and the highest standards in governance. The details pertaining to performance and other details of the business verticals have been covered in detail under the Management Discussion & Analysis section of the Annual Report.

Your Bank offers the below comprehensive product bouquet under the umbrella of Personal and Commercial Banking for its customers:

Comprehensive Product Bouquet

Personal Banking



Commercial Banking



Credit Rating:

Below table covers the Credit Ratings of the Bank as on 31st March 2020, during the period under review, the Bank has not reported any changes in the credit ratings.

Nature of Debt Instrument	Nature of Term	CRISIL	India Ratings	ICRA	CARE
Non-Convertible Debentures	Long-term	AA-/Stable	AA-/Stable	AA-/Stable	-
Subordinated Debt/Tier II Bonds	Long-term	AA-/Stable	AA-/Stable	AA-/Stable	-
Bank Loans	Long-term	-	AA-/Stable	AA-/Stable	AA-/Stable
Certificate of Deposits	Short-term	A1+	A1+	-	A1+

B. DIVIDEND

In terms of Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Bank has formulated and adopted Dividend Distribution Policy and dividend proposed, if any would be in line with the Dividend Distribution Policy of the Bank. The Policy is hosted on the website of the Bank and can be viewed in the following link www.aubank.in/notice-board

The Board of directors has not recommended any dividend for FY 2019-20, pursuant to the guidelines issued by the Reserve Bank of India (RBI) where it is prescribed that Commercial Banks shall not make any further dividend pay-outs from profits pertaining to the financial year ended on 31st March 2020 until further instructions. There was no interim dividend declared during reporting period. During FY 2019-20, the Bank paid a dividend of ₹ 0.75/- per equity share on face value of ₹ 10/- each for FY 2018-19 in accordance with the Dividend Distribution Policy of the Bank.

C. CHANGE IN NATURE OF BUSINESS

There is no change in the nature of business of the Bank for the year under review. Further information on the business overview and outlook and state of the affairs of the Bank is covered under the Management Discussion & Analysis section of the Annual Report.

D. TRANSFER TO RESERVES

In terms of RBI & other applicable regulations, the Bank has transferred the following amounts to various reserves for the Financial year ended on 31st March 2020.

Transfer to Reserves

Amount transferred to	Amount (₹ in crore)
Statutory Reserve	168.70
Transfer to Special Reserve U/s 36 (1) (viii)	67.00
Transfer to Capital Reserve	6.93
Transfer to Investment Fluctuation Reserve	90.43

The Board of Directors has not proposed to transfer any amount to general reserve for the financial year ended on 31st March 2020.

E. RECORD DATE FOR DIVIDEND

Since the Board of Directors has not recommended any dividend for FY 2019-20, hence no record date is kept for the purpose of dividend.

F. TRANSFER TO THE INVESTOR EDUCATION AND PROTECTION FUND

In terms of Section 124 & 125 of the Companies Act, 2013 (the Act) read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 as amended from time to time, dividends which remains unpaid or unclaimed for a period of 7 (seven) years from the date of transfer are required to be transferred to the Investors Education and Protection Fund. There are no unclaimed/unpaid dividend liable for transfer to the Investors Education and Protection Fund for the year under review. The Bank has uploaded the details of unclaimed dividend amounts lying with the Bank on its website at www.aubank.in/investor-grievance

G. DEPOSITS

Being a Banking company, the disclosures required as per Rule 8 (5) (v) & (vi) of the Companies (Accounts) Rules, 2014, read with Sections 73 and 74 of the Companies Act, 2013 are not applicable.

H. CAPITAL STRUCTURE & FUND RAISING

During the period under review, there has been no change in the authorised share capital of the Bank. During the year Board of Directors have allotted 1,01,04,364 (One Crore One Lakh Four Thousand Three Hundred and Sixty Four) equity shares of the Bank, having face value of ₹ 10 (Rupees Ten) each at a price of ₹ 692.77 (Rupees Six Hundred Ninety-Two and Seventy-Seven paise) per equity share including security premium of ₹ 682.77 (Rupees Six Hundred Eighty-Two and Seventy-Seven paise) per equity share aggregating to ₹ 700,00,00,249 (Rupees Seven Hundred Crore and two Hundred Forty-Nine) out of

which 25% of the aggregate consideration was received in FY 2018-19 and balance 75% was received in FY 2019-20. Allotment of equity shares was made pursuant to conversion of 1,01,04,364 (One Crore One Lakh Four Thousand Three Hundred and Sixty-Four) convertible warrants to Camas Investments Pte Ltd. During the period under review, the Board of Directors approved the Issuance of 5,000 rated, unlisted, unsecured, subordinated, redeemable, non-convertible lower Tier II bonds in the form of Non-Convertible Debentures of the face value of ₹ 10,00,000/- (Rupees Ten Lakh only) each for cash, aggregating upto ₹ 500,00,00,000/- (Rupees Five Hundred Crore only) on private placement basis, however the Board of Directors of the Bank decided not to proceed with the same, considering comfortable capital adequacy and liquidity position.

Further, Board of Directors in its meeting dated 2nd May 2020 has approved the raising of funds upto ₹ 2,500 crore (Rupees Two Thousand Five Hundred Crore only) through Qualified Institutions Placement ("QIP"), or any other alternative permissible mode, as may be considered appropriate, subject to shareholders' approval and other regulatory approvals. Considering the opportunities in the banking sector continue to be strong and the relative competitive position of the Bank in the sector continues to strengthen with the ample opportunities for retail & MSME financing. Hence, the Board approved the above proposal, subject to shareholders approval.

During the period under review the Bank has allotted 16,61,477 equity shares pursuant to exercise of ESOP under different ESOP Schemes.

Pursuant to the above allotment of equity shares, the total issued and paid-up equity share capital of the Bank, increased by ₹ 11.76 crore to ₹ 304.12 crore as on 31st March 2020 as compared to ₹ 292.36 crore, as on 31st March 2019.

I. EMPLOYEE STOCK OPTION

Your Bank has formulated different Employee Stock Option Schemes ("Schemes"), which has been duly approved by the shareholders of the Bank. The Schemes have been devised in accordance with the SEBI (Share Based Employee Benefits) Regulations, 2014 as amended from time to time.

The grants in the schemes are approved by the Nomination and Remuneration Committee based on the approved criteria. In terms of compensation policy of the Bank, employees are granted options as part of Annual Performance Review of their performance and to hire best talent. Several factors including scale, designation, performance, grades, period of service, the Bank's performance, criticality of role & their contribution is taken consideration for decision on number of ESOPs to be granted to the employees.

Below are the ESOPs scheme of the Bank:

- **EMPLOYEE STOCK OPTION SCHEME 2015 – PLAN A (ESOP 2015 – Plan A)**
- **EMPLOYEE STOCK OPTION SCHEME 2015 – PLAN B (ESOP 2015 – Plan B)**
- **EMPLOYEE STOCK OPTION SCHEME 2016 – (ESOP 2016)**
- **EMPLOYEE STOCK OPTION SCHEME – (ESOP 2018)**

The details of vesting of various ESOP schemes are as follows:

ESOP Plan	ESOP Scheme	
ESOP 2015 – Plan A	Vesting Period	% of vesting of options
	1 year from the date of grant or at the time of IPO, whichever is later	20%
	Expiry of 1 year from 1 st vesting	30%
	Expiry of 2 years from 1 st vesting	50%
	Total	100%
ESOP 2015 – Plan B	Vesting Period	% of vesting of options
	1 year from the date of grant or at the time of IPO, whichever is later	20%
	Expiry of 1 year from 1 st vesting	30%
	Expiry of 2 years from 1 st vesting	50%
	Total	100%
ESOP 2016	Vesting Period	% of vesting of options
	Options granted under this scheme would vest after one year, but not later six years from the date of grant of options	100%
ESOP 2018	Vesting Period	% of vesting of options
	Options granted under this scheme would vest after one year, but not later six years from the date of grant of options	100%



THE BRIEF DETAILS OF EXISTING ESOP SCHEMES AS ON 31ST MARCH 2020 IS GIVEN BELOW:

Particulars	ESOP Plan A 2015	ESOP Plan B 2015	ESOP Scheme 2016	ESOP Scheme 2018
Date of shareholders approval	31 st August 2015	31 st August 2015	10 th October 2016	7 th August 2018
Total Number of options approved	38,36,058	49,33,194	21,00,000	49,33,200
Total Number of options outstanding at the beginning of the period	20,15,247	19,23,301	11,04,960	19,66,948
Total No. of options granted (during FY 2019-20)	0	0	0	27,02,191*
The Pricing Formula	10.11	33.37	140**	Market price linked
Options vested (during FY 2019-20)	18,11,934	18,56,884	2,95,947	3,90,666
Options exercised (during FY 2019-20)	5,97,840	6,53,191	1,77,544	2,32,902
Total No. of shares arising as a result of exercise of option	5,97,840	6,53,191	1,77,544	2,32,902
Options lapsed/ forfeited (during FY 2019-20) (Available for re-issue)	5,979	26,614	1,30,079	1,52,981
Total No. of options exercisable at the end of the year	12,30,928	12,21,324	1,43,817	1,44,107
Total No. of options outstanding at the end of the year	14,11,428	12,43,496	7,97,337	42,83,256
Variation in terms of options	No	No	**	No
Money realized by exercise of Options (during FY 2019-20) (in ₹)	60,44,162.40	2,17,96,983.67	2,48,56,160.00	15,44,54,463.00***
Total No. of Options granted to Senior Management Personnel (SMPs)	Refer Note 1	Refer Note 1	Refer Note 1	Refer Note 1
Any other employee who received a grant in any one year of options amounting to 5% or more of options granted during that year	Refer Note 2	Refer Note 2	Refer Note 2	Refer Note 2
Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil	Nil	Nil	Nil
Diluted Earnings Per Share (EPS) of the Company after considering the effect of potential equity shares on account of exercise of Options		Refer Note 4		
Impact of the difference between the Intrinsic Value of the Options and the Fair Value of the Options on Profits and on EPS		Refer Note 4		
Weighted average share/exercise price of the shares exercised during the year (in ₹)	10.11	33.37	140	663.17***
Weighted average fair values of the outstanding options (in ₹)	Refer Schedule 18B Note no. 7 to Notes to Accounts of Audited Financial Results for FY 2019-20			

*The Bank has received RBI approval on 17th June 2019 for 10,00,000 ESOPs granted to Mr. Uttam Tibrewal, Whole Time Director under ESOP Scheme 2018 on 30th August 2018 by Nomination and Remuneration Committee and the said grant has been considered in the total ESOPs granted for FY 2019-20.

**ESOP Scheme 2016 was amended via special resolution passed in Annual General Meeting held on 26th July 2019. Consequent to amendment the exercise price under ESOP Scheme 2016 has been linked to market price.

***2,23,737 Equity shares were allotted on exercise of options at an exercise price of ₹ 664 per option and 9,165 Equity shares were allotted on exercise of options at an exercise price of ₹ 643 per option under ESOP Scheme 2018.

Note 1

Following are the total number of stock options that have been granted to Senior Management Personnel (SMP) during the financial year ended 31st March 2020

Sr. No.	Name	Designations	No. of ESOP granted in ESOP Plan-A 2015	No. of ESOP granted in ESOP Plan-B 2015	No. of ESOP granted in ESOP 2016	No. of ESOP granted in ESOP 2018
1	*Deepak Jain	Chief Financial Officer	-	-	-	50,000
2	*Vimal Jain	Chief of Finance & Accounts	-	-	-	20,000
3	Manoj Tibrewal	Group Head Marketing & Distribution	-	-	-	25,000
4	Bhaskar Vittal Karkera	Chief of Wheels	-	-	-	20,000
5	Yogesh Jain	Group Head Strategy – Treasury, FIG, DCM, Wholesale Liability and Investor Relations	-	-	-	50,000
6	Rishi Dhariwal	Group Head Branch Banking	-	-	-	20,000
7	Vivek Tripathi	Chief of Strategy – Business Solutions & Transactions Banking	-	-	-	25,000
8	Ankur Tripathi	Chief Information Officer	-	-	-	50,000
9	Aditya Sharma	Chief Technical Officer Mortgage	-	-	-	10,000
10	Mayank Markanday	Chief Risk Officer	-	-	-	10,000
11	Aalekh Vijayvargiya	National Credit Manager – SBL	-	-	-	20,000
12	Nitin Gupta	Chief Audit Officer	-	-	-	7,500
13	Ashok Khandelwal	Chief Compliance Officer	-	-	-	7,500
14	Manmohan Parnami	Company Secretary	-	-	-	4,282
15	Gurpinder Modi	Chief Vigilance Officer	-	-	-	3,316

* Mr. Deepak Jain and Mr. Vimal Jain was elevated as Chief Operating Officer and Chief Financial Officer respectively w.e.f. 1st April 2020.

Note 2

Details of Employees who received grant in any one year of ESOPs amounting to 5% or more options granted during that year- **No employee received grant of options amounting to 5% or more during FY 2019-20.**

Sr. No.	Name	Designations	No. of ESOP granted in ESOP Plan-A 2015	No. of ESOP granted in ESOP Plan-B 2015	No. of ESOP granted in ESOP 2016	No. of ESOP granted in ESOP 2018
			-	-	-	-

Note 3

The Securities and Exchange Board of India (SEBI) has prescribed two methods to account for stock grants; namely (i) the intrinsic value method; (ii) the fair value method. The Bank adopts the intrinsic value method to account for the stock options grants to the employees. The Bank also calculates the fair value of options at the time of grant, using Black- Scholes pricing model with the following assumptions:

Particulars	31 st March 2020
Risk-free interest rate (%)	6.19% - 7.23%
Expected life (years)	2.5 years - 5.5 years
Expected volatility (%)	33.69% - 89.53%
Expected dividend rate (%)	0%

Note 4

The Bank measures the cost of ESOP using the intrinsic value method. Had the Bank used the fair value model to determine compensation, its profit after tax and earnings per share as reported would have changed to the amounts indicated below:

Particulars	(₹ in crore)	
	Year ended 31 st March 2020	Year ended 31 st March 2019
Profit After Tax as reported	674.78	381.81
Add: ESOP cost using intrinsic value method (net of tax)	17.76	25.11
Less: ESOP cost using fair value method (net of tax)	51.64	36.38
Profit After Tax (adjusted)	640.90	370.54
Earnings Per Share		
Basic		
- As reported	22.78	13.16
- Adjusted for ESOP cost using fair value method	21.64	12.77
Diluted		
- As reported	22.32	12.90
- Adjusted for ESOP cost using fair value method	21.20	12.52

Particulars	(₹ in crore)	
	As on 31 st March 2020	As on 31 st March 2019
Stock options outstanding (gross)	104.14	103.75
Deferred compensation cost outstanding	21.52	44.87
Stock options outstanding (net)	82.62	58.88

The Bank granted 10,00,000 stock options on 30th August 2018 under ESOP Scheme 2018 to Whole Time Director however the Bank received RBI approval on 17th June 2019. Vesting period for these options commenced from the RBI approval date and accordingly these options have been considered for the purpose of computing the ESOP cost as per ESOP Scheme 2018.

The Bank has granted 38,702 and 10,18,758 stock options on 27th October 2017 under ESOP Scheme 2015 - Plan A and ESOP Scheme 2015 - Plan B, respectively, to Whole time Director which were pending for RBI Approval. During the year ended 31st March 2020, the Bank has submitted the revised proposal for the same to RBI and the approval of the RBI was pending as on 31st March 2020. Accordingly, these options have not been considered for the purpose of computing the impact of ESOP fair value on profit before tax. The vesting period for these options will commence only after the RBI approval is received.

J. BOARD OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

During the year under review, following changes took place in the Composition of Board of Directors and Key Managerial Personnel of the Bank.

1. Mr. Mankal Shankar Sriram (M S Sriram) and Mr. Pushpinder Singh respectively were appointed

as Additional Director (Independent) for a period of 3 years with effect from 21st October 2019 subject to approval of shareholders in the ensuing Annual General Meeting.

Mr. M S Sriram's vast experience in financial inclusion, microfinance and understanding of rural economy, shall strengthen the Bank's ability to enhance credit flow at the bottom of the pyramid and further deepen the impact of financial inclusion initiatives. Addition of Mr. Pushpinder Singh will greatly aid the Bank's aspiration of becoming customer-centric, technology driven Bank in the rapidly changing digital-banking infrastructure, with emergence of newer technologies and payment systems.

2. With the approval of the Board of Directors, the proposal for re-appointment of Mr. Sanjay Agarwal, Managing Director & CEO and Mr. Uttam Tibrewal, Whole Time Director was submitted to Reserve Bank of India respectively, for a period of 3 years with effect from 19th April 2020. The said proposals have been approved by Reserve Bank of India.
3. With the approval of the Board of Directors, the proposal for appointment of Mr. Raj Vikash Verma as Part-Time Chairman (Independent Director) (Non-Executive) of the Bank for a period of 1 year, was

submitted to Reserve Bank of India. The proposal has been approved by Reserve Bank of India for a period of 1 year with, effect from 8th April 2020. Further, shareholders vide resolution passed through postal ballot has approved his appointment as Part-Time Chairman (Independent Director) (Non-Executive) on 4th March 2020.

4. Mr. Kannan Gopalaraghavan Vellur (V G Kannan) has been appointed as Additional Director (Independent) for a period of 3 years with effect from 22nd January 2020 subject to approval of shareholders in the ensuing Annual General Meeting. Mr. Kannan is a banking industry veteran with over 38 years of experience in Banking & Financial Services (BFSI) sector and he is acknowledged an authority in credit, treasury, risk and investment management in the Banking sector.
5. Re-appointment of Mr. Krishan Kant Rathi, Independent Director and Ms. Jyoti Narang, Independent Director respectively has been approved by the Board of Directors for a second term for a period of 3 years commencing from 30th March 2020. The said re-appointment was duly approved by the shareholders of the Bank through Postal Ballot on 4th March 2020.

Mr. Krishan Kant Rathi brings knowledge and executive competence of a rare kind encompassing finance & accounting, strategic finance & treasury management, financial restructuring and fundraising (domestic and international), system driven operations and risk management.

Ms. Jyoti Narang expertise lies in the understanding in hospitality, customer service & human capital management, banking, economics, administration and business management.

6. Mr. Mannil Venugopalan successfully completed his tenure as the Part-Time Chairman (Independent Director) (Non-Executive) from close of business hours on 29th March 2020. The Board expressed deep appreciation and gratitude and acknowledged his invaluable contribution during his tenure by guiding, mentoring Bank to gain size and simultaneously putting in strong governance culture in place.
7. Mr. Deepak Jain, Chief Financial officer of the Bank has been elevated as Chief Operating Officer by the Board of Directors and designated as Key Managerial Personnel in terms of section 2(51) of the Companies Act, 2013 with effect from 1st April 2020 by the Board on the recommendation of the Nomination and Remuneration Committee.

8. Mr. Vimal Jain, Chief of Finance and Accounts has been elevated as Chief Financial Officer by the Board of Directors with effect from 1st April 2020 on the recommendation of Audit Committee and Nomination and Remuneration Committee.
9. In terms of Section 152 of the Companies Act, 2013, Mr. Sanjay Agarwal, Managing Director & CEO, shall retire at the ensuing Annual General Meeting and being eligible for reappointment, offers himself for re-appointment.
10. Appointment of Mr. Narendra Ostawal as Non-Executive Director was approved by the shareholders in the Annual General Meeting dated 26th July 2019.

During the year, no other changes took place in the composition of the Board of Directors of the Bank and The composition of the Board of Directors and Key Managerial Personnel of the Bank was in compliance with the applicable regulatory norms.

K. NUMBER OF MEETINGS OF BOARD

During the period under review, 7 Board meetings were convened and duly held. The intervening gap between the said meetings were in accordance with the provisions of Companies Act, 2013, relevant Rules made thereunder, Secretarial Standard-I Issued by Institute of Company Secretaries of India and provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The dates of Board meetings and details of attendance of each director has been disclosed in the Corporate Governance Report forming part of Annexure-I of Board's Report.

Committees of the Board

The Board Committees constitution is in acquiescence of provisions of the Companies Act, 2013, the relevant rules made thereunder, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Banking Regulation Act, 1949, other guidelines issued by RBI from time to time and the Articles of Association of the Bank. The details of the Board Committees of the Bank are disclosed in the Corporate Governance Report forming part of Annexure-I of the Board's Report.

Meeting of Independent Directors

Your Bank conducted a separate meeting of Independent Directors on 22nd April 2019 without the presence of the Non-Independent Directors and members of Management of the Bank.

At the said meeting, the Independent Directors discussed, among other matters, the performance of the Bank and risks faced by it, the flow of information to the Board and its committees, governance, compliance and performance of Non-Independent Directors, the Board as a whole and of the Chairman.

No sitting fees was paid to the Independent Directors of the Bank for participating in the said meeting.

L. DECLARATION OF INDEPENDENCE

In accordance with provisions of Section 149(7) of the Companies Act, 2013, Schedule IV and Regulation 16 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 all the Independent Directors have submitted the declaration of independence respectively, confirming that they meet the criteria of independence. Board, in terms of Regulation 25 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, has examined the veracity of declarations submitted by respective directors. The Board opined that Independent Directors appointed during the financial year are having requisite integrity, expertise, specialised knowledge, experience and the proficiency. Further, none of the Directors are debarred from holding office as Director by virtue of any order of the Securities and Exchange Board of India or any other authority.

The Independent Directors have complied with the Code applicable for Independent Directors as stipulated under schedule IV of the Companies Act, 2013.

M. COMPENSATION POLICY FOR DIRECTORS, KEY MANAGERIAL PERSONNEL, SENIOR MANAGEMENT PERSONNEL AND OTHER EMPLOYEES.

In accordance with the provisions of section 178(3) of the Companies Act, 2013 read with rules made thereunder, RBI guidelines and on the recommendation of the Nomination and Remuneration Committee, the Bank has formulated and adopted a comprehensive compensation policy for its Directors, Key Managerial Personnel, Senior Management Personnel and other Employees.

The objectives of the Compensation policy along with the other details has been provided in Corporate Governance Report forming part of Annexure-I of Board's Report and disclosure in this regards have been made in schedule to notes to accounts of the audited financial statements for FY 2019-20.

Criteria for appointment of Director & Senior Management Personnel

The proposal for appointment of Directors is put up to the Nomination and Remuneration Committee along with

requisite documents/disclosures received in the prescribed format for his/her proposed candidature as director.

The Nomination and Remuneration Committee carry out the fit and proper assessment after ascertaining the veracity of documents being submitted, experience and qualifications required for the post and if deem fit, recommends the profile for appointment to Board of Directors for their approval.

The Nomination and Remuneration Committee and the Board ensures that the remuneration to be paid to the proposed appointee is in accordance with the compensation policy and RBI guidelines issued in this regard.

During the period under review, as a part of Annual review, the Board of Directors reviewed the Compensation Policy, which regulates the appointment of Directors, Key Managerial Personnel, Senior Managerial Personnel and other employees of the Bank.

The terms of reference of the Nomination and Remuneration Committee, Compensation Policy and evaluation process has been detailed in Corporate Governance Report forming part of Annexure-I of Board's Report. The compensation policy of the Bank has been hosted on the website of the Bank at www.aubank.in/notice-board

Evaluation of the Directors, the Board and Committees

The description and details of the evaluation process has been provided in the Corporate Governance Report forming part of Annexure-I of Board's Report.

N. STATUTORY AUDITORS & THEIR REPORT

M/s. S. R. Batliboi & Associates LLP (Firm Registration No. 101049W/E300004) were appointed as the Statutory Auditors for a period of four (4) years by the Members of the Bank at the Twenty Second (22nd) Annual General Meeting held on 27th September 2017, to hold office from the conclusion of the 22nd Annual General Meeting till the conclusion of the 26th Annual General Meeting of the Bank, in accordance with the provisions of the Companies Act, 2013.

The Statutory Auditors have confirmed their eligibility under Section 141 of the Companies Act, 2013. Further, as required under the relevant provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Statutory Auditors had also confirmed that they had subjected themselves to the peer review process of the Institute of Chartered Accountants of India (ICAI) and they hold a valid certificate issued by the Peer Review Board of ICAI.

There are no qualifications, reservations or adverse remarks made by M/s. S.R. Batliboi & Associates LLP, Chartered Accountants, Statutory Auditors of the Bank, in their report. Further, pursuant to Section 143(12) of the Companies Act, 2013, the Statutory Auditors of the Bank have not reported any instances of frauds committed in the Bank by its officers or employees.

O. SECRETARIAL AUDITORS & THEIR REPORT

In compliance with the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board in its meeting held on 22nd April 2019, upon recommendation of the Audit Committee appointed M/s. V.M. & Associates, Company Secretaries (Registration No. P1984RJ039200) to undertake the Secretarial Audit of the Bank for the financial year ended 31st March 2020.

During the period under review, no frauds have been reported by the Secretarial Auditors, and there were no observations or qualifications made by the Secretarial Auditors in their Report. The Secretarial Audit Report for FY 2019-20 is annexed herewith, as Annexure V to the Board's report.

P. LOANS, GUARANTEES AND INVESTMENTS UNDER SECTION 186

Pursuant to Section 186 (11) of Companies Act, 2013, loans made, guarantees given or securities provided or acquisition of securities by a banking company are carried out in its ordinary course of business and are exempted from disclosure requirement in the Annual Report. Hence, there is no disclosure being made herein in this regard.

Q. RELATED PARTY TRANSACTIONS

During the period under review no transaction as falling under the purview of Section 188 of the Companies Act, 2013, have been entered by the Bank with the related parties. All transactions with related parties, were in the ordinary course of the business and on an arm's length basis. No transaction has been entered that could lead to potential conflict of interest between the Bank and related parties. Transactions entered into by the Bank with related parties were placed before the Audit Committee. Hence, pursuant to Section 134 (3) (h) of the Companies Act, 2013 read with Rule 8 (2) of the Companies (Accounts) Rules, 2014, there are no related party transactions that are required to be reported in form AOC-2. The requisite disclosure has been made under Schedule 18 of the notes forming part of audited financial statements for the year ended 31st March 2020.

Your Bank has in place a Board approved Related Party Transactions & Materiality Policy, which provide for the process, procedure and steps required for approval of

related party transactions, in compliance of applicable requirements of appropriate reporting and disclosure of transactions between the Bank and its related parties.

The Policy on Related Party Transactions & Materiality as approved by the Board, is hosted on the website of the Bank at www.aubank.in/notice-board

R. MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE BANK

During the year under review, there are no material changes observed that could affect the financial position of Bank.

With the end of FY 2019-20, the world started witnessing the effect of Pandemic COVID-19 affecting health and economic system of the world. The Indian government was quick to initiate war-scale measures to contain the spread of COVID-19 and imposed a complete lockdown on 25th March 2020 to break the chain of transmission. Following the outbreak of COVID-19 and central government mandated lockdown, the RBI left no stone unturned in supporting the economy in the best possible way.

Banking being essential services, your Bank stood strong to serve the nation at this critical time and continued providing financial services through Branches in compliance of RBI Guidelines. Business continuity was invoked, process & policy for work from home was designed, access of IT resources was given with adequate security checks to provide uninterrupted banking services.

Advisories & guidelines issued by the Government of India, State Governments and local administration from time to time on mandatory wearing of mask, social distancing and other measures, were strictly implemented by the Bank across all its offices and branches.

The RBI announced the 3 months moratorium to be granted by the Banks to its borrowers and in accordance with the RBI guidelines relating to the COVID-19 Regulatory Package dated 27th March 2020 and 17th April 2020, the Bank has granted a moratorium of 3 months on the payment of all instalments and/or interest, as applicable, falling due between 1st March 2020 and 31st May 2020 to all eligible borrowers. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Assets Classification and Provisioning norms). Bank has acted proactively and made the provision of ₹ 138 crore against COVID-19, and this is in addition to the provision on standard assets providing requisite cushion to the portfolio.

We are confident that with a country population of over 136 crore and continuous focus on development of infrastructure, corporates & MSMEs sector, big domestic markets and impetus on regional distribution of industrial and service activities with higher localisation by the government, the Banking services shall restore to normalcy swiftly.

S. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO

As a responsible corporate citizen, your Bank ensures that optimum utilisation of resources is carried out to conserve the energy and absorption of technology.

(A) Conservation of energy and technology absorption

Your bank is a responsible organisation and strongly committed for the conservation of energy in carrying out its business operations. Bank, as part of its efforts has taken several initiatives by using the technology innovation, upgradation with opportunities available with IT development in the Banking sector.

The Bank's IT ecosystems is designed, maintained and administered by upholding the best practices of "Energy Conservation in Facility Management", be it either maximizing the use of day-light inside the office premises or emphasising the organization-wide usage of energy efficient LED lights, covering all of the Bank's branches and offices. The Air Conditioners being used are compliant with the "Energy Star" rating, thereby saving lot of electricity.

The IT hardware that is being used to run the Bank meets the Environmental Safeguard Agency's (EPA's) Power Star advisory for minimal electricity usage. This also includes IT properties such as workstations, notebooks, machines, etc. Furthermore, your bank usually employs machines with multi-core processors which increase the machine's digesting output without an exorbitant consumption of energy, thereby, resulting in increased efficiency & cost savings.

The Bank is leading the digital banking revolution by employing the use of "Paperless Two-Wheeler Lending Process". This is achieved through a Tab based system, which eliminates the need of paper document consumption in the Two-Wheeler lending operations. Continuing on innovation, your bank also introduced the revolutionary "Instant Account" opening facility through digital channels and through WhatsApp. Digital initiatives such as these have gone a long way in reducing the paper consumption of the Bank and continue to do so in the endeavor to achieve a paperless system for seamless Banking.

Using power supervision technology and guidelines

Bank implemented the latest Operating Systems and is working on Advanced Settings Power Use Interface (ACPI) enabled devices. This enabled bank in embracing power-saving attributes which keep on functioning automatically on power saving function in case a machine remains idle for certain time interval.

Using Cloud based technology and virtualized info center

Bank constantly put in efforts to sustainably improve and invest in virtual and cloud-based technology, thereby reducing reliance on physical servers. This has a double benefit as the virtual, cloud-based servers are one of the most energy efficient and reliable options in the present era of faster technological advancements.

Recycling systems and supplies

Bank evangelises and practices an efficient management approach when it comes to aging IT systems. This is carried out to scale down the load on already overburdened junkyards and to avoid sending of hazardous materials to those landfills, more susceptible to causing a natural imbalance to the underlying soil and harming the environment. There is a coherent system of refurbishing the slightly old IT systems by assigning them to our staff that does not require heavy data processing. Doing so, the Bank successfully reduces the demand for new systems (desktops and laptops) even with our growing manpower. For example, in numerous cases, if an IT engineer needs a new high-end workstation to run a highly demanding, resource-hungry program, their old system, which is faultlessly adequate and can be assigned for use of someone who is not required to perform extensive processing, number crunching into spreadsheets. This hand-me-down approach leaves two employees to get better, more suited systems than the one they previously had, while minimising the need to purchase only one new system, thereby, resulting in savings, and avoidance of unwanted electronic wastage in the said process.

(B) Technology Absorption

I. The efforts made towards Technology absorption:

The Bank is rapidly adopting technology to digitise its operations and product offerings. It has witnessed a strong growth in the adoption of TAB-based account opening, android-based mobile banking, and internet banking, thus minimising paper usage. The Bank's products and processes are directed towards digitisation of our banking services in a customer friendly manner, thereby empowering our customers to carry out banking with more ease, less paperwork and reduction in waste generation and improved waste management. Through digitisation, internet banking and with doorstep hassle-free services, we have reduced the customers' travel time and

expenses, thereby reducing the fuel consumption and carbon emission.

II. The benefits derived like product improvement, cost reduction, product development or import substitution:

Not Applicable for the Banking Industry.

III. In case of imported technology (imported during the last three years reckoned from the beginning of the financial year):

- The details of technology imported: Nil
- The year of import: Nil
- Whether the technology has been fully absorbed: Nil
- If not fully absorbed, areas where absorption has not taken place, and the reasons thereof: Nil

C) Foreign Exchange Earnings and Outgo

During the year ended 31st March 2020, there were no foreign exchange earnings and the foreign exchange outgo was ₹ 2.72 crore.

T. RISK MANAGEMENT

Risk is the most critical element for any organisation and in the banking industry, this element become even more critical considering the Bank being custodian of public deposits. The nature of Risk in a Banking Industry has a wide array which evolves around Credit Risk, Market Risk, Liquidity Risk, Operational Risk and other risks.

The organisation is required to be proactive to mitigate the impact of risks around its businesses and an efficient Risk Management framework assist the Bank to balance the risk adjusted returns in line with the risk appetite.

An independent Risk Management is coupled with well laid down risk governance structure supported by policies and processes approved by the Board of Directors, and encompasses independence, identification and mitigation of risks across businesses of the Bank.

The overall Risk Governance framework in the Bank is approved and monitored by the Board of Directors. The risk management processes are guided by well-defined policies appropriate for the various risk categories, which are periodically reviewed by the Board, Board Committees and Board Delegated Committees.

Pursuant, to Regulation 21 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Bank has constituted a Risk Management Committee and as mandated by the regulatory provisions, Bank has appointed Chief Risk Officer ("CRO"), who administers the

risk associated key verticals through dedicated divisions i.e., Credit Risk, Market Risk, Operational Risk, Fraud Risk and Information Security Risk under the aegis of the Board approved risk management policies and in accordance with the approval and responsibility delegation matrix. The CRO has unhindered access to the Risk Management Committee of the Board.

The details of the Risk Management Committee and its terms of reference are set out in the Corporate Governance Report forming part of Annexure-I of Board's Report.

The Enterprise Risk Management framework is a layered structure and broadly consists of the following components for effective risk management across the Bank.

(a) Credit Risk Management

Credit risk arises from business operations that give rise to actual, contingent or potential claims against any counterparty, borrower or obligor. The goal of credit risk management is to maintain asset quality and concentrations at individual exposures as well as at the portfolio level. Credit Committee and Credit Risk and NPA Management Committee (CRNPAC) overseas and reviews the credit risk and is responsible for formulation of standards, financial covenants, rating standards and benchmarks, delegation of credit approving powers, prudential limits on large credit exposures, asset concentration, standards for loan collateral, portfolio management, loan review mechanism, risk concentration, monitoring and evaluation, provisioning, regulatory and other issues around it. Further, Bank has in place credit appraisal models for appraising cases including risk assessment, checks and balances. The Board Delegated Credit committees submit their updates to Risk Management Committee of the Board at regular intervals.

(b) Operational Risk Management

Operational risks arises from inadequate and/or missing controls in internal processes, people and systems or from external events or a combination of all the four. The Bank has the Operational Risk Management Committee (ORMC) to review and advise on implementation of measures for risk mitigation. The Bank follows an integrated risk approach, where operational risks and their monitoring folds into CRO and ORMC. The Bank has set up a comprehensive Operational Risk management framework for documenting, assessing, and periodic monitoring of various risks and controls linked to various processes across all business verticals.

Your Bank has Risk Containment Unit (RCU) that is guided by a Board approved Risk Management Policy. Fraud cases reported in the Bank are apprised to the Audit Committee and the Board and fraud cases in excess of ₹ 1 crore or more are specifically reported and dealt by

the Special Committee for Fraud Monitoring (FMC) of the Board. Frauds in the Bank occur when the safeguards are inadequate or the procedural checks are not adhered to, leaving the system/bank vulnerable to internal or external perpetrators. The effective defense that the Bank can have against frauds is to continuously strengthen its systems, operational practices, procedures, controls and review mechanism so that fraud-prone areas are sanitised against internal and external breaches and by continuously monitoring that these control measures are operating effectively.

Your Bank has in place a comprehensive Business Continuity Management (BCM) plan, policy and procedures in place to ensure continuity of critical operations of the Bank in the event of any disaster/incident affecting business continuity. The Bank's business continuity programme is developed considering the criticality of the functions performed and the systems have been designed to minimise the operational, financial, legal and other material consequences arising from such a disaster and focus is on ensuring faster recovery of/ minimising impact on the IT systems of the Bank. We hereby report that the Bank Business Continuity Management was operating effectively throughout the year.

(c) Market Risk Liquidity and Asset Liability Management

Market Risk for the Bank originates from investment and trading in securities, which are undertaken both for the customers and on a proprietary basis.

The market risk management framework of the Bank sets benchmark for market risk exposures, the performance of portfolios vis-à-vis the market risk limits and comparable benchmarks, which provide guidance to optimise the risk-adjusted rate of return of the Bank's investment portfolio.

Market risk management is guided by well-defined policies, guidelines, processes and systems for the identification, measurement, monitoring and reporting of exposures against various risk limits set in accordance with the risk appetite of the Bank. The Bank utilises the analytical tools for the market risk management of its trading and investment portfolios.

The Asset Liability Management (ALM) Policy of the Bank stipulates a broad framework for liquidity risk management to ensure that the Bank is in a position to meet its liquidity obligations as well as to withstand a period of liquidity stress from bank-level factors, market-wide factors or a combination of both. The ALM policy captures the risk appetite around the liquidity of the Bank and helps to put in place defined governance structure in consonance with the Bank's Risk Appetite.

The Asset Liability Management Committee (ALCO) of the Bank oversees the framework for identification, measurement and management of market risk, interest rate risk and liquidity risk in the Bank and ensures compliance with established internal and regulatory prudential limits. On a Quarterly basis, a detailed analysis of structure liquidity statements and breach in limits, if any, is presented to the Risk Management Committee and the Board of Directors.

(d) IT Risk Management

The Bank has established a robust information and cyber security framework for securing its IT infrastructure and systems. IT Steering Committee and Information Security Risk Management committee reports to Board-level IT Strategy & Information Systems Security Committee. This committee reviews and monitors IT security infrastructure and vigilance over IT related vulnerabilities against emerging cyber security risks. The Chief Information Security Officer ("CISO") is responsible for monitoring the information security risks covering all aspects of data security for the Bank who reports to Chief Risk Officer (CRO). Cyber Security Operation Center (CSOC) with qualified professionals reporting to CISO for monitoring of real-time cyber security glitches.

Further, your Bank has a cyber security management framework, a combination of technologies, processes and practices designed to protect networks, computers, programmes and data from cyber-attacks, damage or unauthorised access.

In the overarching risk management framework, the relevant risk and mitigates have been covered under Management Discussion & Analysis section of the Annual Report.

U. CORPORATE SOCIAL RESPONSIBILITY

In compliance with the provisions of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Bank has a Board level Corporate Social Responsibility (CSR) Committee. It is committed to ensuring the social wellbeing of the communities in the vicinity of its business operations through its Corporate Social Responsibility (CSR) initiatives, in alignment with the Bank's key priorities.

On the recommendation of the Corporate Social Responsibility Committee, the Board of Directors has adopted and formulated comprehensive Corporate Social Responsibility policy, which sets out the objective, areas, activities and the manner in which the expenditure on CSR obligation would be carried out by the Bank.

The Bank established the AU Foundation in 2018, to pro-actively work at ground level in consultation with key

stakeholders for understanding social needs and designing CSR programs & initiatives accordingly. Considering the COVID-19 pandemic, Bank came forward and contributed substantial amount of its CSR budget of FY 2019-20 for health & safety initiatives against the COVID-19 pandemic.

The terms of reference of CSR committee has been disclosed in the Corporate Governance section of Board's Report and a detailed breakup of expenditure carried out on CSR activities has been disclosed in the Corporate Social Responsibility report attached as Annexure II of Board's Report. The policy has also been hosted on the website of the Bank at www.aubank.in/notice-board

V. DISCLOSURE UNDER SECTION 22 OF THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

Your Bank has in place, a Policy on Prevention and Redressal Against Sexual Harassment, the primary objective of the said policy is to provide all safeguards to employees from sexual harassment at the workplace. Your Bank has constituted Internal Complaints Committee in compliance of the provisions of The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 to review, investigate & take suitable actions on complaint and there is a Board level Disciplinary Committee that reviews the decisions taken by Internal Complaints Committee.

The complaints received and the details relating thereto have been provided in Corporate Governance Report forming part as Annexure-I of Board's Report.

W. SUBSIDIARY & ASSOCIATE COMPANIES

The Bank does not have any company, which is its subsidiary or associate. Hence the details of this clause are not applicable to the Bank.

X. MATERIAL ORDERS PASSED BY REGULATORS OR COURTS OR TRIBUNALS

During the period under review no material orders have been passed by the Regulators/ Courts/Tribunals which would impact the going concern status of the Bank and its future operations.

Y. INTERNAL FINANCIAL CONTROLS SYSTEM & THEIR ADEQUACY

Your Bank has an effective internal control system in line with the risk appetite of the Bank and aligned to the scale, size and complexity of its operations. The scope and authority of the risk based internal audit function is defined in the Internal Audit Policy of the Bank duly approved by the Board.

The audit function essentially validates the compliances of Bank's processes and operations with regulatory guidelines, accounting procedures and Bank's own internal rules and guidelines.

The Internal Audit function provides independent assurance to the Board of Directors and Audit Committee on the quality and effectiveness of the Bank's internal control, risk management and governance systems and processes.

Proper internal financial controls were in place and operating effectively. Further, the statutory auditors have, in compliance with the requirements of Companies Act, 2013, issued an opinion with respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, details of which may be referred to in the Auditor's Report attached to the audited financial statements of FY 2019-20.

Z. COST RECORD

The provisions for maintenance of cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013 are not applicable to the Bank.

AA. CORPORATE GOVERNANCE

The Report on Corporate Governance for FY 2019-20 along with certificate issued by CS Manoj Maheshwari, partner of M/s V. M. & Associates, Company Secretaries confirming the compliance to applicable requirements related to corporate governance as stipulated under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Corporate Governance Report is attached as Annexure-I to the Board's Report.

AB. BUSINESS RESPONSIBILITY REPORT

Pursuant to Regulation 34 (2) (f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 a Business Responsibility Report (BRR) is required to be published by the Top 1000 listed companies based on market capitalisation. The BRR describes the initiatives taken by the Bank from environmental, social and governance perspective in the format prescribed under SEBI Circular No. CIR/CFD/CMD/10/2015 and the same is forming part of Annual Report and is hosted on the website of the Bank at www.aubank.in/investor-relations.

AC. PARTICULARS OF EMPLOYEE REMUNERATION

The ratio of the remuneration of each Director to the median employee's remuneration and other details in terms of



sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, form part of this Report and is annexed as Annexure III to Board's Report. The statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) and Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, forms part of this Report and is attached as Annexure IV to the Board's Report.

AD. MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report for FY 2019-20 is presented under separate section forming part of the Annual Report.

AE. EXTRACT OF ANNUAL RETURN

The extract of the Annual Return as on 31st March 2020, in the prescribed form MGT-9, form part of this report and is set out in Annexure VI. In accordance with the provisions of Companies (Amendment) Act, 2017, read with Section 134(3) of the Companies Act, 2013, the Annual Return, under Section 92 (3) of the Companies Act, 2013, is hosted on the website of the Bank at www.aubank.in/reports

AF. WHISTLEBLOWER POLICY & VIGIL MECHANISM

The details have been provided in Corporate Governance Report forming part of Annexure-I of Board Report.

Whistle Blower Policy & Vigil Mechanism as approved by Board is hosted on the website of the Bank at www.aubank.in/notice-board

AG. SOCIAL ENVIRONMENTAL AND MANAGEMENT SYSTEM

The Social Environmental and Management System (SEMS) is a set of policies, procedures, tools and internal capacity to identify and manage a financial institution's exposure to the environmental and social risks of its customers. The Bank endeavours to benchmark itself with the best of corporates in India and continued its focus to implement best Environmental, Social and Governance (ESG) practices. The procedures and decision-making process of the SEMS are systematically incorporated at each stage of transaction appraisal and monitoring. Awareness is also created among vendors and customers to comply with applicable social and environmental laws.

AH. ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

The Bank adopts a 'zero-tolerance approach' to bribery and corruption and is committed to act professionally, fairly and with integrity in its dealings wherever it

operates. The Bank has an Anti-bribery and Anti-Corruption Policy laying down the principles for carrying out banking business in an honest and ethical manner. The Anti-bribery and Anti-corruption Policy as approved by the Board is hosted on the website of the Bank at www.aubank.in/notice-board

AI. CODE OF CONDUCT FOR DIRECTORS AND SMPs

The Board of Directors of the Bank adopted the Code of Conduct for the Directors and Senior Management Personnel of the Bank in compliance with Regulation 17(5) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, which sets forth the guiding principles on which Bank's Board and Senior Management Personnel (SMPs) shall conduct themselves with stakeholders. For FY 2019-20, all Board members and Senior Management personnel of the Bank have affirmed the compliance with the code as applicable to them and a declaration to this effect signed by the Managing Director & CEO and forms part of the Corporate Governance Report. The Bank's Code of Conduct for Directors and Senior Management is hosted on the website of the Bank at www.aubank.in/notice-board

AJ. COMPLIANCE OF SECRETARIAL STANDARDS ISSUED BY ICSI

The Bank has complied with the provisions prescribed in Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI).

AK. STATUS OF IND AS IMPLEMENTATION.

As per RBI circular RBI/2015-16/315 DBR.BP.BC. No.76/21.07.001/2015-16 dated 11th February 2016 Implementation of Indian Accounting Standards (Ind AS), Banks are advised that scheduled commercial banks (excluding RRBs) shall follow the Indian Accounting Standards as notified under the Companies (Indian Accounting Standards) Rules, 2015, subject to any guideline or direction issued by the Reserve Bank in this regard. Banks in India currently prepare their financial statements as per the guidelines issued by RBI, the Accounting Standards notified under section 133 of the Companies Act, 2013 and generally accepted accounting principles in India (Indian GAAP). In January 2016, the Ministry of Corporate Affairs issued the roadmap for implementation of new Indian Accounting Standards (Ind AS), which were based on convergence with the International Financial Reporting Standards (IFRS), for scheduled commercial banks, insurance companies and non-banking financial companies (NBFCs). In March 2019, RBI deferred the implementation of Ind AS for banks till further notice as the recommended legislative amendments were under consideration of Government of India. The Bank had

undertaken preliminary diagnostic analysis of the GAAP differences between Indian GAAP vis-a-vis Ind AS and shall proceed for ensuring the compliance as per applicable requirements and directions in this regard.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors would like to inform that the audited financial statements for the financial year ended 31st March 2020 are in conformity with the requirements of Clause (c) of Sub-section (3) of Section 134 of the Companies Act, 2013 and hereby confirm that:

- 1) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures
- 2) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year and of the profit and loss of the Bank for that period
- 3) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the Bank's assets and for preventing and detecting fraud and other irregularities
- 4) The Directors had prepared the annual accounts on a going concern basis
- 5) The Directors had laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively

- 6) The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively

ACKNOWLEDGMENT

The Board of Directors wish to place on record their gratitude to the RBI, SEBI, MCA, IRDAI, Indian Banks' Association (IBA), Unique Identification Authority of India (UIDAI), CERSAI, Bank's Customers, Bankers & other Lenders, Members, Debenture holders, Trustees and others for their continued support and faith reposed in the Bank. The Directors would also like to thank the BSE Limited, the National Stock Exchange of India Limited, National Securities Depository Limited, Central Depository Services (India) Limited and the Credit Rating Agencies for their continued co-operation.

The Board also places on record its deep appreciation for the dedication and commitment of the employees at all levels as their hard work, co-operation and support that enabled the Bank to achieve consistent growth.

For and on behalf of the Board of Directors	
AU SMALL FINANCE BANK LIMITED	
Sd/-	Sd/-
Mr. Sanjay Agarwal	Mr. Uttam Tibrewal
Managing Director & CEO	Whole Time Director
DIN: 00009526	DIN: 01024940
Date: 2 nd May 2020	Date: 2 nd May 2020
Place: Jaipur	Place: Mumbai
CIN: L36911RJ1996PLC011381	
Registered Office: 19-A, Dhuleshwar Garden, Ajmer Road, Jaipur – 302001, Rajasthan	

CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members,
AU Small Finance Bank Limited
19-A, Dhuleshwar Garden
Jaipur – 302 001 (Rajasthan)

1. We have examined the compliance of conditions of Corporate Governance of AU Small Finance Bank Limited (“the Bank”) for the year ended on March 31, 2020 as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46 (2) and other applicable regulations of Chapter IV pertaining to Corporate Governance and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [collectively referred to as “SEBI Listing Regulations”].

Management’s Responsibility for compliance with the conditions of SEBI Listing Regulations

2. The compliance with the conditions of Corporate Governance is the responsibility of the management of the Bank, including the preparation and maintenance of all relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in SEBI Listing Regulations.

Our Responsibility

3. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Bank for ensuring the compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

4. We have examined the relevant records and documents maintained by the Bank for the purposes of providing

reasonable assurance on the compliance with the Corporate Governance requirements by the Bank.

5. We have conducted our examination in accordance with the Guidance Note on Corporate Governance Certificate and the Guidance Manual on Quality of Audit & Attestation Services issued by the Institute of Company Secretaries of India (“ICSI”).

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us and the representation made by the directors and the management, we hereby certify that the Bank has complied with the conditions of Corporate Governance as stipulated in the above-mentioned SEBI Listing Regulations.

7. We further state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

Restriction on use

8. The certificate is addressed and provided to the members of the Bank solely for the purpose to enable the Bank to comply with the requirement of the SEBI Listing Regulations, and it should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

Place: Jaipur
Date: 2nd May 2020
UDIN: F003355B000194975

For V. M. & Associates
Company Secretaries
(ICSI Unique Code P1984RJ039200)

Sd/-
CS Manoj Maheshwari
Partner
Membership No.: FCS 3355
C P No.: 1971

Annexure I

REPORT ON CORPORATE GOVERNANCE

Banking Institutions are most important part of the financial ecosystem and economic development where they owe paramount responsibility in ensuring to channelise savings for investments that have potential to yield higher returns to drive the sustainable economic growth. The primary objective of corporate governance in banks is to safeguard stakeholder’s and depositor’s interest on a sustainable basis for ensuring financial stability of the banking sector and economy.

In the present scenario, where economies globally are witnessing turbulence due to the COVID-19 pandemic, the government and corporates have taken pro-active measures to mitigate the impact of the pandemic on economy & public health by adopting social distancing and other measures advised from time to time.

The Indian banking system is one of the most efficient systems by design and regulations. Under the aegis of the Reserve Bank of India, your Bank has laid a strong foundation with strict work ethics, transparency and has put governance structure in place to build an institution that can last long.

PHILOSOPHY ON CORPORATE GOVERNANCE

AU Small Finance Bank Limited (“the Bank”) is committed towards achieving the highest standards of Corporate Governance by maintaining the right balance between economic, social, individual and community goals. The Bank focuses on implementing the robust, resilient and best corporate practices in every facet of its operations for maximising the shareholder’s value.

The Bank has adopted a Code of Conduct for its Directors, Employees, Key Managerial Personnel (KMP) & Senior Management Personnel and it incorporates the duties of Independent Directors as laid down under the Companies Act, 2013 (“the Act”).

The Bank engages itself in a credible and transparent manner with all its stakeholders to make sure that the Bank’s long-term strategies and vision are communicated well. Policies, Processes, Systems & Procedures of the Bank lays down a framework that enables ‘The Rule to follow’ approach by employees, thereby increasing the depth and longevity of the governance structure in the Bank.

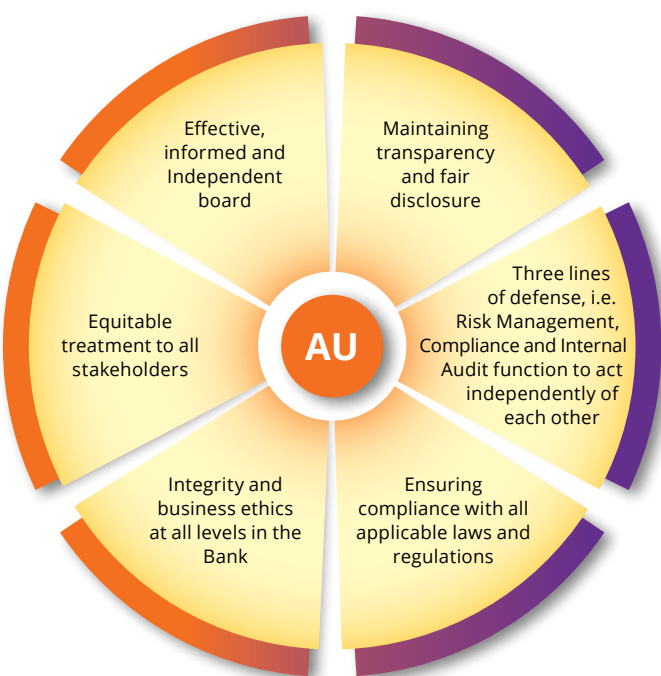
AU BANK GOVERNANCE ECOSYSTEM

The Board of Directors of the Bank (“the Board”) has the overall responsibility of approving and guiding on implementation of the bank’s strategic objectives and goals.

The Board plays a crucial role in guiding and overseeing how the management serves the short and long-term interests of stakeholders. This is reflected in the Bank’s governance practices, under which it strives to maintain an effective, informed and independent Board. The Bank continuously reviews its governance practices and benchmarks itself to best practices in the industry in an ever evolving environment.

In recognition of its governance practices, your Bank has been awarded with Golden Peacock Award for excellence in Risk Management and bestowed with a special recommendation for excellence in Corporate Governance in the financial year 2019-20.

To attain the highest standard of Corporate Governance, the Bank deeply believes and adhere the following principles:



GOVERNANCE EDIFICE @ AU BANK

The governance edifice in the Bank is a three layered structure as below:



BOARD OF DIRECTORS ("THE BOARD")

The Board consists of an optimal mix of Independent, Non-Executive and Executive Directors with a majority (67%) of the Board comprising of Independent Directors ("IDs") maintaining Independence of Board Structure. The Board consists of professionals having diversified background, specialised knowledge and vast experience that enables it to discharge responsibilities more effectively.

The composition of the Board is in conformity with the Banking Regulation Act 1949, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Companies Act 2013 and rules made thereunder.

As on date of this report, the Board has nine (9) Directors with six (6) Independent Directors including a women Independent Director, one (1) Non-Executive and two (2) Executive Directors.

The Independent Directors of the Bank have submitted their annual disclosures/declarations with respect to the criteria of independence as stipulated under the

provisions of the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Banking Regulation Act, 1949 and the guidelines issued by the RBI from time to time, and confirmed that they are independent of the management and meet the criteria of independence laid down thereunder. The declarations/disclosures obtained are put forth to the Board of Directors for their noting.

Details of change in composition of Board of Directors and Key Managerial Personnel during the period under review are covered in the Board's Report.

The brief description consisting of skills and domain expertise of the Board of directors of the Bank are as under:

Mr. Raj Vikash Verma - Part-time Chairman (Independent Director) (Non-Executive)

MA (Economics), MBA & CAIIB

Mr. Raj Vikash Verma joined the Board of Directors of AU Small Finance Bank Limited in January 2018. He took charge as Part-time Chairman (Independent Director) (Non-Executive) of Bank on 8th April 2020 post receipt

of approval from RBI and on retirement of Mr. Mannil Venugopalan from the position of Chairman. Mr. Verma has vast and diversified experience of over 40 years in fields of Finance, Economics, Banking, Regulatory Compliances, Housing & Mortgage Finance and the Real Estate Sector.

Mr. Raj Vikash Verma, has held several leadership positions during his illustrious career in the Financial Services sector including many top management and Board positions, viz. Chairman and Managing Director (CMD) of National Housing Bank (NHB), Whole Time Director and Chairman of CERSAI, Non-Executive Director/Chairman of the India Mortgage Guarantee Corporation and Whole Time Member & Officiating Chairman of Pension Fund Regulatory and Development Authority (PFRDA). He was consultant to the World Bank Group on Housing, Real Estate and Mortgage Sector and appointed as Member on the Advisory Committee of the Insolvency and Bankruptcy Board of India (IBBI). He also served as Member on a number of Committees appointed by the Government of India and Reserve Bank of India, and has played key roles in the formulation of various national level schemes and programmes on affordable and low-income Housing, Securitisation, informal sector and Micro housing finance and several other groundbreaking Initiatives and Projects.

Mr. Kannan Gopalaraghavan Vellur (V G Kannan) - Additional Director (Independent)

MBA, Organisational Leadership Executive Program from University of Pennsylvania

Mr. V G Kannan joined the Board of the Bank in January 2020. He is a career banker with over 38 years of experience in the Banking & Financial Services Space and has held several leadership positions in the Sector. Mr. Kannan has significant experience in Banking & Financial Sector, especially in Credit & Risk Management, Insurance, Capital Markets and Treasury & Fund Management. Mr. Kannan is acknowledged as an authority in Credit, Treasury, Risk and Investment Management in the Banking sector.

He handled several leadership positions with State Bank of India (SBI), its subsidiaries & group companies as Managing Director of SBI. Thereafter, Mr. Kannan was Chief Executive of the Indian Bank's Association (IBA), where he led the development of sound and progressive banking principles and worked closely with all banks to find resolutions to various systemic and operational issues by introducing new systems or services in the Banking industry. He was on the governing council of the Indian Institute of Banking & Finance (IIBF). He was also Chairman of an RBI appointed committee to examine interchange

in ATM services and served as a member of another RBI committee on secondary market for corporate loans.

Mr. Krishan Kant Rathi - Independent Director

CA, CS

Mr. Krishan Kant Rathi joined the Board of Directors of AU Financiers (India) Limited in March 2008 and is on the Board of the bank since 2017. He has rich experience of over 34 years in domain of Corporate Finance & Accounts, Capital Markets, Banking and Audit. He led the development of robust systems driven processes, improving working capital management, risk management, treasury management, strategic business planning, mergers & acquisitions, overseas investments and investor relations. His eyes for detail, diverse exposure of Manufacturing & Service sector sets him apart from other Business leaders. He is also Chairman of Audit Committee of the Bank.

He has held various positions handling key responsibilities at some of India's most respected business houses viz. Future Group as the Group - CFO, H & R Johnson (I) Limited as President (Finance), KEC International Limited as Controller Corporate Finance, Future Consumer Limited (erstwhile Future Ventures India Limited) as CEO and Executive Director. Presently, he serves on the Board of Future Consumer Limited, Future Generali Life Insurance and Future Generali India Insurance Limited as the Non-Executive Director. Currently, he is serving as the Managing Director of Indianivesh Fund Managers Pvt. Ltd.

Ms. Jyoti Narang - Independent Director

MBA (Finance) & BA (Economics)

Ms. Jyoti Narang joined the Board of the Company in March 2015. She brings a diverse experience, spanning strategic planning, brand building and customer centricity to the Board.

She has worked across manufacturing and the service sector with over 20 years in a senior leadership role at the Taj Group of Hotels. As Global Head of Marketing and Chief Operating Officer, the Company won global accolades for its superlative level of service under her guidance. She also served on the Big Data committee for the Tata Group.

As a passionate tourism advocate, she co-created the first Incredible India campaign to market India globally. As a champion for women advancement, she founded the India chapter of Women Corporate Directors.

She currently serves on the Board of the Harvard Club of India and advises global start ups in travel at Wayfare Ventures.

Mr. Mankal Shankar Sriram (Mr. M S Sriram) – Additional Director (Independent)

Graduate from Institute of Rural Management, Anand and Fellow – IIMB

Mr. M S Sriram joined the Board the Bank in October 2019. He has more than 30 years of experience in Financial Inclusion & Microfinance, Rural Economy, Co-operatives, and Agriculture Finance.

Presently, He is Chairperson of the Centre for Public Policy & Faculty member at IIM Bangalore (IIMB). He is also a distinguished fellow at the Institute for Development of Research in Banking Technology, Hyderabad (IDRBT). Prior to this, he was Professor of Finance and Accounting and the ICICI Bank Lalita D Gupte Chair Professor of Microfinance at the Indian Institute of Management, Ahmedabad.

He is a Director on Board of IDMC, NDDDB Dairy Services and other institutions. He also held position as a shareholder director on the Board of Union Bank of India for a period of 6 years.

He has authored many books including annual ‘Inclusive Finance India Report’ for the years 2015, 2016 and 2017.

Mr. Pushpinder Singh – Additional Director (Independent)

B.Sc. and CAIIB

Mr. Pushpinder Singh joined the Board of the Bank in October 2019. He is a Banking Technology expert with over 35 years of rich experience. In his career, he focused on technological advancement and implementing IT as key enabler in the banking sector.

With humble beginning at Bank of India, his career progressed, and he was promoted as Chief Information Officer (CIO), where he was responsible for IT infrastructure, implementation of various IT systems and projects. His valuable contribution to the IT Sector was duly acknowledged and he was awarded with the CIO Masters award in year 2013. He was associated with National Payment Corporation of India (NPCI) as advisor on FI and new Business till 2017. At NPCI, he headed as product and business development lead for AePS product using Aadhaar authentication for payments using Micro ATMs. Presently, he is Member of the IT Strategy Committee of the Board of SIDBI for advising on IT strategic matters.

Mr. Narendra Ostawal (Non-Executive Director)

CA, Diploma in Business Management – IIM Bengaluru

Mr. Narendra Ostawal joined the Board of Directors of AU Small Finance Bank limited in January 2018 as the Nominee Director. In January 2019, he was appointed and

designated as the Non-Executive Director. He has more than 18 years of rich experience in Investment Advisory, Strategy Consulting across various industries including Financial Services. He possesses vast experience in Capital Markets, Treasury Management and Financial Analyses.

Mr. Ostawal was associated with 3i India and McKinsey & Company. He currently serves as the Managing Director of Warburg Pincus India Private Limited (WPIPL). Presently, he is engaged in Investment Advisory activities and evaluates opportunities in the Healthcare and Financial Services Sector.

Mr. Sanjay Agarwal – Managing Director & CEO

CA

Mr. Sanjay Agarwal is promoter and Managing Director & CEO of the Bank, and has over 25 years of strategic executive experience. He possess extensive experience in Retail Finance, Accountancy, Agriculture & Rural Economy, Banking, Human Resource Management, Credit Risk and Business Management.

He spearheads several initiatives that helped to create a nimble and agile organisation. He is credited with creating a culture of business excellence and delivering superior benchmark performance through his vision and execution-oriented approach. He has led the Bank’s evolution to the highest standards of corporate governance with enhanced disclosures and high level engagement with key stakeholders. He has received many awards and recognitions including EY Entrepreneur of the Year 2018, Innovative Leader of the Year by ET Now, Business Leader of the Year’ award by ICAI, Personality of the year (Finance Category) at Rajasthan Entrepreneur and the Excellence Award, ET Gamechanger of India – 2019.

Mr. Uttam Tibrewal (Whole Time Director)

B.Com – Delhi University

Mr. Uttam Tibrewal joined the Board of the Company in 2005. He has over 23 years of experience in Financial Service sector with rich experience in the field of Agriculture & Rural Economy, Financing small-scale industry, Accountancy, Banking, Risk and Business Management.

His deep operational knowledge and broad strategic insight helped in building and scaling the retail business. He is responsible for supervisory functions and departments viz. Retail Assets covering Wheels & Secured Business Loans, Home Loans, Agri – SME Loans, Branch and Personal Banking. His ability to pulse the customer expectation sets him apart. He has led from front and over the years ensured that simplification of processes and customer centricity is kept as organisational priority for success and sustainability in the long run.

The Bank has identified below skills/expertise/competencies as required to be possessed by the Board of Directors, in the context of its business(es) and the sector(s), for it to function effectively. The details of same are detailed as under:

Key Skills/Expertise Area	Name of Directors									
	MV*	RVV	KKR	JN	VGK	MSS	PS	NO	SA	UT
Accountancy	✓	✓	✓	x	x	✓	x	✓	✓	✓
Agriculture and Rural Economy	✓	x	x	x	x	✓	x	x	✓	✓
Banking	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Co-operation	x	x	x	x	x	✓	x	x	x	x
Economics	✓	✓	✓	✓	✓	✓	x	✓	✓	✓
Finance	✓	✓	✓	x	✓	✓	x	✓	✓	✓
Law	x	x	✓	x	x	x	x	x	x	x
Small-scale Industry	x	x	✓	x	✓	x	x	x	✓	✓
Information Technology	x	x	x	x	x	x	✓	x	x	x
Payment and Settlement Systems	x	x	x	x	x	x	✓	x	x	x
Human Resources	✓	✓	x	✓	x	x	x	x	✓	✓
Risk Management	✓	✓	✓	x	✓	x	x	✓	✓	✓
Business Management	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Any other matter the special knowledge of, and practical experience in, which would, in the opinion of the Reserve Bank, be useful to the banking company	NA	NA	NA	Hospitality & Customer Service	Treasury	Financial Inclusion, Rural Banking	NA	Investment Banking, Treasury & Financial Services	NA	NA

MV: Mr. Mannil Venugopalan, **RVV:** Mr. Raj Vikash Verma, **KKR:** Mr. Krishan Kant Rath, **JN:** Ms. Jyoti Narang, **VGK:** Mr. V G Kannan, **MSS:** Mr. M S Sriram, **PS:** Mr. Pushpinder Singh, **NO:** Mr. Narendra Ostawal, **SA:** Mr. Sanjay Agarwal, **UT:** Mr. Uttam Tibrewal

*Mr. Mannil Venugopalan has ceased to be Part-Time Chairman and Independent Director of the Bank on 29th March 2020 (close of business hours) on completion of his tenure.

BOARD MEETING AND ATTENDANCE

The Board meets at regular intervals to take strategic and business decisions considering matters referred to under Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Part A of Schedule II and matters covered under the Calendar of Reviews. The discussion among the Board members are held in detail, wherein the Board spends considerable time reviewing the information provided to them, which facilitates informed decision-making and effective participation at meetings, leading to higher Board effectiveness.

The Board/Committee Meetings are pre-scheduled and half - yearly calendar of the Board and Committee Meetings is circulated to the Directors well in advance to facilitate them to plan their schedule and to ensure better participation in the meetings. However, in case of a special and urgent business need, the Bank exceptionally convene meetings physically or through electronic means with shorter notice in accordance with the applicable provisions. Considering business exigencies, resolutions are also passed by the Board through circulation, if required.

The Board meetings of the Bank are organised by giving appropriate notice, agenda papers and other explanatory notes / presentation / relevant information for the directors of the Bank in compliance of applicable requirement under Secretarial Standard – I. At least one meeting is held in every quarter to review the quarterly performance of the Bank and the Senior management including the Chief Operating Officer, Chief Financial Officer, head of various departments are invited to attend the Board/Committee meetings to present specific details as desired by the Board for their deliberation and decision.

During the period under review, the Board of the Bank met seven (7) times on 22nd April 2019, 20th June 2019, 25th July 2019, 21st & 22nd October 2019, 13th December 2019, 22nd & 23rd January 2020 and 26th March 2020.

The gap between two Board meetings did not exceed the prescribed limit of 120 days. The requisite quorum was present for all the meetings of the Board that were held during FY 2019-20.

The details of directors, their attendance at Board meetings held during FY 2019-20 and at Annual General Meeting, directorship and position in other companies including listed entities are as under:

Name of Director	Category	Board Meeting		Whether attended last AGM held on 26 th July 2019	Directorship in other companies	Committee position in other Public companies		Directorship in other listed entities (Category of Directorship)	No. of Equity shares held
		Entitled	Attended			Chairman	Member		
*Mr. Mannil Venugopalan	Part-Time Chairman-Independent Director (Non-Executive)	7	7	✓	6	Nil	Nil	• Shreyas Shipping and Logistics Limited (Independent Director)	Nil
Mr. Raj Vikash Verma	Independent Director (Non-Executive)	7	7	✓	4	Nil	1	Nil	Nil
Mr. Krishan Kant Rathi	Independent Director (Non-Executive)	7	7	✓	10	Nil	4	• Future consumer limited (Non-Executive Director) • Autoline Industries Limited (Nominee Director – India Nivesh Renaissance Fund)	83,289
Ms. Jyoti Narang	Independent Director (Non-Executive)	7	6	✓	3	Nil	1	Nil	2,714
**Mr. M S Sriram	Additional Director – Independent (Non-Executive)	4	3	x	4	Nil	1	Nil	Nil
**Mr. Pushpinder Singh	Additional Director – Independent (Non-Executive)	4	4	x	Nil	Nil	Nil	Nil	100
***Mr. V G Kannan	Additional Director – Independent (Non-Executive)	2	2	x	Nil	Nil	Nil	Nil	5
Mr. Narendra Ostawal	Non-Executive Director	7	7	✓	11	1	5	• Laurus Labs Limited (Non-Executive, Nominee Director in Bluewater Investments) • Avanse Financial Services Limited (Non-Executive Director)	Nil
Mr. Sanjay Agarwal	Promoter – Managing Director & CEO (Executive)	7	7	✓	Nil	Nil	Nil	Nil	5,67,66,359
Mr. Uttam Tibrewal	Whole Time Director (Executive)	7	6	✓	Nil	Nil	Nil	Nil	35,44,673

*Mr. Mannil Venugopalan ceased to be Part-Time Chairman and Independent Director of the Bank on 29th March 2020 (close of business hours) on completion of his tenure. The status of his directorship and committee membership in other companies as on 29th March 2020 has been given hereinabove.

**Mr. M S Sriram and Mr. Pushpinder Singh were appointed as Additional Director – Independent (Non-Executive) of the Bank w.e.f. 21st October 2019

***Mr. V G Kannan was appointed as Additional Director – Independent (Non-Executive) of the Bank w.e.f. 22nd January 2020

*Joined on Board, post the Annual General Meeting, Hence not applicable.

Notes

- i) Mr. Raj Vikash Verma has been designated as Part-Time Chairman (Independent Director) (Non-Executive) of the Bank w.e.f. 8th April 2020 as per terms of approval received from RBI and the same has been duly approved by the shareholders.

- ii) Mr. Sanjay Agarwal – MD & CEO, re-appointment for second term has been approved by the RBI on 8th April 2020 and his re-appointment is effective from 19th April 2020 for period of 3 years.
- iii) Mr. Uttam Tibrewal – WTD, re-appointment for second term has been approved by the RBI on 8th April 2020 and his Re-appointment is effective from 19th April 2020 for period of 3 years.
- iv) Mr. Krishan Kant Rathi was re-appointed as Independent Director (Non-Executive) of the Bank w.e.f. 30th March 2020.
- v) Ms. Jyoti Narang was re-appointed as Independent Director (Non-Executive) of the Bank w.e.f. 30th March 2020.
- vi) None of the Directors on the Board hold directorship in more than Ten Public Limited Companies and not exceeding 20 companies in compliance of requirement of Companies Act 2013.
- vii) None of the Independent Director serves as an Independent Director on more than Seven Listed Companies.
- viii) None of the Directors of the Bank are member of more than 10 committees or acted as a chairman of more than 5 committees across Public Limited Companies in which they hold directorship.
- ix) Audit Committee and Stakeholders Relationship Committee have been considered above for Committee chairmanship and membership.
- x) None of the Directors are related with each other.
- xi) Necessary disclosures regarding Committee positions in other public companies as on 31st March 2020 have been made by the Directors.
- xii) Independent Directors confirmed that they are not aware of any circumstance or situation which exists or may be reasonably anticipated that could impair or impact their ability to discharge their duties.
- xiii) All independent Directors confirmed that they meet the criteria of independence.
- xiv) None of the Director belong to promoters or promoter group except Mr. Sanjay Agarwal.
- xv) None of the Non-Executive Directors hold any convertible instruments of the Bank.

BOARD COMMITTEES

The Board Committees play a crucial role in the governance structure of the Bank and have been constituted to deal with specific areas / activities as stipulated under the applicable regulations which concern the Bank and that needs a closer review. The Board Committees are set up under the formal approval of the Board to carry out clearly defined roles which are considered to be performed by Members of the Board, to bring more objectivity with specialised knowledge of Directors. The minutes of the meetings of all Committees are placed before the Board for review.

The Board at the time of constitution of each committee decides the terms of reference and also delegates powers & responsibilities from time to time. Various recommendations of the committees are submitted to the Board for its noting/review/approval as applicable.

During the period under review, there are Twelve (12) Board Committees including Statutory committees in line with the Companies Act 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 i.e. Audit Committee, Stakeholders Relationship Committee, Corporate Social Responsibility Committee, Nomination and Remuneration Committee, Risk Management Committee and other committees as per Banking Business & regulatory requirements were in place.

The number of meetings held during the financial year and participation of the members at the meetings of the committees, are covered under Table-I hereinbelow.

The role and the composition of Board Committees constituted by the Board as on 31st March 2020 are as follows:

Sr. No.	Name of Committee	Terms of Reference	Composition of the Committee as on 31 st March 2020
1	AUDIT COMMITTEE		
	Regulatory Reference: - Section 177 of the Companies Act 2013 - Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Board Approved Charter of the Audit Committee. Dates of Meetings: The Committee met 4 times during the year under review on: 22nd April 2019 25th July 2019 21st October 2019 22nd January 2020 The time gap between any two meetings were less than 120 days. The Chairman of the Audit Committee was present in Annual General Meeting to answer the queries to the shareholders.	The terms of reference of the Audit Committee, inter-alia, include: - Review and approve nature and scope of the internal audit function and ensure it has adequate resources that are appropriate to access the information to perform its function effectively - Monitor reporting of issues identified by internal auditors to the management and ensure that corrective actions are being undertaken in a timely manner - Consider major findings of internal quarterly, semi-annual and annual audit reviews, LFAR and management's response; and review management letter(s) and management response to the findings, recommendations of the external auditor(s) - Ensure that the Bank properly documents the identified risks and the related policies and assesses whether awareness and identification of risks are percolating to all levels and ascertains that systems are in place for adherence to all regulations - Review and monitor compliance function, its policies and Implementation of Compliance Frameworks of the Bank - To recommend the appointment including terms of appointment and removal of statutory, internal and Secretarial Auditors, fixation of audit fees and also to approve payment for other services - To review, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.) including statement of deviation, if any - Reviewing with the management the annual financial statements and auditor's report thereon before submission to the Board for approval, with reference to: a) matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of section 134 (3)(c) of the Companies Act, 2013 b) changes, if any, in accounting policies and practices and reasons for the same c) major accounting entries involving estimates based on the exercise of judgment by management d) significant adjustments made in the financial statements arising out of audit findings e) compliance with listing and other legal requirements relating to financial statements f) disclosure of any related party transactions g) modified opinion(s) in the draft audit report h) oversight of the financial reporting process and the disclosure of its financial information and other terms of reference covered under the part C of scheduled II of Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Scrutiny of inter-corporate loans and investment	- Mr. Krishan Kant Rathi (Chairman) - Mr. Raj Vikash Verma - Ms. Jyoti Narang - Mr. M S Sriram - Mr. V G Kannan

Sr. No.	Name of Committee	Terms of Reference	Composition of the Committee as on 31 st March 2020
2	RISK MANAGEMENT COMMITTEE		
	Regulatory Reference: - RBI Guidelines on Risk Management System - Regulation 21 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Board Approved Charter of the Risk Management Committee. Dates of Meetings: The Committee met 4 times during the year under review on: 22nd April 2019 25th July 2019 21st October 2019 22nd January 2020 The Chief Risk Officer has unfettered access to Risk Management Committee.	The terms of reference of the Risk Management Committee, inter-alia, include: - Review, approve/recommend, periodically update of internal/ external policies, regulatory guidelines, strategies and risk management framework and seek the Board's approval for the same - Ensure that the procedures for identifying, measuring, monitoring and controlling risks are in place - Ensure appropriate risk organisation structure with authority and responsibility clearly defined, adequate staffing and the independence of the Risk Management function - Review reports from management concerning: - Risk management framework (i.e. principles, policies, strategies, process and controls) and to ensure that the same is being communicated throughout the Bank - Changes in the factors relevant to the projected strategy, business performance and capital adequacy - Implications of new and emerging risks, legislative or regulatory initiatives and changes, organisational change and all other major initiatives - Review reports from management concerning changes in the factors relevant to the projected strategy, business performance or capital adequacy - Review reports from management concerning implications of new and emerging risks, legislative or regulatory initiatives and changes, organisational change and major initiatives, in order to monitor them - Review performance and set objectives for the Chief Risk Officer (CRO) and ensure the CRO has unfettered access to the Board - Oversee statutory/regulatory reporting requirements related to risk management and capital adequacy computation with an understanding of methodology. - Approve the stress testing results/analysis and periodically monitor the action plans and corrective measures in line with internal guidelines - Monitor and Review Non-compliance, limit breaches, audit/ regulatory findings and policy exception of risk management as well as fraud and potential losses - Oversee the working of the Credit Risk & NPA Management Committee (CRNPAC) for Retail and Small & Mid Corporate, Asset and Liability Management Committee (ALCO) - Review and ensure that all systems are being implemented in the Bank with adequate security controls and detailed succession and management continuity plan for key positions	- Mr. Raj Vikash Verma (Chairman) - Ms. Jyoti Narang - Mr. V G Kannan - Mr. Sanjay Agarwal - Mr. Narendra Ostawal

Sr. No.	Name of Committee	Terms of Reference	Composition of the Committee as on 31 st March 2020
3	NOMINATION AND REMUNERATION COMMITTEE (NRC)		
	Regulatory Reference: - Section 178 of the Companies Act, 2013 - Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Board Approved Charter of the NRC. Dates of Meetings: The Committee met 5 times during the year under review on: 22nd April 2019 25th July 2019 21st October 2019 13th December 2019 22nd January 2020 The Chairman of the NRC was present in Annual General Meeting to answer the queries of the shareholders.	The terms of reference of the NRC, inter-alia, include: - Identifying persons who are qualified to become Directors and senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal and evaluation thereof. - Formulation of criteria for determination of qualifications, positive attributes and independence of Director and recommend to the Board a policy relating to the remuneration of the Directors, Key Managerial Personnel (KMP) and other employees. - Devising a policy on diversity of Board of Directors detailed succession and management continuity plan for key positions - Conduct appropriate due diligence and scrutinise the declarations made by probable candidates at the time of appointment/re-appointment of Directors, based upon qualification, expertise, track record, integrity and 'Fit & Proper' criteria - Ensure that the Bank has a detailed succession and management continuity plan for key positions - Assist in defining the performance evaluation criteria for Directors, Key Management Personnel and Senior management personnel, ensuring that relationship of remuneration to performance is clear and meets appropriate performance benchmarks - Review and oversee the Employee Benefits' programme of the Bank, including deferred benefits plans and retirement plans - Perform such functions as are required to be perform under the SEBI (Share Based Employee Benefits) Regulations, 2014, including the following: - Administering, Determining the eligibility of employees, Granting options to eligible employees the ESOP plans - Determining the number of options to be granted and exercise price to an employee - Construing and interpreting the ESOP plans and any agreements defining the rights and obligations and prescribing, amending and/or rescinding rules and regulations relating to the administration of the ESOP plans	- Mr. Krishan Kant Rathi (Chairman) - Mr. Raj Vikash Verma - Ms. Jyoti Narang - Mr. Narendra Ostawal

Sr. No.	Name of Committee	Terms of Reference	Composition of the Committee as on 31 st March 2020
4	STAKEHOLDERS RELATIONSHIP COMMITTEE (SRC)		
	Regulatory Reference: - Section 178(5) of the Companies Act 2013 - Regulation 20 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Board Approved Charter of the SRC Dates of Meetings: The Committee met 4 times during the year under review on: 22nd April 2019 25th July 2019 22nd October 2019 23rd January 2020 The Chairman of the SRC was present in Annual General Meeting to answer the queries to the shareholders	The terms of reference of the SRC, inter-alia, include: - Redressal of Grievances of shareholders, Debenture Holders and other security Holders including complaints related to transfer of shares, non-receipt of Annual Report and Non-receipt of declared dividends. - Review and address all matters pertaining to Depositories for dematerialisation of shares, performance of the Registrar and Transfer Agent including appointment and other matters connected therewith - Change in any correspondence details of the shareholder(s) - Develop and recommend improvements in the investor services initiatives undertaken by the Bank - Monitor the shareholding structure of the Bank, including foreign holding in terms of FDI policy	- Mr. Raj Vikash Verma (Chairman) - Mr. Krishan Kant Rathi - Mr. V G Kannan - Mr. Uttam Tibrewal
5	CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE		
	Regulatory Reference: - Section 135 of the Companies Act 2013 - Board Approved Charter of the CSR Committee Dates of Meetings: The Committee met 2 times during the year under review on: 22nd April 2019 22nd October 2019 The Report on Corporate Social Responsibility is annexed with this report.	The terms of reference of the CSR Committee, inter-alia, include: - Formulate and recommend to the Board of the Bank a Corporate Social Responsibility (CSR) policy, which shall indicate the activities to be undertaken by the Bank as per Schedule VII of the Companies Act, 2013 - Recommend the amount of expenditure to be incurred in the activities provided for the CSR policy - Monitor the implementation and effectiveness of the CSR policy from time to time	- Mr. M S Sriram (Chairman) - Ms. Jyoti Narang - Mr. Sanjay Agarwal

Sr. No.	Name of Committee	Terms of Reference	Composition of the Committee as on 31 st March 2020
6	IT STRATEGY AND INFORMATION SYSTEMS SECURITY COMMITTEE		
	Regulatory Reference: - RBI Guidelines on Information security, Electronic Banking, Technology risk management and cyber - Board Approved Charter of the IT Strategy and Information Systems Security Committee. Dates of Meetings: The Committee met 4 times during the year under review on: 22nd April 2019 25th July 2019 22nd October 2019 23rd January 2020	The terms of reference of the IT Strategy and Information Systems Security Committee, inter-alia, include: - Review the IT related strategy and policy - Evaluate the investments made into IT infrastructure to sustain the Bank's growth - Implement IT governance infrastructure covering basic principles of value delivery, IT risk management, IT resource management and performance management - Ensure a governance structure shall be created for IT, which will include technology and development, IT operations, IT assurance and supplier and resource management - Review security incidents and corrective action plans and IT-related strategy and policy	- Mr. Pushpinder Singh (Chairman) - Mr. Narendra Ostawal - Mr. Krishan Kant Rath - Mr. Uttam Tibrewal
7	CUSTOMER SERVICE COMMITTEE (CSC)		
	Regulatory Reference: - Master Circular of RBI on Customer Service in Banks - Board Approved Charter of the CSC. Dates of Meetings: The Committee met 4 times during the year under review on: 22nd April 2019 25th July 2019 22nd October 2019 23rd January 2020	The terms of reference of the CSC, inter-alia, include: - Review the effectiveness of grievance redressal mechanism within the Bank for redressing complaints received about services rendered by Business Correspondents (BC) - Evaluate the trend analysis of customer complaints by product categories/channels/BCs and monitor improvement plans - Review and approve comprehensive Deposit Policy and statement of complaints, along with an analysis of complaints - Assess Banking Ombudsman awards on a periodic basis, address systemic deficiencies brought out by these awards and report cases with delayed implementation of more than three months to the Board with reasons for delay to facilitate necessary remedial action on priority - Review the performance of 'Standing Committee for Customer Services' and other Sub Committees - Benchmark review of turnaround time for key products offerings and monitoring improvement plans put in place	- Ms. Jyoti Narang (Chairman) - Mr. M S Sriram - Mr. V G Kannan - Mr. Sanjay Agarwal

Sr. No.	Name of Committee	Terms of Reference	Composition of the Committee as on 31 st March 2020
8	REVIEW OF CLASSIFICATION OF WILFUL DEFAULTERS COMMITTEE (RWDC)		
	Regulatory Reference: - Master Circular of RBI on Wilful Defaulters - Board Approved Charter of the Review of Classification of Wilful Defaulters Committee. Dates of Meetings: The Committee met 4 times during the year under review on: 22nd April 2019 25th July 2019 22nd October 2019 23rd January 2020	The terms of reference of the Review of Classification of Wilful Defaulters Committee, inter-alia, include: - To review and confirm the order of Wilful Defaulters Identification committee - Monitor that the borrower is given necessary opportunity to put forth their cases before classifying them under wilful defaulters - Review the wilful defaulters status of the Bank in a periodic manner and highlight unfavourable trends - Monitor the progress of the agreed action plans in co-ordination with collection & Recovery department and suggest remedial actions for unresolved issues and unattended actions	- Mr. Raj Vikash Verma (Chairman – effective from date of RBI approval as Part Time Chairman) - Mr. Krishan Kant Rath - Mr. V G Kannan - Mr. M S Sriram - Mr. Sanjay Agarwal
9	SPECIAL COMMITTEE FOR FRAUD MONITORING (SFMC)		
	Regulatory Reference: - Master Circular of RBI on Frauds – Classification and Reporting - Board Approved Charter of the SFMC. Dates of Meetings: As committee is required to meet for fraud case monitoring of Rupees One Crore & above only. No such case was reported for the period under review hence, no meeting was held during the year under review.	The terms of reference of the SFMC, inter-alia, include: - Monitor and review all frauds of ₹ 1 crore and above - Identify the system lacunae if any that facilitate perpetration of the fraud and put in place measures to plug the same - Evaluation of existing systems and procedures for fraud detection and prevention and reasons for delay in detection, if any, in reporting to top management of the Bank and RBI - Review the efficacy of the remedial action undertaken to prevent recurrence of frauds, such as strengthening of internal controls - Monitoring progress of investigation and recovery position and ensure that staff accountability is examined at all levels in all fraud cases and staff side action, if required, Put in place other measures to strengthen preventive measures against frauds	- Mr. Raj Vikash Verma (Chairman – effective from date of RBI approval as Part Time Chairman) - Mr. V G Kannan - Mr. M S Sriram - Mr. Krishan Kant Rath - Mr. Sanjay Agarwal

Sr. No.	Name of Committee	Terms of Reference	Composition of the Committee as on 31 st March 2020
10	DISCIPLINARY COMMITTEE (DC)		
	Regulatory Reference: - RBI Circular Dated Board Approved Charter of the DC Dates of Meetings: The Committee met 2 times during the year under review on: 22nd April 2019 22nd October 2019	The terms of reference of the Disciplinary Committee, inter-alia, include: - Approve the policy on Code of Conduct for employees, recommend the same to the Board and appropriately review as and when required - Setting up of a transparent mechanism to decide and resolve complaints from employees and take appropriate corrective action plan - Resolution of complaints received by the Bank including sexual harassment and enforce disciplinary action against the erring employees - Taking appropriate remedial measures to respond to any substantiated allegations of a complaint (sexual harassment or disciplinary) against any employee - Promote appropriate working conditions and a safe environment for all employees	- Ms. Jyoti Narang (Chairman) - Mr. M S Sriram - Mr. Sanjay Agarwal - Mr. Narendra Ostawal
11	COMMITTEE FOR FINANCIAL INCLUSION		
	Regulatory Reference: - Board Approved Charter of the Committee for Financial Inclusion Dates of Meetings: The Committee was formed by Board in its meeting on 22nd October 2019 and met 1 time during the year under review on: 23rd January 2020	The terms of reference of the Committee for Financial Inclusion, inter-alia, include: - To review the channelisation of deposits (including BSBDA) in unserved and underserved sections of the society & to ensure the supply of credit to small business units, small & marginal farmers; micro and small industries and other unorganised sector entities through low-cost operations - To oversee the functioning of channels of financial inclusion including Banking Outlets, Business Correspondents & Unbanked Branch locations and to analyse the operational efficiency & sustainability. - Review of the Financial Inclusion initiatives & review of the plan in this regard. - To review & monitor the progress of enrolments under the pro-poor insurance and pension programmes & other government schemes - To set targets and monitor achievements in Priority sector lending including sub targets covering lending under Agriculture, Small & Marginal farmers, Micro Enterprises & to weaker sections of the society. - To examine the multiplier effect of the products and services offered by the bank - Review financial literacy initiatives carried out by Banks - To look at effective ways of partnership (including government & Non-Government network) that provides the power of aggregation and bulk outreach without significant overheads for the bank	- Mr. M S Sriram (Chairman) - Ms. Jyoti Narang - Mr. Pushpinder Singh - Mr. Sanjay Agarwal

Sr. No.	Name of Committee	Terms of Reference	Composition of the Committee as on 31 st March 2020
12	MANAGEMENT COMMITTEE		
	Regulatory Reference: - Board Approved Charter of the Management Committee Dates of Meetings: The Committee met 4 times during the year under review on: 22nd April 2019 25th July 2019 22nd October 2019 23rd January 2020	The terms of reference of the Management Committee, inter-alia, include: - To approve credit facilities of ₹ 50 crore & above to New Exposure/ Loan to Existing Customers along with Existing facility. - Reporting to Board about proposals for credit facilities to the relatives of senior officers of the Bank sanctioned by the appropriate authority should be reported to the Board through Management Committee. - Reporting to Board about any company in which any of the relatives of any senior officer of the financing bank holds substantial interest or is interested as a director or as a guarantor. - Sanction of proposals with exposure of more than ₹ 25 lakh to: (i) Any relative of the Chairman/Managing Directors or other Directors of the Bank (ii) Any relative of the Chairman/Managing Director or other directors of other banks (iii) Any firm in which any of the relatives as mentioned in (i) & (ii) above is interested as a partner or guarantor (iv) Any company in which any of the relatives as mentioned in (i)&(ii) above hold substantial interest or is interested as a director or as a guarantor Investment exposure exceeding 7.5% of the capital fund for single party exposure and 10% of the capital fund for group exposure and up till regulatory prescribed norms shall be presented to Management committee of Board for approval	- Mr. Raj Vikash Verma (Chairman) - Mr. Sanjay Agarwal - Mr. Krishan Kant Rathi



MEETING OF INDEPENDENT DIRECTORS

Pursuant to Section 149(8) read with Schedule IV of Companies Act 2013 and Regulation 25 of The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 a meeting of the Independent Directors of the Bank is required to be held once in a year in absence of non-independent directors.

During the period under review, the meeting of Independent Directors was held on 22nd April 2019 chaired by Mr. Mannil Venugopalan and attended by all the Independent Directors of the Bank.

No sitting fees was paid to the Independent Directors of the Bank for the above said meeting.

DIRECTORS' INDUCTION AND FAMILIARISATION PROGRAMME

The Independent Directors consist of eminent professionals with vast experience in Banking and Finance industry, Business and Risk Management and they are fully conversant with the business of the Bank.

In compliance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board familiarisation program comprises of the following:

- Induction program for New Independent Directors;
- Familiarisation sessions on Business and Functional issues and
- External Training programmes with IDRBT, CAFFRAL and other Institutions.

Newly inducted Independent Directors undertake a detailed induction and familiarisation program at the time of their joining on the Board. The induction program covers exhaustive details about organisation structure, vision, mission, growth trajectory over the years, key milestones, Board & Committee approach, its structure, scope of work and overall business overview, operations, technology etc.

As part of the induction sessions, the Managing Director & CEO presents a brief overview about the organisation, Senior Management Personnel and Functional Heads are introduced to the Board Member(s). The Independent Directors are also apprised about the constitution, Board procedures, matters reserved for the Board and made aware of their roles and responsibilities at the time of their appointment in view of applicable regulatory requirements.

Familiarisation program are organised by the Bank at regular intervals and Directors are also nominated to

attend various programs organised by CAFRAL, IDRBT and other Bodies to undergo knowledge sharing sessions for effective contribution in the growth of the Bank.

The details of the familiarisation programs during the year is hosted on the website of the Bank at www.aubank.in/notice-board. During the period under review, no Independent Director has resigned from the Board.

PERFORMANCE EVALUATION

Pursuant to the Section 149(8) read with Schedule IV of the Companies Act, 2013, Regulation 17 (10) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, other applicable Regulations thereof and in consonance with Guidance Note on Board Evaluation issued by The Securities and Exchange Board of India, the Board on the recommendation of the Nomination and Remuneration Committee of the Bank carried out an annual performance evaluation of the Board as a whole and directors individually. The Board also carried evaluation of the working of its various Committees for the year under consideration, with the aim of improving the effectiveness of the Board and the Committees. The said evaluation is carried out on the basis of the below parameters:

- Performance of Directors was evaluated on the basis of their qualifications, experience, specialised knowledge and competency, fulfilment of functions, ability to function as a team, initiatives undertaken, availability and attendance, commitment, contribution and integrity, leadership, value creation, governance, impartial approach and shareholders' interest.
- Performance of the Board as a whole, including the structure of the Board, meetings of the Board, functions of the Board were reviewed and evaluated.
- Evaluation of performance for Chairman, including qualifications, experience, knowledge and competency, fulfilment of functions, initiatives undertaken, attendance, contribution and integrity, effectiveness of leadership, impartial and shareholders' interest.
- Performance evaluation of Committees include its mandate, composition and their effectiveness.

A questionnaire is designed in accordance with the said framework and various aspects of the performance of the Board and its Committees such as composition, quality, roles & responsibilities, processes and functioning including adherence to Code of Conduct & Ethics and best practices in Corporate Governance for the evaluation of the Board, its Committees and of the individual members of the Board (including the Chairperson).

The performance evaluation of the Directors was carried out by the entire Board, other than the Director being evaluated. The performance evaluation of the Chairman and the Non-Independent Directors were carried out by the Independent Directors. The Nomination and Remuneration Committee carried out the performance evaluation of all the Directors of the Bank. The Directors expressed their satisfaction on the overall evaluation process.

DIRECTOR & OFFICER'S LIABILITY INSURANCE POLICY

Pursuant to the Regulation 25(10) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Board Members are provided with the insurance cover under the Director & Officer's Liability Insurance Policy to secure against the legal liability arising out of any claims made against the Directors. Insurance cover under the said policy commensurate with present size of the Bank.

BOARD DIVERSITY POLICY

The Bank has Board approved Board diversity policy in place, which sets out the approach to diversity on the Board of the Bank. The policy provides for having a diversified Board, comprising of appropriately qualified professionals from different domains.

SUCCESSION PLANNING

The Bank believes that a sound succession plan for the Directors and Senior Management executives is important to sustain seamless operations and future growth. Accordingly, the Bank has put in place the policy for orderly succession for appointment to the Board of Directors and Senior Management and the same is hosted on website of the Bank at www.aubank.in/notice-board

COMPENSATION POLICY

In terms of Section 178 of the Companies Act, 2013, the relevant Rules made thereunder, Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and RBI Circular on Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff dated 4th November 2019, your Bank on the recommendation of NRC formulated Compensation policy, which is duly approved by the Board of Directors of the Bank.

The objective of the Compensation policy is to regulate the appointment and remuneration of Directors (including Independent Directors), Key Managerial Personnel (KMP), Senior Management Personnel and other employees as per the criteria formulated by the Nomination and Remuneration Committee of the Board under the requirement of the Act, read with applicable

Rules and Regulations under the Act and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable guidelines.

The above said policy covers all aspects of the compensation structure such as fixed pay, Variable Pay, perquisites, performance bonus, guaranteed bonus (joining/sign-on bonus), share-linked instruments i.e. Employee Stock Option Plan (ESOPs) etc.

The policy is annually reviewed by the Board of Directors in addition to the other amendments that may be required in the policy. During the year no changes were made in the policy. The policy is hosted by the Bank on its website at www.aubank.in/notice-board

DIRECTOR'S REMUNERATION CRITERIA

Remuneration of Executive Directors

On the recommendation of the Nomination and Remuneration Committee, the Board of the Bank approved remuneration to Executive Directors subject to shareholder's and RBI approval. The said remuneration is governed by the Employment Agreement executed between the Bank and Executive Directors.

The remuneration including fixed pay and variable pay of Executive Directors i.e. Mr. Sanjay Agarwal, Managing Director & CEO and Mr. Uttam Tibrewal, Whole Time Director of the Bank is as per the terms of approval of RBI.

Sr. No	Particulars	Mr. Sanjay Agarwal* (₹ in lakh)	Mr. Uttam Tibrewal** (₹ in lakh)
1	Fixed Pay (including perquisites)	185.95	168.55
2	Variable Pay	45.00	174.87
Total Remuneration (1) + (2)		230.95	343.42

*Post RBI approval, Variable pay of ₹ 45 lakh paid to Mr. Sanjay Agarwal pertains to bonus for FY 2017-18.

** Post RBI approval, Variable pay of ₹ 44.87 lakh for FY 2018-19, ₹ 39 lakh for FY 2017-18 and ₹ 91 lakh FY 2016-17 paid to Mr. Uttam Tibrewal pertains to bonus for respective years.

Details of Remuneration of Directors have been covered under Annexure – VI of Board's Report.

During the period under review, the Bank has not granted any Stock Options to any Directors of the Bank. Further, the Bank received approval of RBI on 17th June 2019 for 10,00,000 ESOPs granted to Mr. Uttam Tibrewal, Whole Time Director on 30th August 2018 under ESOP Scheme 2018. Vesting period for these options commenced from the RBI approval date and No ESOPs were granted/ exercised by him during the FY 2019-20.

Till date, Mr. Uttam Tibrewal, Whole Time Director of the Bank has been granted 63,90,120 ESOPs under various Employee Stock Option Schemes of the Bank out of which 24,69,198 options have been vested and exercised till 31st March 2020. Further, 18,63,462 options were vested but not exercised and 10,00,000 options were unvested as on 31st March 2020.

The Bank has granted 38,702 and 10,18,758 stock options on 27th October 2017 under ESOP Scheme 2015 Plan A and Plan B, respectively, to the Whole Time Director, which are pending for RBI Approval. During the year ended 31st March 2020, the bank has submitted the revised proposal to RBI and the approval of the RBI is still awaited. The vesting period for these options will commence only after the RBI approval is received.

A proper balance between fixed pay and variable pay is ensued for remuneration of the Executive Directors, the variable pay is a mix of cash and non-cash instruments, which is paid under deferral arrangement. Malus and clawback clause is applicable on the Executive Directors, which is invoked to the event of subdued or negative financial performance of the Bank.

The tenure of the office of the Managing Director & CEO and Whole Time Director is 3 years from their respective date of appointments and can be terminated by either party, by giving one month notice in writing. There is no provision for payment of severance fees.

Remuneration of Non-Executive Directors

The remuneration payable to Non-Executive Directors is paid in the form of sitting fees for attending Board & Committee meetings as approved by the Board from time to time. In addition to sitting fees, profit link commission is also paid to the Non-Executive Directors. Further the Chairman of the Bank is entitled to honorarium as approved by the Reserve Bank of India.

In the changing scenario around corporate governance norms brought in by the Companies Act, 2013 as well as Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the degree and quality of engagement of Non-Executive Directors has substantially increased in deliberating strategical & critical issues providing their valuable advice, suggestion and guidance to the management of the Bank. The Bank accordingly pays sitting fees of ₹ 75,000 and ₹ 30,000 to Non-Executive Directors for every Board and Committee meeting attended respectively. The sitting fees and commission are within the limits prescribed under the provisions of the Companies Act, 2013.

During the Year ended 31st March 2020, the Non-Executive Directors have been paid sitting fees for attending

the Board & Committee meetings, and profit-linked commission, the details of which are provided below:

Name of Director	Sitting Fees	Commission	(₹ in lakh)
			Total
Mr. Mannil Venugopalan*	13.35	19.89	33.24
Mr. Raj Vikash Verma	13.05	10.00	23.05
Mr. V G Kannan	1.50	1.91	3.41
Mr. Krishan Kant Rathi	12.75	10.00	22.75
Ms. Jyoti Narang	10.80	10.00	20.80
Mr. M S Sriram	3.15	4.45	7.60
Mr. Pushpinder Singh	3.90	4.45	8.35

*Mr. Mannil Venugopalan ceased to be Part Time Chairman (Independent Director) of the Bank on 29th March 2020 (close of Business Hours) on completion of his tenure and honorarium was paid to him for period served.

- The payment of Profit Linked Commission/Honorarium pertaining to FY 2019-20 is being released post finalisation of Annual Audited Accounts for FY 2019-20 of the Bank.
- None of the Non-Executive Directors have any pecuniary relationship or transaction with the Bank, apart from receiving sitting fee and profit-linked commission/honorarium.

INVESTOR GRIEVANCE REDRESSAL

The securities of the Bank are in dematerialised form. The Bank has appointed Link Intime India Private Limited as the Registrar and Share transfer agent of the Bank for carrying out share transfer and other ancillary work related thereto.

Link Intime India Private Limited has appropriate systems to ensure that requisite service is provided to investors of the Bank in accordance with the applicable corporate and securities laws and within the adopted service standards. The performance of the Registrar & Share Transfer Agent (RTA) is reviewed by the Stakeholder's Relationship committee in every quarterly meeting.

During the period under review, the Bank had not received any complaints from the shareholders and Debenture holders and all complaints related to previous years are closed, in compliance of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the same has been reported to stock exchanges on quarterly basis.

NAME AND DESIGNATION OF COMPLIANCE OFFICER

Pursuant to Regulation 6(1) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Mr. Manmohan Parnami, Company Secretary has been designated as the Compliance Officer.

Table- I – Details of Number of committee meetings and participation of the members at the meetings during FY 2019-20

Name of The Committees	Audit Committee	Risk Management Committee	Nomination & Remuneration Committee	Stakeholders Relationship Committee	Corporate Social Responsibility Committee	IT Strategy and Information Systems Security Committee	Customer Service Committee	Review of Classification of Wilful Defaulter Committee	Special Committee for Fraud Monitoring	Disciplinary Committee	Committee for Financial Inclusion	Management Committee
No. of Meeting Held	4	4	5	4	2	4	4	4	0	2	1	4
Name of Member	No. of Meeting Attended by Members											
Mr. Mannil Venugopalan	4/4	4/4	5/5	-	2/2	-	4/4	4/4	-	-	-	4/4
Mr. Raj Vikash Verma	4/4	4/4	-	4/4	2/2	3/3	-	4/4	-	-	1/1	4/4
Mr. V G Kannan	-	-	-	-	-	-	-	-	-	-	-	-
Mr. Krishan Kant Rathi	4/4	-	5/5	4/4	2/2	4/4	-	4/4	-	2/2	-	-
Ms. Jyoti Narang	4/4	4/4	5/5	-	2/2	-	4/4	-	-	2/2	-	-
Mr. M S Sriram	-	-	-	-	-	-	1/1	1/1	-	-	1/1	-
Mr. Pushpinder Singh	-	-	-	1/1	-	1/1	-	-	-	-	1/1	-
Mr. Narendra Ostawal	4/4	4/4	5/5	-	-	4/4	-	-	-	2/2	-	-
Mr. Sanjay Agarwal	3/3	4/4	-	4/4	2/2	-	4/4	4/4	-	2/2	1/1	4/4
Mr. Uttam Tibrewal	-	-	-	-	-	4/4	-	3/3	-	2/2	-	-

The necessary Quorum was present for all the above committee meetings.

Audit Committee

- Mr. Sanjay Agarwal ceased to be member of the committee with effect from 22nd October 2019
- Mr. Narendra Ostawal ceased to be member of the committee with effect from 23rd January 2020
- Mr. M S Sriram was appointed as a member of the committee with effect from 23rd January 2020
- Mr. V G Kannan was appointed as a member of the committee with effect from 23rd January 2020
- Mr. Mannil Venugopalan ceased to be member of the committee on 29th March 2020 (close of business hours) on completion of his tenure

Risk Management Committee

- Mr. Raj Vikash Verma was designated as a Chairman of the committee with effect from 30th March 2020
- Mr. Mannil Venugopalan ceased to be Chairman and member of the committee on 29th March 2020 (close of business hours) on completion of his tenure
- Mr. V G Kannan was appointed as a member of the committee with effect from 23rd January 2020

Nomination & Remuneration Committee

- Mr. Raj Vikash Verma was appointed as a member of the committee with effect from 23rd January 2020
- Mr. Mannil Venugopalan ceased to be Chairman and member of the committee on 29th March 2020 (close of business hours) on completion of his tenure

Stakeholders Relationship Committee

- Mr. Pushpinder Singh was appointed as a member with effect from 22nd October 2019 and ceased to be member of the committee with effect from 23rd January 2020
- Mr. Sanjay Agarwal ceased to be member of the committee with effect from 23rd January 2020
- Mr. V G Kannan was appointed as a member of the committee with effect from 23rd January 2020
- Mr. Uttam Tibrewal was appointed as a member of the committee with effect from 23rd January 2020



Corporate Social Responsibility Committee

- i. Mr. Mannil Venugopalan ceased to be member of the committee on 29th March 2020 (close of business hours) on completion of his tenure
- ii. Mr. Krishan Kant Rathie ceased to be member of the committee with effect from 22nd October 2019
- iii. Mr. Raj Vikash Verma ceased to be member of the committee with effect from 22nd October 2019
- iv. Mr. M S Sriram was appointed as a Chairman and member of the committee with effect from 22nd October 2019

IT Strategy and Information Systems Security Committee

- i. Mr. Pushpinder Singh was appointed as a Chairman and member of the committee with effect from 22nd October 2019
- ii. Mr. Raj Vikash Verma ceased to be member of the committee with effect from 22nd October 2019

Customer Service Committee

- i. Mr. M S Sriram was appointed as a member of the committee with effect from 22nd October 2019
- ii. Mr. V G Kannan was appointed as a member of the committee with effect from 23rd January 2020
- iii. Mr. Mannil Venugopalan ceased to be member of the committee on 29th March 2020 (close of business hours) on completion of his tenure

Review of Classification of Wilful Defaulter Committee

- i. Mr. Uttam Tibrewal ceased to be member of the committee with effect from 22nd October 2019
- ii. Mr. M S Sriram was appointed as a member of the committee with effect from 22nd October 2019
- iii. Mr. V G Kannan was appointed as a member of the committee with effect from 23rd January 2020
- iv. Mr. Raj Vikash Verma was designated as a Chairman of the committee with effect from date of RBI approval
- v. Mr. Mannil Venugopalan ceased to be Chairman and Member of the committee on 29th March 2020 (close of business hours) on completion of his tenure

Special Committee for Fraud Monitoring

- i. Mr. Uttam Tibrewal ceased to be member of the committee with effect from 22nd October 2019
- ii. Mr. M S Sriram was appointed as a member of the committee with effect from 22nd October 2019
- iii. Mr. V G Kannan was appointed as a member of the committee with effect from 23rd January 2020
- iv. Mr. Raj Vikash Verma was designated as a Chairman of the committee with effect from date of RBI approval
- v. Mr. Mannil Venugopalan ceased to be Chairman and Member of the committee on 29th March 2020 (close of business hours) on completion of his tenure

Disciplinary Committee

- i. Mr. Uttam Tibrewal ceased to be member of the committee with effect from 22nd October 2019
- ii. Mr. Krishan Kant Rathie ceased to be member of the committee with effect from 22nd October 2019
- iii. Mr. M S Sriram was appointed as a member of the committee with effect from 22nd October 2019

Committee for Financial Inclusion

- i. Committee for Financial Inclusion was formed by the Board in its meeting held on 22nd October 2019
- ii. Mr. Raj Vikash Verma ceased to be member of the committee with effect from 23rd January 2020
- iii. Ms. Jyoti Narang was appointed as a member of the committee with effect from 23rd January 2020

Management Committee

- i. Mr. Krishan Kant Rathie was appointed a member of the committee with effect from 23rd January 2020
- ii. Mr. Mannil Venugopalan ceased to be Chairman and Member of the committee on 29th March 2020 (close of business hours) on completion of his tenure
- iii. Mr. Raj Vikash Verma was designated as a Chairman of the committee with effect from 30th March 2020

General Body Meetings

A. Location and time of last three Annual General Meetings and number of special resolutions passed thereat:

Sr. No	Year	Particular of Meeting	Date & Time	Location	Special Resolution passed, if any
1	2018-19	24 th AGM	26 th July 2019 at 04:00 p.m.	Suryavanshi Mahal – Ground Floor, ITC Rajputana, Palace Road, Jaipur-302006	1. To authorise Board of Directors to borrow money in excess of paid up capital, free reserves and securities premium of Bank u/s 180 (1) (c) of the Companies Act, 2013. 2. To issue securities/bonds/other permissible instruments, in one or more tranches. 3. To alter Article of Association of the Bank. 4. To approve amendments in Employee Stock Option Scheme 2016.
2	2017-18	23 rd AGM	7 th August 2018 at 03:30 PM	Chancellor Hall, Hotel Holiday Inn, Sardar Patel Marg, 22 Godam Circle, C– Scheme, Jaipur-302001	1. To authorise the Board to borrow money in excess of paid up capital, free reserves and securities premium of Bank u/s 180(1)(c) of the Companies Act, 2013. 2. To approve issue of securities/bonds/other permissible instruments, in one or more tranches. 3. To approve AU Small Finance Bank Limited Employee Stock Option Scheme 2018.
3	2016-17	22 nd AGM	27 th September 2017 at 02:00 PM	Suryavanshi Mahal- Ground floor, ITC Rajputana Palace Road, Jaipur - 302006	1. To confirm/ratify article no. 13(b) of Articles of association of Bank. 2. To ratify Employee Stock Option scheme 2015 of AU Small Finance Bank Limited. 3. To ratify Employee Stock Option scheme 2016 of AU Small Finance Bank Limited.

B. Postal Ballot during the FY 2019-20

Pursuant to provisions of Section 110 of the Companies Act, 2013 read with Rule 22 of the Companies (Management and Administration) Rules, 2014 and other applicable provisions of the Companies Act, 2013, as amended from time to time, the Bank has sought shareholders' approval on 4th March 2020 through postal ballot including voting by electronic means as follows:

Sr. No	Nature of Resolution	Agenda Heading	No. of Votes		Percentage (%) of votes	
			Favour	Against	Favour	Against
1	Special Resolution	To Approve the Re-Appointment of Mr. Krishan Kant Rathie (Din:00040094) for Second Term as Independent Director.	19,18,80,012	1,04,02,084	94.86%	5.14%
2	Special Resolution	To Approve the Re-Appointment of Ms. Jyoti Narang (Din: 00351187) for Second Term as Independent Director.	20,20,44,416	3,37,599	99.83%	0.17%
3	Special Resolution	To Approve the Re-Appointment of Mr. Raj Vikash Verma (Din: 03546341) for Second Term as Independent Director.	20,20,44,324	3,37,690	99.83%	0.17%
4	Ordinary Resolution	To Designate Mr. Raj Vikash Verma As A Part Time Chairman (Independent Director) (Non-Executive) of the Bank Subject to Approval of Reserve Bank of India ("RBI")	20,14,26,641	466	99.99%	0.00%

CS Manoj Maheshwari, Practicing Company Secretary (Jaipur), was appointed as the scrutiniser for monitoring & scrutinising remote e-Voting and postal ballot process of the Bank.

None of the special business proposed to be transacted in the Annual General Meeting Notice required to be conducted through postal ballot.

PROCEDURE OF THE POSTAL BALLOT

The Postal Ballot procedure followed by the Bank was in compliance of the provisions of Section 108 and Section 110 of the Companies Act, 2013 read with applicable Rules and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI).

Members are provided with the facility to cast their votes through electronic voting (e-Voting) or through postal ballot. The Scrutiniser submitted his report to the Company Secretary & Compliance Officer as authorised by the Board after the completion of the scrutiny of the postal ballots (including e-Voting).

Considering the results, along with report of the Scrutiniser of the Postal Ballot the resolution is considered approved.

The necessary intimations as required under the applicable Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 are submitted to the Stock Exchanges and post declarations of the results the same are displayed on the website of the Bank & of National Securities Depository Limited (NSDL). The results are also displayed at the Registered Office of the Bank.

GENERAL SHAREHOLDER INFORMATION

1	Date of Incorporation	10 th January 1996
2	Corporate Identification No.	L36911RJ1996PLC011381
3	Registered office Address	19-A, Dhuleshwar Garden, Ajmer Road, Jaipur – 302001, Rajasthan, India.
4	Address of Correspondence and Contact Detail	The Company Secretary & Compliance Officer, AU Small Finance Bank Limited Registered Office: 19-A, Dhuleshwar Garden, Ajmer Road, Jaipur – 302001 Tel: +91-141-4110060/6660666 Fax: +91-141-4110090 Email: investorrelations@aubank.in
5	Name of depositories	National Securities Depository Limited (NSDL) Central Depository Services (India) Limited (CDSL)
6	Listing on Stock Exchange	BSE Limited (BSE) P J Towers, Dalal Street, Fort, Mumbai – 400001 National Stock Exchange of India Limited Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051 Bank has deposited the annual listing fees to the stock exchange(s) where the securities of the Bank are listed.
7	Stock Code	BSE: 540611 NSE: AUBANK
8	ISIN Code	INE949L01017
9	Dematerialisation of Shares & Connectivity	All shares of the Bank are held in dematerialised form and are available for trading in the dematerialised form under both the depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The requisite fees were duly paid to the depositories. The Bank has also appointed Link Intime India Pvt. Ltd. as the connectivity agent to provide electronic connectivity interface with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) for securities of the Bank.
10	Share Transfer System	The Bank's shares are traded under compulsory dematerialised mode and freely tradeable and the entire share transfer process is monitored by the Registrar and Share Transfer Agent of the Bank. A half-yearly certificate of compliance with the share transfer formalities as required under Regulation 40(9) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is obtained from a Company Secretary in Practice and a copy of the certificate is filed with the Stock Exchanges within the prescribed time.

11	Registrar and Share Transfer Agent	Link Intime India Pvt. Limited C-101, 1 st floor, 247 Park, L.B.S Marg, Vikhroli (West), Mumbai – 400083 Maharashtra, India Tel: +91 22 4918 6200, Fax: +91 22 49186195 Website: www.linkintime.co.in Email ID: rnt.helpdesk@linkintime.co.in
12	Debenture Trustees	IDBI Trusteeship Services Ltd. Regd. Office: Asian Building, Ground Floor, 17, R Kamani Marg, Ballard Estate, Mumbai – 400001 Phone: +91 22 40807000 Fax: +91 22 66311776 Email: itsl@idbitrustee.com Catalyst Trusteeship Limited Regd. Office: GDA House, First Floor, Plot No. 85 S. No. 94 & 95, Bhusari Colony (Right), Kothrud, Pune – 411038, India Phone: +91 22-49220555 Email: compliancectl-mumbai@ctltrustee.com
13	25 th Annual General Meeting	• Date & Time: 21st July 2020 at 3:30 P.M. • Via Video Conferencing (VC)/Other Audio Visual Means (OVAM)
14	Financial Year	The Bank follows the financial year starting from 1 st April to ending on 31 st March every year.

OTHER DISCLOSURE

1. Code of Conduct

The Bank has laid down Code of Conduct for the Directors, Senior Management personnel and other employees. The Code is hosted on the website of the Bank at www.aubank.in/notice-board

Annual declaration confirming compliance of the code is obtained from every Director and Senior Management Personnel and in this regard a certificate is issued by the MD & CEO as annexed with this report stipulating that Directors and SMPs have adhered with said code of conduct.

2. Code of Conduct for Prohibition of Insider Trading

The Board has adopted a Code for the Prohibition of Insider Trading to regulate, monitor and report trading by Designated Person(s) in securities of the Bank. The code inter alia requires pre-clearance for dealing in the securities and prohibits the purchase/sale/dealing in securities while in possession of unpublished price sensitive information and during the period when the trading window is closed.

The Bank periodically reviews the efficacy of its systems, controls and processes to ensure that access to unpublished price sensitive information relating to its financial results or that of its securities is on a need

to know basis. The Code is hosted on the website of the Bank at www.aubank.in/notice-board

3. Related party transactions

In line with the requirements of the Companies Act, 2013 and amendment to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, your bank has amended Policy on Related Party Transactions & Materiality:

- Related Party Transactions are placed before the Audit Committee for review and approval. Annual omnibus approval is obtained for transactions which are of repetitive nature and / or entered in the ordinary course of business.
- All the related party transactions entered into by the Bank, during the financial year, were in its ordinary course of business and on an arm's length basis. Further, there are no material related party transaction entered by the Bank.
- The Policy intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Bank and its Related Parties. The Policy on Related Party Transactions & Materiality is hosted on the website of the Bank at <https://www.aubank.in/notice-board>.

4. Whistle Blower Policy & Vigil Mechanism

The Bank is committed to adhere to the highest standards of ethical, moral and legal conduct of its business operations. To maintain these standards, the Bank has formulated a Board approved Whistle Blower Policy with a view to provide a mechanism to employees, customers and other stakeholders of the Bank to approach the Chief Vigilance Officer and thereafter Chairman of Audit Committee of the Bank in case they observe any unethical and improper practices or any other alleged wrongful conduct in the Bank. The policy aims at establishing an efficient Vigil mechanism in the Bank to quickly spot aberrations and deal with it at the earliest.

The Bank, on a continuous basis, makes its customers aware about fraudulent activities prevalent in the market through various channels including SMS, E-mails, posters at Branches, scroll messages on Bank website etc.

The Vigil Mechanism provides a channel to the employees, Directors and other stakeholders to report to the Management about unethical behaviour,

actual or suspected fraud or violation of the Codes of Conduct, regulatory requirements, incorrect or misrepresentation of any financial statements and such other matters. The Chief Vigilance Officer of the Bank acts as a Special Assistant/Advisor to the Managing Director (MD & CEO) of the Bank in the discharge of the vigilance functions. He is responsible for ensuring and promoting a culture of speaking up/raising red flags on matters relating to breaches/ violations of the Bank's Code of Conduct, fraudulent transactions and provides a non-threatening environment to employees to discuss matters relating to the Bank's Code of Conduct, suspected unethical behaviour, malpractices, wrongful conduct, frauds, violations of law and questionable accounting or auditing matters, thereby building trust and transparency in the Bank. During the year, no person was denied access to the Audit Committee or its Chairman to raise his/her concern under vigil mechanism.

The Whistle Blower Policy & Vigil Mechanism is hosted on the website of the Bank at www.aubank.in/notice-board

5. Credit Rating

Below table covers the Credit Ratings of the Bank as on 31st March 2020. During the period under review, there has been no revision in the credit rating for the below mentioned instruments:

Nature of Debt Instrument	Nature of Term	CRISIL	India Ratings	ICRA	CARE
Non-Convertible Debentures	Long Term	AA- /Stable	AA-/Stable	AA- /Stable	-
Subordinated Debt/Tier II Bonds	Long Term	AA- /Stable	AA-/Stable	AA- /Stable	-
Bank Loans	Long Term	-	AA- /Stable	AA- /Stable	AA- /Stable
Certificate of Deposits	Short Term	A1+	A1+	-	A1+

6. Penalties

No penalties, strictures have been imposed on the Bank by the Stock Exchange(s)/SEBI or any other statutory authorities on matters relating to capital market during the last three years.

7. CEO & CFO Certification

Managing Director & CEO and CFO of the Bank have issued a certificate in terms of Regulation 17(8) of the SEBI(Listing Obligations and Disclosure Requirements) Regulations, 2015, certifying that the financial statements do not contain any materially untrue statement and these statements represent a true and fair view of the Bank's affairs. The said certificate is annexed to the Corporate Governance Report.

8. Subsidiary Company

During the period under review, the Bank does not have any subsidiary company.

9. Declaration of Independence

All independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149 (6) of the Companies Act, 2013 and Regulation 16 (1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which have been relied on by the Bank. In the opinion of the Board, the independent Directors fulfil the conditions specified in the Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and are independent of the Management.

The Terms and Conditions of appointment of Independent Directors have been hosted on the Bank's website at www.aubank.in/notice-board

10. Accounting Treatment

The Bank has adopted accounting policies, which are in line with the Accounting Standards and Financials statements are prepared in adherence to the accounting policies, Accounting Standards and applicable provisions of Companies Act, 2013, Banking Regulation Act, Guidelines issued by Reserve Bank of India and Listing Regulations.

11. Means of Communication

The Bank has provided adequate and timely information to its member's inter-alia through the following means:

i. **Publication of Quarterly/ Half Yearly/Annual financial Results:** The quarterly / half yearly and annual results of the Bank are published in the English newspapers viz. Financial Express, Economic Times and one leading newspaper of vernacular language viz. Punjab Kesari, Nafanuksan. The same is also reported to the stock exchanges.

ii. **Update on Official Website:** The Bank website www.aubank.in contains a separate 'Investor' Section, wherein financial results, corporate announcement, reports & presentations, Annual Reports, Quarterly Corporate Governance Report, Shareholding Pattern and other disclosures are prominently available for Bank Investors and other stakeholders. Additionally, other press releases, Corporate Governance coverage, Corporate Social Responsibility, policies & procedures and other details are also displayed on the Bank's official website.

iii. **Official News, Press Release etc.:** Official press releases, performance updates, corporate presentations made to the media, analysts, institutional Investors, etc. are hosted on the Bank's website at link www.aubank.in/press-release as well as provided to all stakeholders through stock exchanges, social media coverage, newspaper publication, posters & hoardings etc.

iv. **Presentation to institutional investors or analysts:** The presentations made to the institutional investors or analysts are uploaded on the website as well as informed to the Stock Exchanges for dissemination.

v. **Management Discussion and Analysis Report** forms part of this Annual Report.

vi. **Exclusive email ID for Investors:** The Bank has designated the email id investorrelations@aubank.in exclusively for Investor servicing and to resolve their grievances, the same is displayed on the Bank's website.

12. Utilisation of Funds

The fund raised during the year, through preferential issue has been utilised to meet the capital & business requirements while supporting the growth plans and for other general corporate purposes.

13. Dividend Payment

As recommended by the Board of Directors and approved by the shareholder in its Annual General meeting held during the period under review, the Bank has paid dividend to its shareholders for FY 2018-19.

Further, in an environment of heightened uncertainty caused by COVID-19, the Reserve Bank of India, vide its circular dated 17th April 2020 has advised that the Bank shall not make any dividend payout until further instructions. Hence, the Board of Directors has not proposed any dividend for the year ended on 31st March 2020.

14. Details in relation to the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Bank has zero tolerance towards sexual harassment at the workplace and has adopted a Prevention and Redressal of Sexual Harassment Policy in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules made thereunder.

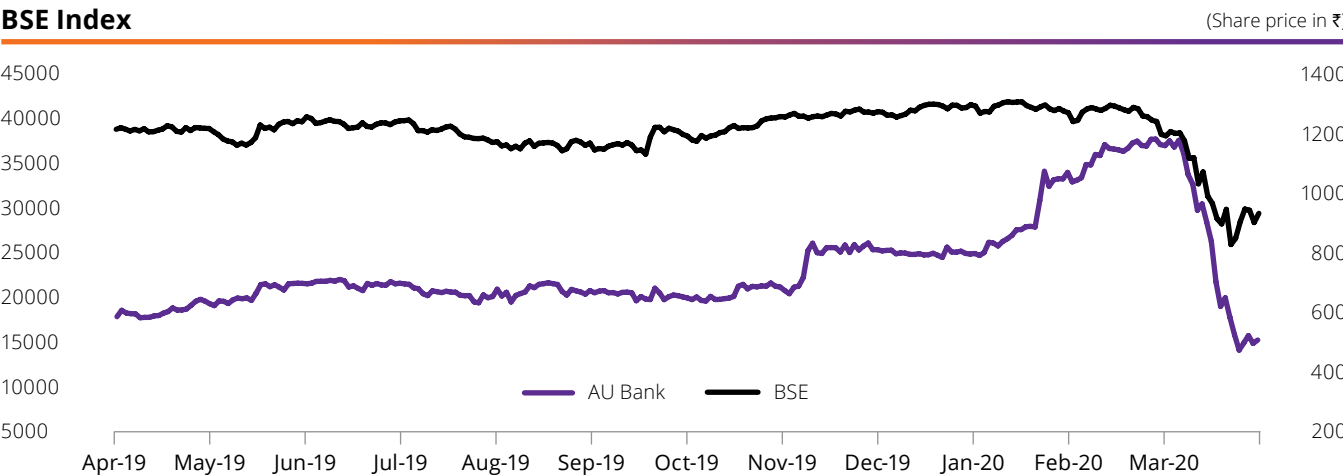
During the year under review, six complaints were reported by the Bank, which were duly reviewed by Internal Complaint Committee and were resolved within the stipulated timeframe and no Complaint is pending as on 31st March 2020.

15. Market Price Data

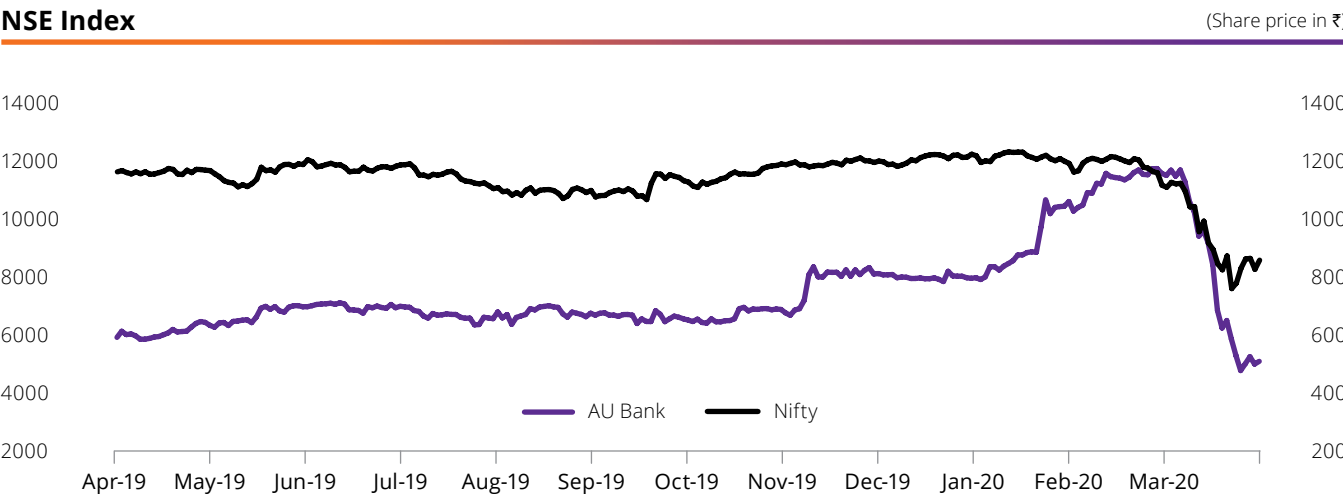
Comparison to Broad -Based Indices

Month	NSE			BSE		
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
Apr-19	647	578	64,77,645	647.95	577	5,92,108
May-19	719	618.40	66,34,313	719.25	618.75	4,30,412
Jun-19	716.70	665.60	33,01,743	716.50	666	4,35,555
Jul-19	709	624	52,39,632	708.15	625	6,77,510
Aug-19	705	622.50	34,01,429	704.45	629.40	1,60,845
Sep-19	690	614.10	1,05,56,070	690.70	565.15	28,30,758
Oct-19	713	636.30	75,12,781	710	634.20	40,38,314
Nov-19	855	656	1,41,80,397	854.35	658.65	13,76,480
Dec-19	839.95	767.25	49,94,702	838	767.50	2,57,595
Jan-20	1105	786.25	2,40,05,901	1105	786.55	29,63,956
Feb-20	1204	991	1,28,24,101	1201.90	991.65	10,40,227
Mar-20	1218	470.95	2,53,45,093	1217.70	460.15	12,69,661

AUBANK relative to S&P BSE SENSEX



AUBANK relative to NIFTY



Distribution of Shareholding as on 31st March 2020

Distribution of Shareholding Based on Nominal Value (₹) as on 31st March 2020

Sr. No.	Category (No. of Shares)			Number of Shareholders	% of Total	Total Shares	Share Amount (₹)	% of Total Share Amount
1	1	To	5000	97,255	95.048	85,79,679	8,57,96,790	2.8211
2	5001	To	10000	2,581	2.5224	18,20,418	1,82,04,180	0.5986
3	10001	To	20000	1,095	1.0702	15,40,381	1,54,03,810	0.5065
4	20001	To	30000	358	0.3499	8,82,562	88,25,620	0.2902
5	30001	To	40000	186	0.1818	6,39,469	63,94,690	0.2103
6	40001	To	50000	99	0.0968	4,50,348	45,03,480	0.1481
7	50001	To	100000	218	0.2131	15,77,172	1,57,71,720	0.5186
8	100001 & Above			530	0.518	28,86,33,298	2,88,63,32,980	94.9067
Total				1,02,322	100.00	30,41,23,327	3,04,12,33,270	100.00

Categories of Shareholders as on 31st March 2020

Sr. No.	Particulars	No. of Shares	%
I Promoters & Promoter Group			
	Sanjay Agarwal	5,67,66,359	18.67%
	Shakuntala Agarwal	1,18,20,430	3.89%
	Jyoti Agarwal	1,18,18,560	3.88%
	Chiranji Lal Agarwal	68,29,321	2.25%
	MYS Holding Private Limited	68,83,722	2.26%
II Other Institution			
	Mutual Fund	3,36,47,831	11.06%
	Financial Institutions/Bank	71,572	0.02%
	Insurance Companies	1,07,27,363	3.53%
	Foreign Portfolio Investors	8,72,48,957	28.69%
III Other Non-Institution			
	Bodies Corporates	98,03,445	3.22%
IV Individuals			
	(i) Individuals holding nominal share capital upto 2 lakh	1,36,92,952	4.50%
	(ii) Individuals holding nominal share capital in excess of 2 lakh	1,26,95,096	4.18%
V Trusts			
		34,831	0.01%
VI Non-Resident Indians (Non-Repat)			
	Non-Resident Indians (Repat)	14,32,767	0.47%
		7,74,884	0.25%
VII Hindu Undivided Family			
		5,02,327	0.17%
VIII Clearing Members			
		10,62,692	0.35%
IX Foreign Nationals			
		3,58,14,221	11.78%
X Alternative Investment Fund			
		24,63,997	0.81%
XI NBFCs registered with RBI			
		32,000	0.01%
Total		30,41,23,327	100%

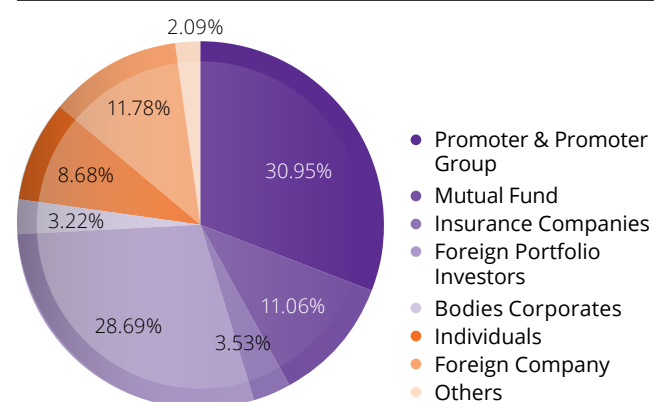
List of Shareholders holding more than 1% share in the Bank as on 31st March 2020

Sr. No.	Particulars	No. of Shares	% of shares
Promoters & Promoter Group			
1	Sanjay Agarwal	5,67,66,359	18.67%
2	Shakuntala Agarwal	1,18,20,430	3.89%
3	Jyoti Agarwal	1,18,18,560	3.88%
4	Chiranji Lal Agarwal	68,29,321	2.25%
5	MYS Holding Private Limited	68,83,722	2.26%
Others			
6	Redwood Investment Ltd.	2,09,70,794	6.90%
7	Camas Investments Pte. Ltd.	1,44,34,805	4.75%
8	Kotak Standard Multicap Fund	1,18,83,204	3.91%
9	Motilal Oswal Multicap 35 Fund	91,00,431	2.99%
10	Nomura India Investment Fund Mother Fund	89,78,252	2.95%
11	Smallcap World Fund, Inc	79,70,934	2.62%
12	Amansa Holdings Private Limited	58,17,294	1.91%
13	Hdfc Life Insurance Company Limited	51,05,600	1.68%
14	Steadview Capital Mauritius Limited	50,24,027	1.65%
15	Ourea Holdings Limited	47,39,063	1.56%
16	UTI – Equity Fund	46,31,799	1.52%
17	SBI Magnum Multicap Fund	38,24,578	1.26%
18	Kotak Funds – India Midcap Fund	37,73,804	1.24%
19	Uttam Tibrewal	35,44,673	1.17%
20	Motilal Oswal Financial Services Ltd – Proprietary Account	33,11,324	1.09%

Shareholding of the Directors of the Bank

Sr. No.	Particulars	No. of Shares	% of shares
1	Krishan Kant Rathie	83,289	0.03%
2	Jyoti Narang	2,714	0.00%
3	Pushpinder Singh	100	0.00%
4	V G Kannan	5	0.00%

Note: The details of shareholding of Mr. Sanjay Agarwal (MD & CEO) and Mr. Uttam Tibrewal (WTD) is covered under the List of Shareholders holding more than 1% share in the Bank as on 31st March 2020 as enumerated hereinabove.

Shareholding Pattern**16. Outstanding Global Depository Receipts or American Depository Receipts or warrants or any convertible instruments, conversion date and likely impact on equity**

During the year under review, the Bank does not have any outstanding GDRs/ADRs warrants that were due for conversion or any other Convertible instruments having an impact on the equity of the Bank.

17. Commodity price risk or foreign exchange risk and hedging activities

During the year under review, the Bank does not undertake trading in any commodity. However, the Bank may be exposed to commodity price risks of customers in its capacity as a lender. The Bank is operating in India and is not directly exposed to foreign exchange risk and hedging activities.

18. Plant Location

As the Bank is engaged in the business of banking/ financial services, there is no plant location.

19. Recommendations of the Committees

No instances have been observed where the Board has not accepted recommendations of any of the Board Committee(s).

20. Fees paid to Statutory Auditors

Total fees for services of Statutory Auditor is ₹ 1.45 crore including all entities in the network firm, of which the statutory auditor is a part.

21. Certificate from Company Secretary in Practice

The Bank has received a certificate from M/S V. M. & Associates, Company Secretaries, Jaipur that none of the Directors on the Board of the Bank have been debarred or disqualified from being appointed or

continuing as Directors of companies by the Board/ Ministry of Corporate Affairs or any such authority. The certificate is annexed herewith this Annual Report.

22. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

During the period under review, the Bank has complied with all the mandatory requirements of Regulation 17 to 27 & 46 and has also complied with requirement of Schedule V of the of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 except for Regulation 24, which is not applicable as the Bank does not have any subsidiary. Further, the Bank has also adopted certain voluntary compliance requirement as stipulated in the Companies Act 2013, Listing Regulations and other act, rules, regulations and guidelines as applicable on the Bank, the details of which are covered below:

Sr. No.	Requirement	Detail
1	Shareholder & Investor Right	The audited financial results, quarterly results and other major developments are published in one English newspaper and vernacular language newspaper and is hosted on the Bank's website at www.aubank.in/investors . The investors' presentations, call transcripts and Press releases are also posted on the Bank's website. Further, information pertaining to important developments of the Bank are brought to the knowledge of the public at large and to the shareholders through communications sent to the stock exchanges where the shares of the Company are listed.
2	Separate office of Non-Executive Part Time Chairman	The Bank has a Non-Executive Part Time Chairman, who has a separate office space at the Bank, and he is entitled for reimbursement of expenses incurred during the performance of his duties.
3	Reporting of Internal Auditor	The Internal Auditor (Chief Audit Officer) of the Bank has direct access to the Audit Committee.

CERTIFICATE ON COMPLIANCE WITH THE CODE OF CONDUCT & ETHICS

I confirm that the Bank has obtained from all the members of the Board and Senior Management Personnel, affirmation that they have complied with the 'Code of Conduct' for financial year 2019-20.

Date: 2nd May 2020
Place: Jaipur

Sd/-
Mr. Sanjay Agarwal
Managing Director & CEO

CEO / CFO CERTIFICATION

To
The Board of Directors
AU Small Finance Bank Limited

1. We have reviewed financial statements and the cash flow statement for the year ended on 31st March, 2020 and that to the best of our knowledge and belief:

i. these statements do not contain any materially untrue statement or omit any material fact or contain any statements that might be misleading;

ii. these statements together present a true and fair view of the Bank's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year, which are fraudulent, illegal or violative of the Bank's Code of Conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Bank pertaining to

financial reporting and have disclosed to the Auditors and Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or proposed to take to rectify these deficiencies.
4. We have indicated, to the Auditors and the Audit Committee:

i. significant changes in internal control over financial reporting during the year;

ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Bank's internal control system over financial reporting.

Place: Jaipur
Date: 2nd May 2020

Sd/-
Sanjay Agarwal
Managing Director & CEO

Sd/-
Vimal Jain
Chief Financial Officer

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To
The Members,
AU Small Finance Bank Limited
19-A, Dhuleshwar Garden
Jaipur – 302 001 (Rajasthan)

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **AU Small Finance Bank Limited** having CIN: **L36911RJ1996PLC011381** and having registered office at **19-A, Dhuleshwar garden, Jaipur – 302 001 (Rajasthan)** (hereinafter referred to as '**the Bank**'), produced before us by the Bank for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Bank & its officers, we hereby certify that none of the Directors on the Board of the Bank as stated below for the Financial Year ended on 31st March, 2020 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of

Corporate Affairs, Reserve Bank of India or any such other Statutory Authority.

Sr. No.	Name of Director	DIN
1.	Venugopalan Mannil	00255575
2.	Sanjay Agarwal	00009526
3.	Uttam Tibrewal	01024940
4.	Krishan Kant Rathi	00040094
5.	Jyoti Narang	00351187
6.	Mankal Shankar Sriram	00588922
7.	Kannan Gopalaraghavan Vellur	03443982
8.	Raj Vikash Verma	03546341
9.	Narendra Ostawal	06530414
10.	Pushpinder Singh	08496066

Ensuring the eligibility of, for the appointment / continuity of every Director on the Board is the responsibility of the Management of the Bank. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Bank nor of the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

Place: Jaipur
Date: 2nd May 2020
UDIN: F003355B000194964

For V. M. & Associates
Company Secretaries
(ICSI Unique Code P1984RJ039200)

Sd/-
CS Manoj Maheshwari
Partner
Membership No.: FCS 3355
C P No.: 1971

Annexure II

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR)

1. A BRIEF OUTLINE OF THE CSR POLICY, INCLUDING OVERVIEW OF PROJECTS OR PROGRAMMES PROPOSED TO BE UNDERTAKEN AND A REFERENCE TO THE WEB LINK TO THE CSR POLICY AND PROJECTS OR PROGRAMMES

As a Small Finance Bank, we are working towards the upliftment of the economically weaker sections of society, we consider it our responsibility to extend our capabilities to provide them with the direction and the opportunities to enhance their quality of life. Over the years, our business model is embedded with socio-economic development of local areas, while targeting business growth. During the course of our momentous journey, we have witnessed several evolutions, including the inception of our flagship CSR programmes that have sought to redefine the boundaries of social good.

On the Banking platform, we are assiduously committed for ensuring the social wellbeing of the communities in the vicinity of our business operations through CSR initiatives that are aligned with our key priority areas identified for CSR initiatives.

Our CSR Policy delineates the structure for driving social initiatives across locations and projects. Our social

initiatives have been designed for community development in compliance of the CSR Policy as prescribed under the Schedule VII of the Companies Act, 2013.

During the year, our CSR activities were focused on making a meaningful and measurable impact on the lives of the deprived communities and seek to create an enabling environment for sustainable livelihoods of the communities we serve. We established the AU Foundation in 2018, to work pro-actively on ground in consultation with key stakeholders for understanding their social needs and designing sustainable initiatives that promote the wellbeing of the society in the long run.

During the year, we have enhanced the reach of our flagship CSR Programmes including the AU Udyogini - 'Empowering Women Entrepreneurship', AU Skills Academy - 'Empowering Self-Reliance', Sports for Development - 'Making a Healthier India' as well as the Financial and Digital Literacy Initiative - 'Empowering with Financial Knowledge and Wisdom'. Through these programmes, we have touched lakhs of lives and positively impacted the deprived, underprivileged communities in rural, semi-urban and urban areas.

Projects, Programmes and Initiatives



AU CSR Credo - Making progress toward our goals

As a Small Finance Bank, we are privileged that our wide distribution network, helps us in assessing and identifying the areas that need our intervention. We have carried out our CSR activities to resolve the identified issues through the AU Foundation and in association with other implementing agencies.

During the year, AU Foundation directed its efforts towards inclusive growth by reaching out to the most vulnerable communities for helping them to build a better tomorrow. We have identified the following as priority areas for CSR:

- 1. Livelihood Enhancement
- 2. Sports for Development
- 3. Financial and Digital Literacy

Area	Activities	Mode of Engagement	Impact
Livelihood Enhancement	- The Bank started multiple need-based community activities and engagement programs. 'AU skills Academy' is the skilling initiative to improve employability of the youth in the communities.	AU Skills Academy ✓ Vocational skills ✓ Entrepreneurial subjects ✓ Personality development	638+ people trained
	- The Bank Launched 'AU Udyogini' is a step towards enabling the women with sustainable livelihood. - This programme is aimed at guiding rural/semi-urban women by enabling them to earn their livelihood sustainably.	AU Udyogini ✓ Empowers women for livelihood enhancement ✓ Strengthening livelihood skills for artisans ✓ Homeworkers and integrated skills development programme - 'Colour of Life'	330+ lives touched
Sports for Development	- To empower and provide good sports facilities, we have created 'AU Sports Village' - an intervention programme, which imparts multi-faceted programmes for children from rural areas, slums and all social groups. - Along with nurturing sporting talent, it has also developed various learning activities for the beneficiaries. - AU Foundation has undertaken various initiatives to develop and deliver sports with indigenous communities.	AU Sports Village ✓ Learning life discipline skills through sports ✓ Communication skills ✓ Personality development	3,300+ lives touched
Financial and Digital Literacy	AU Foundation focuses on working towards financial education of people of the unbanked or remote areas of society. The Foundation spreads financial education in both urban and rural areas, with concerted efforts to educate them about the basics of banking and financial products. This will develop their knowledge and understanding, thereby leading to informed decisions and improved financial status.	Financial and Digital Literacy ✓ Nukkad Natak ✓ One-to-one surveys ✓ Financial awareness campaigns ✓ Animated Videos	3 lakh lives touched

CSR Policy of the Bank is hosted at www.aubank.in/notice-board

2. COMPOSITION OF CORPORATE SOCIAL RESPONSIBILITY COMMITTEE AS ON 31ST MARCH 2020

In compliance of applicable provisions of Companies Act, 2013 and rules made thereunder, the Bank has in place a CSR Committee consisting of the following members for advising on the CSR programmes & initiatives:

- Mr. Mankal Shankar Sriram (Additional Director - Independent) - Chairman
- Ms. Jyoti Narang (Independent Director) - Member
- Mr. Sanjay Agarwal (Managing Director & CEO) - Member

The details of changes in the CSR Committee composition during the year is disclosed in the Report on Corporate Governance, forming part of Annexure-I of the Board's Report.



3. AVERAGE NET PROFITS OF THE BANK FOR THE LAST THREE FINANCIAL YEARS: ₹ 493.57 crore
4. PRESCRIBED CSR EXPENDITURE (2% OF THE AMOUNT AS IN ITEM 3 ABOVE): ₹ 9.87 crore
5. DETAILS OF CSR SPEND DURING THE FINANCIAL YEAR

Sr. No.	Particulars	Amount
(a)	Total amount to be spent for the Financial Year 2019-20	₹ 16.38 crore (₹ 9.87 crore for FY2019-20 + ₹ 6.51 crore, being amount unspent of FY 2018-19)
(b)	Amount unspent	₹ 3.73 crore

C) Manner in which the amount is spent during the Financial Year is detailed below:

Sr. No.	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the state and district where projects or programs were undertaken	Amount outlay (budget) project or program-wise (₹ in lakh)	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs (2) Overheads (₹ in lakh)	Cumulative expenditure up to the reporting period (₹ in lakh)	Amount spent: Directly or through implementing agency
1	Projects of AU Foundation 1. AU Skills Academy 2. AU Udyogini 3. AU Financial Literacy Awareness 4. AU Sports Village	Clause (ii) : Livelihood enhancement Clause (ii) : Promoting education Clause (vii) : Training to promote rural sports, nationally recognised sports, Paralympics sports and Olympics sports	Rajasthan, Delhi, Maharashtra, Madhya Pradesh and Gujarat	410	405.1	481.6	- Amount spent through AU Foundation for CSR activities as per Schedule VII - Through Implementing agencies: Development Initiatives Society, Gram Chetna Kendra, Prayas Ek Kadam Society
2	Promoting Education 1. Vocation Training 2. Financial and Digital Literacy 3. Primary Education 4. Mid-Day Meal Programme 5. Road Safety	Clause (ii) : Promoting education, including special education and employment enhancing vocation skills, especially among children, women, elderly, and the differently abled and livelihood enhancement projects;	Rajasthan, Gujarat, Haryana, Madhya Pradesh, Himachal Pradesh, Punjab and Chhattisgarh	500	382.88	1,129.81	- Directly - Through Implementing agencies - Ambuja Cement Foundation/ Development Initiatives/ Akshaya Patra/ GCK, Aadhar Samajik Vikas Sansthan, Alsana Rang theatre Society, Alternative Development Centre, Pratham Siksha Charitable Trust, Pratyek Vyakti Ki Ummeed Ki Sansthan, Rangdarshan, Prem Mandir Sansthan, Lok Kala Jagrati Vikas Sansthan
3	Promoting and preventive healthcare 1. PM CARES Fund - COVID-19 2. Eye and health check-up camps 3. Swachh Bharat Abhiyan 4. Open air gyms 5. Installation of water coolers and purifiers	Clause (i) : Eradicating hunger, poverty and malnutrition, promoting healthcare, including preventive healthcare and sanitation, including contribution to the Swachh Bharat Kosh setup by the Central Government for the promotion of sanitation and making available safe drinking water	Rajasthan, Maharashtra, Gujarat, Haryana, Madhya Pradesh, Himachal Pradesh, Punjab, Chhattisgarh and Delhi	450	370.86	669.99	- Directly - Through Implementing agencies - Akshaya Patra Foundation/ Bhaskar Foundation/ Shekhawati Agarwal Samaj /SIDART, People for Optimum Social Health and Nutrition

Sr. No.	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the state and district where projects or programs were undertaken	Amount outlay (budget) project or program-wise (₹ in lakh)	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs (2) Overheads (₹ in lakh)	Cumulative expenditure up to the reporting period (₹ in lakh)	Amount spent: Directly or through implementing agency
4	Promotion of sports 1. Sports for development activities 2. Promoting rural and Olympic sports	Clause (vii) : Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports	Rajasthan and Maharashtra	86	35.92	252.72	- Directly - Through Implementing agencies - Sports Gurukul/ Gramin Shiksha Kendra, The Sports Kartail
5	Ensuring environmental sustainability and animal welfare	Clause (iv) : Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga;	Rajasthan, Gujarat, Madhya Pradesh and Himachal Pradesh	50	16.45	72.16	- Directly - Through Implementing agencies - HKC/ Raksha
6	Promoting Art and Culture	Clause (v) : Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;	Rajasthan	50	10.05	131.8	Through Implementing agencies - Lokayan Sansthan/ HKM
7	Promoting Gender Equalities	Clause (iii) : Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;	Rajasthan, Madhya Pradesh, Maharashtra and Punjab	10	4.89	14.89	- Directly - Through implementing agencies - Louis Braille Drishitheen Vikas Sansathan
8	Benefits for armed forces veterans	Clause (vi) : Measures that benefit the armed forces veterans, war widows and their dependents;	Rajasthan	1	0.84	1.15	Directly
9	Administrative Expenses	Administrative expenses inclusive of staff salary for the execution of CSR activities		81	37.96	72.12	-
Total ₹ in lakh				1,638	1,264.95		



A RESONSIBLE CORPORATE CITIZEN

In March 2020, the unprecedented COVID-19 pandemic brought in great challenges for the health sector and the world economy. We believe that during a crisis, we have a greater role to play in serving our communities – beyond the call of duty. The Indian government was quick to initiate war-scale measures to contain the spread of the COVID-19 pandemic and imposed a complete lockdown on 25th March 2020 to break the chain of transmission. We responded immediately to address the emergency situation in the country that required huge financial and health resources for fighting the crisis, the impact of the which was difficult to envisage. As a responsible corporate citizen, we augmented our initiatives to support the government in its measures to control the spread of the disease within the communities.

AU Small Finance Bank committed ₹ 5 crore for controlling the spread of the pandemic. After understanding the pressing needs as well as the support requirements of the central & state government(s) to fight against the pandemic, we undertook the following initiatives to protect people from exposure and help to treat those affected:

- Setting up of testing facilities for infected patients
- Providing medical equipments
- Spreading awareness on the Novel Coronavirus, COVID-19
- Contribution to PM Cares Fund
- Beefing up Healthcare support targeted at containment and treatment of the disease
- Serving 2,50,000 meals to the destitutes

As a responsible citizen we are continuously striving to stand with society to fulfill our social commitments for fight against COVID -19.

6. REASON FOR NOT SPENDING 2% OF THE AVERAGE NET PROFIT OF THE LAST THREE FINANCIAL YEARS OR ANY PART THEREOF

We carry out our CSR activities under the aegis of the AU Foundation, directly and through other implementing agencies to promote the nation's development. Working at the grassroots level, these activities are spread across 90+ districts in 11 states across the country and have so far, transformed the lives of 8.6 lakh people. The Bank strategically focused on improving livelihood & skill development of the underprivileged youth through vocational training, empowering rural marginalised

women to make them financially independent. Considering the support needed by the country, the government and the citizens, we have contributed a substantial amount of our CSR budget towards the COVID-19 pandemic.

As envisaged during the year, the CSR initiatives gained scale and enhanced their outreach. To facilitate this increased activity, the Bank incurred ₹ 12.65 crore as CSR contribution in FY 2019-20, which was 275% higher than that of last year. While standalone CSR obligations for FY 2019-20 was ₹ 9.87 crore, the Bank incurred ₹ 12.65 crore and it is pertinent to note here that there has been substantial enhancement in efforts on capacity building – directly, through AU Foundation and other implementing agencies.

On a cumulative basis, despite the shortfall, the Bank is confident of incurring CSR expenditure in FY 2020-21 completely with increased penetration of existing CSR programmes, continuous commitment to fight against COVID-19 and by initiating new CSR programmes.

Scaling up Operations of the AU Foundation

We are always on the lookout for new avenues to improve the quality of life of the disadvantaged sections of the society. We initiate new programmes and scale them to meet these objectives. In the past two years, we have increased the AU Foundation's CSR footprint and have worked on capacity building by leveraging the existing CSR programmes. We constantly explore new projects and tie up with partners to widen our reach and impact on a wide cross-section of society.

AU Foundation, with a team of qualified professionals understands the pressing social needs of the communities, and leverages its time, effort and capabilities to design CSR programmes that would create a long-term positive impact on these communities. It engages with the stakeholders through multiple social media platforms to measure the awareness and effectiveness of the programmes.

Enhancing Capabilities and Tie-ups

We are continuously enhancing our capabilities by associating with credible trusts and agencies through AU Foundation. A detailed framework of induction is adopted to on-board qualified partners for implementation of CSR projects. This helps the Bank in scaling up its CSR programmes in a sustainable manner. We continue to be committed towards exploring new opportunities and incrementally investing in CSR activities to realise our CSR plans.

7. A RESPONSIBILITY STATEMENT OF THE CSR COMMITTEE THAT THE IMPLEMENTATION AND MONITORING OF CSR POLICY IS IN COMPLIANCE WITH THE CSR OBJECTIVES AND POLICY OF THE BANK

The CSR Committee of the Bank hereby confirms that the implementation and monitoring of the CSR Policy is in compliance with its CSR Objectives and Policy.

For and on behalf of the Board of Directors
AU SMALL FINANCE BANK LIMITED

Sd/-
Mr. Mankal Shankar Sriram
Chairman – CSR Committee
DIN: 00588922

Date: 2nd May 2020
Place: Bengaluru
CIN: L36911RJ1996PLC011381
Registered Office: 19-A, Dhuleshwar Garden, Ajmer Road, Jaipur – 302001

Sd/-
Mr. Sanjay Agarwal
Managing Director & CEO
DIN:00009526

Date: 2nd May 2020
Place: Jaipur



Annexure III

The ratio of the remuneration of each Director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

Sr. No.	Requirements	Disclosure																										
1.	Ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year	Mr. Sanjay Agarwal, MD & CEO 92X Mr. Uttam Tibrewal, WTD 83X* Mr. Mannil Venugopalan, Ex-Chairman & Independent Director 16X																										
2.	The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary, if any, in the financial year	<table><tr><th>Name & Designation of Director's & KMP</th><th>Increase%/(Decrease)%</th></tr><tr><td>Mr. Sanjay Agarwal, MD & CEO</td><td>9.87 %</td></tr><tr><td>Mr. Uttam Tibrewal, WTD</td><td>14.86 %</td></tr><tr><td>Mr. Mannil Venugopalan, Ex-Chairman & Independent Director@</td><td>31.90 %</td></tr><tr><td>Mr. Raj Vikash Verma, Chairman and Independent Director#</td><td>29.49 %</td></tr><tr><td>Mr. Krishan Kant Rathi – Independent Director\$</td><td>18.49 %</td></tr><tr><td>Ms. Jyoti Narang – Independent Director\$</td><td>18.18 %</td></tr><tr><td>Mr. M S Sriram, Independent Director^</td><td>NA</td></tr><tr><td>Mr. Pushpinder Singh, Independent Director^</td><td>NA</td></tr><tr><td>Mr. V G Kannan, Independent Director^</td><td>NA</td></tr><tr><td>Mr. Narendra Ostawal, Non-Executive Director^^</td><td>-</td></tr><tr><td>Mr. Deepak Jain, COO^^^</td><td>2.07%</td></tr><tr><td>Mr. Manmohan Parnami, CS^^^</td><td>0.17%</td></tr></table> Note: Mr. Deepak Jain and Mr. Vimal Jain was elevated as Chief Operating Officer and Chief Financial Officer respectively w.e.f. 1st April 2020.	Name & Designation of Director's & KMP	Increase%/(Decrease)%	Mr. Sanjay Agarwal, MD & CEO	9.87 %	Mr. Uttam Tibrewal, WTD	14.86 %	Mr. Mannil Venugopalan, Ex-Chairman & Independent Director@	31.90 %	Mr. Raj Vikash Verma, Chairman and Independent Director#	29.49 %	Mr. Krishan Kant Rathi – Independent Director\$	18.49 %	Ms. Jyoti Narang – Independent Director\$	18.18 %	Mr. M S Sriram, Independent Director^	NA	Mr. Pushpinder Singh, Independent Director^	NA	Mr. V G Kannan, Independent Director^	NA	Mr. Narendra Ostawal, Non-Executive Director^^	-	Mr. Deepak Jain, COO^^^	2.07%	Mr. Manmohan Parnami, CS^^^	0.17%
Name & Designation of Director's & KMP	Increase%/(Decrease)%																											
Mr. Sanjay Agarwal, MD & CEO	9.87 %																											
Mr. Uttam Tibrewal, WTD	14.86 %																											
Mr. Mannil Venugopalan, Ex-Chairman & Independent Director@	31.90 %																											
Mr. Raj Vikash Verma, Chairman and Independent Director#	29.49 %																											
Mr. Krishan Kant Rathi – Independent Director\$	18.49 %																											
Ms. Jyoti Narang – Independent Director\$	18.18 %																											
Mr. M S Sriram, Independent Director^	NA																											
Mr. Pushpinder Singh, Independent Director^	NA																											
Mr. V G Kannan, Independent Director^	NA																											
Mr. Narendra Ostawal, Non-Executive Director^^	-																											
Mr. Deepak Jain, COO^^^	2.07%																											
Mr. Manmohan Parnami, CS^^^	0.17%																											
3.	The percentage decrease/increase in the median remuneration of employees in the financial year.	There has been increase of 0.001% in median remuneration of employees and the employees have been taken as on year end. Further, there is increase in the number of employees by 4,489 as on year ended 31 st March 2020, vis-a-vis as on 31 st March 2019. Median has been calculated taking remuneration of employees on comparable basis and has been calculated on annualised basis considering the employees as on year end.																										
4.	The number of permanent employees on the rolls of Bank as on 31 st March 2020.	There were 17,112 employees as on 31 st March 2020.																										
5.	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.	There was average percentile decrease of 1.34% (excluding perquisites on ESOPs Exercised) in FY 2019-20 over FY 2018-19 for employees other than in managerial capacity. For managerial personnel, there were decrease of 5.80% (excluding perquisites on ESOPs Exercised) in remuneration of managerial personnel on overall basis in FY 2019-20 over FY 2018-19. The decrease in average percentile remuneration of employees other than managerial personnel is due to increase in employees at middle & junior positions and on the basis of individual performance.																										
6.	Affirmation that the remuneration is as per the remuneration policy of the Company	Yes, it is confirmed.																										

Notes:

* Remuneration of Mr. Sanjay Agarwal and Mr. Uttam Tibrewal do not include bonus amount for the respective Year to present data on comparable basis.

@ Mr. Mannil Venugopalan has ceased to be Part-Time Chairman (Independent Director) (Non-Executive) of the Bank on 29th March 2020 (close of business hours) on completion of his tenure. Mr. Venugopalan was paid sitting fees for Board and Committee meetings attended & also entitled for honorarium for FY 2019-20 as considered herein above.

Mr. Raj Vikash Verma has been designated as Part-Time Chairman (Independent director) (Non-Executive) of the Bank w.e.f. 8th April 2020 as per terms of approval received from RBI. Mr. Raj Vikash Verma as an Independent Director, was paid sitting fees for Board and Committee meetings attended & entitled for profit linked commission during FY 2019-20 as mentioned herein above.

\$ Mr. Krishan Kant Rathī, Ms. Jyoti Narang were Independent Directors of the Bank. Accordingly, they were paid sitting fees for Board & Committee meetings attended, and entitled for profit linked commission during FY 2019-20 as mentioned herein above.

^Prof. Mankal Shankar Sriram (M S Sriram), Mr. Pushpinder Singh joined as Additional (Independent Director) on the Board of the Bank on 21st October 2019 and Mr. Vellur Gopalaraghavan Kannan (V G Kannan) joined as Additional (Independent Director) on 22nd January 2020. Accordingly, they were paid sitting fees for the Board & Committee meetings attended and entitled for profit linked commission during FY 2019-20. In view of appointment of said Directors during FY 2019-20, the percentage of increase/decrease is not applicable.

^^Mr. Narendra Ostawal is Non-Executive Director of the Bank and was not entitled for any remuneration during FY 2019-20.

^^^The remuneration for FY 2019-20 includes bonus figures for FY 2018-19 but excluding perquisites on ESOPs exercised by Mr. Deepak Jain, Chief Financial Officer till 31st March 2020 (elevated as Chief Operating Officer & KMP w.e.f. 1st April 2020) and by Mr. Manmohan Parnami, Company Secretary for calculation of percentage increase/decrease.

General Note:

Remuneration includes Fixed pay and Variable pay during the year plus perquisite value as calculated under the Income Tax Act, 1961 but does not include value of perquisites on ESOP options exercised.

For and on behalf of the Board of Directors
AU SMALL FINANCE BANK LIMITED

Sd/-
Mr. Sanjay Agarwal
Managing Director & CEO
DIN: 00009526

Date: 2nd May 2020
Place: Jaipur

Sd/-
Mr. Uttam Tibrewal
Whole Time Director
DIN: 01024940

Date: 2nd May 2020
Place: Mumbai



Annexure IV

DISCLOSURES OF REMUNERATION OF EMPLOYEES PURSUANT TO SUB RULE 2 & 3 OF RULE 5 OF COMPANIES (APPOINTMENT & REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014, AS IN FORCE

Sr. Name of No. employee	Designation	Remuneration (₹ in crore)	Nature of employment (contractual/ otherwise)	Qualifications and experience of the employee	Date of commencement of employment	Age of such employee (in Years)	The last employment held by such employee before joining the Company	The percentage of equity shares held by the employee in the Company	Whether any such employee is a relative of any Director or manager of the Company and if so, name of such Director or manager
1	*Sanjay Agarwal Managing Director & CEO	2.31**	Contractual	FCA, B. Com, 25 Years	*Appointed as Managing Director since 14 th February 2008 and last re-appointment was approved by the shareholders for a period of 5 years on 31 st March 2017. First term of three years as MD & CEO was completed on 18 th April 2020 and pursuant to the RBI approval another term as MD & CEO for a period of 3 years is effective from 19 th April 2020.	50	NA	18.67%	No
2	*Uttam Tibrewal Whole Time Director	3.43***	Contractual	B. Com, 23 Years	*Appointed as Whole Time Director since 14 th February 2008 and last re-appointment was approved by the shareholders for a period of 5 years on 31 st March 2017. First term of three years as Whole Time Director was completed on 18 th April 2020 and pursuant to the RBI approval another term as Whole Time Director for a period of 3 years is effective from 19 th April 2020.	49	NA	1.17%	No
3	*Deepak Jain Chief Operating Officer^	1.65****	Permanent Employee	FCA, 22 Years	17 th May 2010	46	M/s Deepak Tarachand & Associates (Chartered Accountants)	0.35%	No
4	Vimal Jain Chief Financial Officer^	1.48	Permanent Employee	CA, 15 Years	16 th January 2010	39	GERA Developments Private Limited	0.01%	No
5	Manoj Tibrewal Group Head - Marketing & Distribution	15.67	Permanent Employee	CS, 27 years	1 st February 2009	50	Auto Lite (India) Limited	0.45%	No
6	Rishi Dhariwal Group Head Branch Banking	4.79	Permanent Employee	Postgraduate Programme in Management for Executive from IIM, Ahmedabad, 27 years	15 th November 2013	50	Citibank NA	0.03%	No

Sr. Name of No. employee	Designation	Remuneration (₹ in crore)	Nature of employment (contractual/ otherwise)	Qualifications and experience of the employee	Date of commencement of employment	Age of such employee (in Years)	The last employment held by such employee before joining the Company	The percentage of equity shares held by the employee in the Company	Whether any such employee is a relative of any Director or manager of the Company and if so, name of such Director or manager
7	Bhaskar Vittal Karkera Chief of Wheels	1.25	Permanent Employee	Bachelor of Engineering (automobile engineering) from University of Bombay, 29 Years	17 th January 2017	52	Mahindra and Mahindra Financial Services Limited	0.00% (Negligible)	No
8	Yogesh Jain Group Head Strategy-Treasury, FIG, DCM, IR and Wholesale Liability	1.27	Permanent Employee	CA, 13 years	1 st April 2010	40	Panchratna Motels and Resorts Private Limited (KGK Group).	0.02%	No
9	Vijendra Singh Shekhawat Chief of Operations - Assets	2.31	Permanent Employee	CA, 16 years	2 nd May 2012	38	Religare Enterprise Limited (formerly known as Fortis Securities Limited).	0.01%	No
10	Vivek Tripathi Chief of Strategy - Business Solutions and Transaction Banking	1.64	Permanent Employee	Post-graduate diploma in management for executives from Indian Institute of Management Society, Lucknow and Masters of Textiles from University of Mumbai, 18 Years	9 th April 2014	42	ICICI Bank Limited	0.02%	No
11	Nitin Gupta Chief Audit Officer	1.05	Permanent Employee	CA, 17 years	26 th October 2015	40	British Telecom	0.00% (Negligible)	No
12	Priyam Alok Chief of Business Banking	2.81	Permanent Employee	Masters of Business Administration from Bharathidasan University, 17 Years	22 nd March 2016	39	Reliance Broadcast Network Limited	0.03%	No
13	Pankaj Sharma National Business Manager - SBL MSME	2.68	Permanent Employee	Masters of Business Administration from Mohanlal Sukhadia University, Jaipur, 20 years	3 rd March 2012	45	Moneyline Credit Limited (IIFL)	0.02%	No
14	Shekhar Shukla Chief of Operations- Liabilities	1.83	Permanent Employee	CA, 26 years	20 th August 2016	51	ICICI Bank Limited	0.01%	No
15	Naveen Vashisht National Business Manager - Used Wheels	1.78	Permanent Employee	Completed the Senior Management Programme from Indian Institute of Management, Kolkata, 28 years	6 th November 2014	52	Equitas Micro Finance Limited	0.01%	No
16	Vinay Vaish Chief of Credit Risk	1.50	Permanent Employee	CA, 24 years	20 th May 2015	49	Citibank NA	0.01%	No



Sr. Name of No. employee	Designation	Remuneration (₹ in crore)	Nature of employment (contractual/ otherwise)	Qualifications and experience of the employee	Date of commencement of employment	Age of such employee (in Years)	The last employment held by such employee before joining the Company	The percentage of equity shares held by the employee in the Company	Whether any such employee is a relative of any Director or manager of the Company and if so, name of such Director or manager
17 Aalekh Vijayvargiya	National Credit Manager SBL (MSME)	1.37	Permanent Employee	CA, 18 years	14 th July 2014	40	India Infoline Housing Limited	0.01%	No
18 Aditya Sharma	Chief Technical Officer Mortgage	1.10	Permanent Employee	MBA(Finance) & BE (Civil), 23 Years	29 th June 2015	45	Citibank NA	0.01%	No
19 Dilip K Vidyarthi	National Business Manager Bancassurance	1.35	Permanent Employee	B. Com, MDP – IIM A	6 th April 2015	46	DHFL Pramerica Life Insurance Co. Limited	0.01%	No
20 Sachin Kumar Jain	National Credit Manager Wheels	1.45	Permanent Employee	CA, 15 years	13 th March 2012	40	Dhanlaxmi Bank Limited	0.01%	No
21 Arvind Tungaria	Regional Business Manager SBL	1.45	Permanent Employee	B.Com, CA	1 st April 2014	43	ICICI Bank Limited	0.00% (Nil)	No
22 Yogesh Soni	Chief of Branch Banking Operations	1.24	Permanent Employee	CA, 11 years	1 st June 2011	35	Partner in Deepak Tarachand & Associates, CA Firm	0.01%	No
23 Lokesh Dagdi	Regional Business Manager SBL	1.14	Permanent Employee	B.Com, 17 years	21 st January 2011	39	Mahindra Rural Housing Finance Limited	0.00%	No
24 Tikam Chand Karodiwal	Regional Business Manager Wheels	1.06	Permanent Employee	B.A. Graduate and PGDCA, 18 years	12 th November 2006	39	Ashok Leyland Finance Limited	0.01%	No
25 Vikas Chowdhry	Senior Vice President Asset Operations	1.02	Permanent Employee	MCA, B.Com & Diploma in Computer Applications, 22 years	1 st April 2014	43	ICICI Bank Limited	0.01%	No
26 Amit Garg	Regional Business Manager Wheels	1.96	Permanent Employee	Diploma in Mechanical Engineering, 21 Years	12 th November 2007	42	Mahindra and Mahindra Financial Services Limited	0.02%	No
27 Akhil Kumar Patni	National Product Manager Secured Business Loans	2.03	Permanent Employee	B.A, 25 years	1 st April 2014	43	Aavas Financiers Limited (Formerly known as AU Housing Finance Ltd.)	0.02%	No
28 Manoj Kumar Agarwal	Regional Business Manager SBL	1.18	Permanent Employee	CA, 25 years	13 th June 2014	51	Sistema Shyam Teleservices Limited	0.01%	No
29 Manoj Kumar Bisht	Regional Business Manager Wheels Used	1.16	Permanent Employee	B. Com., 15 years	5 th October 2010	43	DLF Pramerica Life Insurance Co. Limited	0.01%	No
30 Mohit Bhushan Handa	Regional Collection Manager Wheels	1.37	Permanent Employee	M.B.A., 25 years	1 st June 2010	48	Mahindra and Mahindra Financial Services Limited	0.01%	No

Sr. Name of No. employee	Designation	Remuneration (₹ in crore)	Nature of employment (contractual/ otherwise)	Qualifications and experience of the employee	Date of commencement of employment	Age of such employee (in Years)	The last employment held by such employee before joining the Company	The percentage of equity shares held by the employee in the Company	Whether any such employee is a relative of any Director or manager of the Company and if so, name of such Director or manager
31 Sunil Kumar Sharma	National Collection Manager Small & Mid Corporate	1.15	Permanent Employee	B.A., 15 years	24 th January 2006	40	NA	0.01%	No
32 Upendra Singh	National Collection Manager Wheels	1.15	Permanent Employee	M.A. from Gwaji University Gwalior, 14 years	13 th November 2006	43	Vintage house (collection agency Jaipur)	0.01%	No
33 Manish Kumar Mandan	Cluster Business Manager Wheels	1.07	Permanent Employee	M.B.A. and M.Com., 15 years	2 nd June 2008	47	Bikaner Motors Pvt. Limited	0.01%	No
Employed for part of the year									
34 Dayakaran Sridhar	Chief of Digital Banking and Digital Strategy	0.63	Permanent Employee	CA, Masters in Management Studies from University of Mumbai, 22 Years	6 th September 2018 (Relieved w.e.f. 5 th July 2019)	42	Axis Bank Limited	0.00% (Nil)	No
35 Hemant Sethia	Senior Vice President Investor Relations	1.67	Permanent Employee	CA, CS, Master of Business Administration from Bharathidasan University, 14 Years	2 nd April 2012 (Relieved w.e.f. 30 th November 2019)	37	Credit Analysis and Research Limited	0.00% (Negligible)	No

Note: *For KMPs the remuneration as recorded in Audited Financial Statement for FY2019-20 has been mentioned hereinabove.

**** The remuneration of Mr. Sanjay Agarwal – MD & CEO of the Bank includes variable pay in form of Bonus of ₹ 0.45 crore for the Year 2017-18 which was paid during FY 2019-20.**
*****The remuneration of Mr. Uttam Tibrewal – Whole Time Director of the Bank includes variable pay in form of Bonus of ₹ 0.91 crore, ₹ 0.39 crore & ₹ 0.45 crore for the year FY 2016-17, FY 2017-18 and FY 2018-19 respectively which were paid during FY 2019-20. No ESOPs were granted or exercised by him during the period under review.**
****** The remuneration of Mr. Deepak Jain – Chief Operating Officer (Earlier designated as Chief Financial Officer of the Bank till 31st March 2020) of the Bank does not include perquisites on ESOPs amounting to ₹ 3.88 crore which were exercised during FY 2019-20.**
^ Mr. Deepak Jain and Mr. Vimal Jain have been elevated to the position of Chief Operating Officer and Chief Financial Officer respectively w.e.f. 1st April 2020.
Note: Except for Sr. No. 1 to 3 above, remuneration of other employees includes perquisite on ESOPs. Further, Mr. Sanjay Agarwal being Promoter of the Bank is not entitled for ESOPs.

For and on behalf of the Board of Directors
AU Small Finance Bank Limited

Sd/-
Sanjay Agarwal
Managing Director & CEO
DIN: 00009526

Sd/-
Uttam Tibrewal
Whole Time Director
DIN: 01024940

Date: 2nd May 2020
Place: Jaipur

Date: 2nd May 2020
Place: Mumbai



Annexure V

FORM NO. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st March 2020

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
AU Small Finance Bank Limited
19-A, Dhuleshwar Garden
Jaipur – 302 001 (Rajasthan)

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **AU Small Finance Bank Limited** (hereinafter called “**the Bank**”). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Bank’s books, papers, minute books, forms and returns filed and other records maintained by the Bank and also the information provided by the Bank, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Bank has, during the audit period covering the Financial Year ended on 31st March 2020 (**Audit Period**) complied with the statutory provisions listed hereunder and also that the Bank has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Bank for the Financial Year ended on 31st March 2020 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (**Not applicable to the Bank during the Audit Period**);
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; (**Not applicable to the Bank during the Audit Period**);
 - (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
- (vi) As confirmed, following other laws are specifically applicable to the Bank for which the Management has confirmed that the Bank has devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively:
 - (a) The Reserve Bank of India Act, 1934;

- (b) The Banking Regulation Act, 1949 and Notifications and Circulars issued by the Reserve Bank India ('RBI') from time to time; and
- (c) Guidelines issued by RBI on Small Finance Bank dated 27th November 2014 and Operational Guidelines issued dated 6th October 2016;

We have also examined compliance with the applicable clauses of the following:

- i. Secretarial Standards issued by The Institute of Company Secretaries of India;
- ii. The Listing Agreements entered into by the Bank with BSE Limited and National Stock Exchange of India Ltd.

During the period under review, the Bank has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that

The Board of Directors of the Bank is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review, were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance. Further, Independent Director(s) were present at Board Meetings which were called at shorter notice to transact business, which were considered urgent by the management in compliance of Section 173(3) of the Act. A system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the Bank commensurate with the size and operations of the Bank to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period the Bank has:

- (a) Allotted 1,01,04,364 (One Crore One Lakh Four Thousand Three Hundred and Sixty-Four) fully paid-up Equity Shares of face value of ₹ 10/- (Rupees Ten Only) each, fully paid-up for cash, at an issue

price of ₹ 692.77/- (including premium of ₹ 682.77/-) per Equity Share aggregating to an amount of ₹ 700,00,00,249/- (Rupees Seven Hundred Crore and Two Hundred Forty-Nine Only) to Camas Investments Pte. Ltd. Pursuant to conversion of 1,01,04,364 convertible warrants. Bank has received the balance amount of ₹ 525,00,00,186/- (Rupees Five Hundred and Twenty-Five Crore One Hundred and Eighty-Six Only) on allotment of Equity Shares;

- (b) Allotted 16,61,477 (Sixteen Lakh Sixty-One Thousand Four Hundred and Seventy-Seven) equity shares upon exercise of options by its eligible employees under its various Employee Stock Option Schemes/plans;
- (c) Duly passed the resolution under section 180(1)(c) of the Act, read with its applicable rules, as amended to authorize the Board of Directors to borrow money in excess of the aggregate of the paid-up share capital, free reserves and securities premium of the Bank, but not exceeding a sum of ₹ 22,000 crore (Rupees Twenty-Two Thousand Crore Only);
- (d) Duly passed the resolution pursuant to Section 42 of the Act for approving issue of unsecured non-convertible debentures/bonds, in Indian/foreign currencies in the domestic and/or overseas markets for an amount up to ₹ 12,000 crore (Rupees Twelve Thousand Crore Only) on a private placement basis in one or more tranches and/or series.
- (e) Altered the provisions of Articles of Association of Bank;
- (f) Altered the Employee Stock option Scheme 2016; and
- (g) Redeemed 2,350 (Two Thousand Three Hundred and Fifty) Non-Convertible Debentures (NCDs) having a face value of ₹ 10,00,000/- (Rupees Ten Lakh only) each aggregating to ₹ 235,00,00,000/- (Rupees Two Hundred Thirty-Five Crore Only) prior to its maturity (Early Redemption).

For **V. M. & Associates**
Company Secretaries
(ICSI Unique Code P1984RJ039200)

Sd/-
CS Manoj Maheshwari
Partner

Place: Jaipur
Date: 2nd May 2020
UDIN: F003355B000194920

Membership No.: FCS 3355
C P No.: 1971

Note: This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.



ANNEXURE A

To
The Members,
AU Small Finance Bank Limited
19-A, Dhuleshwar Garden
Jaipur – 302 001 (Rajasthan)

Our report of even date is to be read along with this letter.

- 1. Maintenance of secretarial record is the responsibility of the management of the Bank. Our responsibility is to express an opinion on these secretarial records based on our audit.
- 2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
- 3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Bank.
- 4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
- 5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
- 6. The Secretarial Audit report is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Bank.

For **V. M. & Associates**
Company Secretaries
(ICSI Unique Code P1984RJ039200)

Sd/-
CS Manoj Maheshwari
Partner
Membership No.: FCS 3355
C P No.: 1971

Place: Jaipur
Date: 2nd May 2020
UDIN: F003355B000194920

Annexure VI

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31st March 2020

[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

CIN	L36911RJ1996PLC011381
Registration Date	10 th January 1996
Name of the Company	AU SMALL FINANCE BANK LIMITED
Category	Company limited by shares
Sub-Category of the Company	Non-Govt Company (Banking Company)
Address of the Registered office and contact Details	19-A, Dhuleshwar Garden, Ajmer Road, Jaipur – 302001, Rajasthan Phone no. 0141 4110060 Website: www.aubank.in Email id: Investorrelations@aubank.in
Whether listed company	- Bank's Equity Shares are listed on National Stock Exchange of India Ltd. and BSE Ltd. - Privately Placed Debentures are listed at WDM segment of BSE Ltd.
Name, Address and Contact details of Registrar and Share Transfer Agent	Link Intime India Pvt. Ltd. C 101, 247 Park, L B S Marg, Vikhroli West, Mumbai – 400 083 Tel No: +91 22 49186000 Fax: +91 22 49186060 Website: www.linkintime.co.in Email id: rnt.helpdesk@linkintime.co.in

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated—

Sr. No.	Name and description of main products/services	NIC Code of the Product/service	% to total turnover of the Company
1	Banking Services	64191	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANY:

Sr. No.	Name and address of the company	CIN/GLN	Holding/Subsidiary/ Associate	% of shares held	Applicable section
Not applicable (The Bank is not having any Holding/Subsidiary/Associate)					

IV. SHARE HOLDING PATTERN (EQUITY SHARE CAPITAL BREAKUP AS PERCENTAGE OF TOTAL EQUITY)

i. CATEGORY WISE SHAREHOLDING

Category of Share holders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% of Change During in FY 2019-20
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters/ Promoter Group									
(1) Indian									
a) Individual/HUF	8,72,34,670	0	8,72,34,670	29.84	8,72,34,670	0	8,72,34,670	28.69	(1.15)
b) Central Govt	0	0	0	0.00	0	0	0	0.00	-
c) State Govt(s)	0	0	0	0.00	0	0	0	0.00	-
d) Bodies Corp.	68,83,722	0	68,83,722	2.35	68,83,722	0	68,83,722	2.26	(0.09)
e) Banks/Fl	0	0	0	0.00	0	0	0	0.00	-
f) Any Other	0	0	0	0.00	0	0	0	0.00	-
Sub-total (A)(1)	9,41,18,392	0	9,41,18,392	32.19	9,41,18,392	0	9,41,18,392	30.95	(1.24)
(2) Foreign									
a) NRIs – Individuals	0	0	0	0.00	0	0	0	0.00	-
b) Other – Individuals	0	0	0	0.00	0	0	0	0.00	-
c) Bodies Corp.	0	0	0	0.00	0	0	0	0.00	-
d) Banks/Fl	0	0	0	0.00	0	0	0	0.00	-
e) Any Other	0	0	0	0.00	0	0	0	0.00	-
Sub-total A. (A)(2):-	0	0	0	0.00	0	0	0	0.00	-
Total Shareholding of Promoter (A) = (A)(1)+(A)(2)	9,41,18,392	0	9,41,18,392	32.19	9,41,18,392	0	9,41,18,392	30.95	(1.24)
B. PUBLIC SHAREHOLDING									
1. Institutions									
a) Mutual Funds	3,19,39,498	0	3,19,39,498	10.92	3,36,47,831	0	3,36,47,831	11.06	0.14
b) Banks/Financial Institutions	86,828	0	86,828	0.03	71,572	0	71,572	0.02	(0.01)
c) Central Govt	0	0	0	0.00	0	0	0	0.00	-
d) State Govt(s)	0	0	0	0.00	0	0	0	0.00	-
e) Venture Capital Fund	0	0	0	0.00	0	0	0	0.00	-
f) Insurance Companies	83,50,272	0	83,50,272	2.86	1,07,27,363	0	1,07,27,363	3.53	0.67
g) FlIs	2,99,741	0	2,99,741	0.10	58,644	0	58,644	0.02	(0.08)
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	-
i) Foreign Portfolio Investor	6,91,59,844	0	6,91,59,844	23.66	8,71,90,313	0	8,71,90,313	28.67	5.01
j) Alternate Investment Funds	17,65,547	0	17,65,547	0.60	24,63,997	0	24,63,997	0.81	0.21
k) Provident Funds/ Pension Funds	0	0	0	0.00	0	0	0	0.00	-
l) Others – Trust	0	0	0	0.00	0	0	0	0.00	-
Sub-total(B)(1):-	11,16,01,730	0	11,16,01,730	38.17	13,41,59,720	0	13,41,59,720	44.11	5.94
2. Non-Institutions									
a) Bodies Corp.									-
i) Indian	1,55,31,829	0	1,55,31,829	5.31	98,03,445	0	98,03,445	3.22	(2.09)
ii) Overseas	4,26,41,879	0	4,26,41,879	14.59	3,58,14,221	0	3,58,14,221	11.78	(2.81)
b) Individual									-
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	93,60,003	0	93,60,003	3.20	1,29,16,023	0	1,29,16,023	4.25	1.05
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	1,59,04,421	0	1,59,04,421	5.44	1,34,72,025	0	1,34,72,025	4.43	(1.01)
c) NBFCs registered with RBI	56,814	0	56,814	0.02	32,000	0	32,000	0.01	(0.01)
d) Other (Specify)	0	0	0	0.00	0	0	0	0.00	-
Trusts	16,272	0	16,272	0.01	34,831	0	34,831	0.01	-
Hindu Undivided Family	4,61,334	0	4,61,334	0.16	5,02,327	0	5,02,327	0.17	0.01
Non-Resident Indians (Non-Repat)	17,10,130	0	17,10,130	0.58	14,32,767	0	14,32,767	0.47	(0.11)
Non-Resident Indians (Repat)	5,15,444	0	5,15,444	0.18	7,74,884	0	7,74,884	0.25	0.08
Clearing Member	4,39,238	0	4,39,238	0.15	10,62,692	0	10,62,692	0.35	0.20
Sub-total (B)(2):	8,66,37,364	0	8,66,37,364	29.64	7,58,45,215	0	7,58,45,215	24.94	(4.70)
Total Public Shareholding (B)=(B)(1)+ (B)(2)	19,82,39,094	0	19,82,39,094	67.81	21,00,04,935	0	21,00,04,935	69.05	1.24
C. NON-PROMOTER – NON-PUBLIC									
a) Custodian/DR Holder	0	0	0	0.00	0	0	0	0.00	-
b) Shares held by Custodian for GDRs & ADRs	0	0	0	0.00	0	0	0	0.00	-
Grand Total (A+B+C)	29,23,57,486	0	29,23,57,486	100.00	30,41,23,327	0	30,41,23,327	100.00	

Note: All above shares are having face value of ₹ 10 each.

(ii) Shareholding of Promoters/Promoter Group:

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change in the Shareholding during the year
		No. of Shares	% of total shares of the company	% of shares pledged/encumbered to total shares	No. of Shares	% of total shares of the company	% of shares pledged/encumbered to total shares	
1	Sanjay Agarwal	5,67,66,359	19.42	-	5,67,66,359	18.67	-	(0.75)
2	Jyoti Agarwal	1,18,18,560	4.04	-	1,18,18,560	3.88	-	(0.16)
3	Shakuntala Agarwal	1,18,20,430	4.04	-	1,18,20,430	3.89	0.15	(0.15)
4	Chiranji Lal Agarwal	68,29,321	2.34	2.11	68,29,321	2.25	2.03	(0.09)
5	MYS Holdings Private Limited	68,83,722	2.35	-	68,83,722	2.26	-	(0.09)
6	Yuvraj Agarwal	-	-	-	-	-	-	-
7	Mallika Agarwal	-	-	-	-	-	-	-
	Total	9,41,18,392	32.19	2.11	9,41,18,392	30.95	2.18	(1.24)

The variation in terms of percentage is due to increase in paid up share capital of the Bank on account of allotment of shares during the year ended 31st March 2020.

(iii) Change in Promoters and Promoter Group Shareholding:

1. Mr. Sanjay Agarwal

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		5,67,66,359	19.42	5,67,66,359	19.42
	Increase/Decrease	-	-	-	-	-
	At the end of the year		5,67,66,359	18.67	5,67,66,359	18.67

2. Ms. Jyoti Agarwal

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		1,18,18,560	4.04	1,18,18,560	4.04
	Increase/Decrease	-	-	-	-	-
	At the end of the year		1,18,18,560	3.88	1,18,18,560	3.88

3. Ms. Shakuntala Agarwal

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		1,18,20,430	4.04	1,18,20,430	4.04
	Increase/Decrease	-	-	-	-	-
	At the end of the year		1,18,20,430	3.89	1,18,20,430	3.89

4. Mr. Chiranji Lal Agarwal

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		68,29,321	2.34	68,29,321	2.34
	Increase/Decrease	-	-	-	-	-
	At the end of the year		68,29,321	2.25	68,29,321	2.25

5. MYS HOLDINGS PRIVATE LIMITED

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		68,83,722	2.35	68,83,722	2.35
	Increase/Decrease	-	-	-	-	-
	At the end of the year		68,83,722	2.26	68,83,722	2.26

The variation in terms of percentage is due to increase in paid up share capital of the Bank on account of allotment of shares during the year ended 31st March 2020.

(iv) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

1. REDWOOD INVESTMENT LTD

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		2,09,70,794	7.17	2,09,70,794	7.17
	Increase/Decrease	-	-	-	-	-
	At the end of the year		2,09,70,794	6.90	2,09,70,794	6.90

2. CAMAS INVESTMENTS PTE. LTD.

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		43,30,441	1.48	43,30,441	1.48
	Increase (Allotment upon conversion of convertible warrants)	3 rd January 2020	1,01,04,364	3.33	1,44,34,805	4.75
	At the end of the year		1,44,34,805	4.75	1,44,34,805	4.75

3. KOTAK STANDARD MULTICAP FUND

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		1,00,98,256	3.45	1,00,98,256	3.45
	Increase	26 th April 2019	98,291	0.03	1,01,96,547	3.49
	Increase	31 st May 2019	48,700	0.02	1,02,45,247	3.50
	Decrease	14 th June 2019	(20,326)	(0.01)	1,02,24,921	3.50
	Increase	29 th June 2019	24,000	0.01	1,02,48,921	3.51
	Increase	12 th July 2019	50,000	0.02	1,02,98,921	3.52
	Increase	2 nd August 2019	15,00,650	0.51	1,17,99,571	4.04
	Increase	9 th August 2019	93,550	0.03	1,18,93,121	4.07
	Increase	16 th August 2019	1,24,900	0.04	1,20,18,021	4.10
	Increase	23 rd August 2019	69,100	0.02	1,20,87,121	4.12
	Increase	13 th September 2019	5,000	0.00	1,20,92,121	4.12
	Increase	20 th September 2019	1,20,641	0.04	1,22,12,762	4.16
	Increase	27 th September 2019	66,859	0.02	1,22,79,621	4.18
	Increase	1 st November 2019	1,50,000	0.05	1,24,29,621	4.24
	Decrease	15 th November 2019	(77,200)	(0.03)	1,23,52,421	4.21

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	Decrease	22 nd November 2019	(27,300)	(0.01)	1,23,25,121	4.20
	Decrease	29 th November 2019	(93,800)	(0.03)	1,22,31,321	4.17
	Increase	20 th December 2019	10,000	0.00	1,22,41,321	4.03
	Increase	27 th December 2019	19,432	0.01	1,22,60,753	4.04
	Decrease	9 th January 2020	(16,867)	(0.01)	1,22,43,886	4.03
	Decrease	17 th January 2020	(15,353)	(0.01)	1,22,28,533	4.03
	Decrease	24 th January 2020	(1,19,140)	(0.04)	1,21,09,393	3.99
	Decrease	31 st January 2020	(20,000)	(0.01)	1,20,89,393	3.98
	Decrease	7 th February 2020	(54,000)	(0.02)	1,20,35,393	3.96
	Decrease	14 th February 2020	(67,038)	(0.02)	1,19,68,355	3.94
	Decrease	21 st February 2020	(418)	(0.00)	1,19,67,937	3.94
	Decrease	28 th February 2020	(6000)	(0.00)	1,19,61,937	3.93
	Decrease	6 th March 2020	(1533)	(0.00)	1,19,60,404	3.93
	Decrease	13 th March 2020	(1,35,000)	(0.04)	1,18,25,404	3.89
	Increase	20 th March 2020	36,800	0.01	1,18,62,204	3.90
	Increase	27 th March 2020	21,000	0.01	1,18,83,204	3.91
	At the end of the year		1,18,83,204	3.91	1,18,83,204	3.91

4. MOTILAL OSWAL MULTICAP 35 FUND

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		46,25,885	1.58	46,25,885	1.58
	Decrease	5 th April 2019	(34)	(0.00)	46,25,851	1.58
	Increase	19 th April 2019	52	0.00	46,25,903	1.58
	Increase	26 th April 2019	3,05,059	0.10	49,30,962	1.69
	Increase	3 rd May 2019	6,95,000	0.24	56,25,962	1.92
	Decrease	10 th May 2019	(177)	(0.00)	56,25,785	1.92
	Increase	24 th May 2019	2,87,437	0.10	59,13,222	2.02
	Increase	31 st May 2019	3,93,059	0.13	63,06,281	2.16
	Increase	21 st June 2019	2,00,000	0.07	65,06,281	2.23
	Decrease	29 th June 2019	(31)	(0.00)	65,06,250	2.23
	Increase	12 th July 2019	58	0.00	65,06,308	2.23
	Increase	26 th July 2019	93,014	0.03	65,99,322	2.26
	Decrease	2 nd August 2019	(3,99,942)	(0.14)	61,99,380	2.12
	Increase	9 th August 2019	58	0.00	61,99,438	2.12
	Increase	16 th August 2019	58	0.00	61,99,496	2.12
	Increase	30 th August 2019	1,00,000	0.03	62,99,496	2.15
	Increase	6 th September 2019	58	0.00	62,99,554	2.15
	Increase	13 th September 2019	4,178	0.00	63,03,732	2.15
	Increase	20 th September 2019	92	0.00	63,03,824	2.15
	Increase	27 th September 2019	2,01,043	0.07	65,04,867	2.22
	Decrease	30 th September 2019	(317)	(0.00)	65,04,550	2.22
	Increase	4 th October 2019	410	0.00	65,04,960	2.22
	Increase	11 th October 2019	930	0.00	65,05,890	2.22
	Increase	18 th October 2019	106	0.00	65,05,996	2.22
	Increase	25 th October 2019	88	0.00	65,06,084	2.22
	Decrease	1 st November 2019	(3)	(0.00)	65,06,081	2.22
	Increase	8 th November 2019	50	0.00	65,06,131	2.22

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	Increase	15 th November 2019	101	0.00	65,06,232	2.22
	Increase	22 nd November 2019	149	0.00	65,06,381	2.22
	Increase	29 th November 2019	85	0.00	65,06,466	2.22
	Increase	6 th December 2019	1,07,343	0.04	66,13,809	2.25
	Increase	13 th December 2019	91,537	0.03	67,05,346	2.21
	Increase	20 th December 2019	5,08,778	0.17	72,14,124	2.38
	Increase	27 th December 2019	28	0.00	72,14,152	2.38
	Increase	31 st December 2019	701	0.00	72,14,853	2.38
	Increase	3 rd January 2020	215	0.00	72,15,068	2.38
	Increase	9 th January 2020	1,00,270	0.03	73,15,338	2.41
	Increase	10 th January 2020	118	0.00	73,15,456	2.41
	Increase	17 th January 2020	984	0.00	73,16,440	2.41
	Increase	24 th January 2020	753	0.00	73,17,193	2.41
	Increase	31 st January 2020	1,00,0873	0.33	83,18,066	2.74
	Increase	7 th February 2020	4,01,176	0.13	87,19,242	2.87
	Increase	14 th February 2020	10,396	0.00	87,29,638	2.87
	Increase	28 th February 2020	235	0.00	87,29,873	2.87
	Decrease	6 th March 2020	(635)	(0.00)	87,29,238	2.87
	Decrease	13 th March 2020	(1,29,508)	(0.04)	85,99,730	2.83
	Increase	20 th March 2020	1,50,554	0.05	87,50,284	2.88
	Increase	27 th March 2020	3,50,147	0.12	91,00,431	2.99
	At the end of the year		91,00,431	2.99	91,00,431	2.99

5. NOMURA INDIA INVESTMENT FUND MOTHER FUND

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		1,05,15,631	3.60	1,05,15,631	3.60
	Decrease	5 th April 2019	(1,50,000)	(0.05)	1,03,65,631	3.55
	Decrease	26 th April 2019	(1,00,000)	(0.03)	1,02,65,631	3.51
	Decrease	17 th May 2019	(1,50,000)	(0.05)	1,01,15,631	3.46
	Increase	31 st May 2019	50000	0.02	1,01,65,631	3.48
	Decrease	11 th October 2019	(2,14,922)	(0.07)	99,50,709	3.39
	Decrease	25 th October 2019	(2,00,000)	(0.07)	97,50,709	3.32
	Decrease	15 th November 2019	(6,93,804)	(0.24)	90,56,905	3.09
	Increase	22 nd November 2019	93,490	0.03	91,50,395	3.12
	Increase	20 th December 2019	25,000	0.01	91,75,395	3.02
	Increase	31 st December 2019	20,000	0.01	91,95,395	3.03
	Decrease	7 th February 2020	(23,966)	(0.01)	91,71,429	3.02
	Decrease	14 th February 2020	(26034)	(0.01)	91,45,395	3.01
	Decrease	21 st February 2020	(1,33,348)	(0.04)	90,12,047	2.96
	Decrease	28 th February 2020	(68,597)	(0.02)	89,43,450	2.94
	Decrease	6 th March 2020	(65,198)	(0.02)	88,78,252	2.92
	Increase	27 th March 2020	1,00,000	0.03	89,78,252	2.95
	At the end of the year		89,78,252	2.95	89,78,252	2.95

6. SMALLCAP WORLD FUND, INC

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		0	0.00	0	0.00
	Increase	15 th November 2019	11,64,365	0.40	11,64,365	0.40
	Increase	22 nd November 2019	4,50,349	0.15	16,14,714	0.55
	Increase	29 th November 2019	3,00,344	0.10	19,15,058	0.65
	Increase	6 th December 2019	20,072	0.01	19,35,130	0.66
	Increase	13 th December 2019	2,69,526	0.09	22,04,656	0.73
	Increase	20 th December 2019	65,485	0.02	22,70,141	0.75
	Increase	27 th December 2019	44,111	0.01	23,14,252	0.76
	Increase	31 st December 2019	5,060	0.00	23,19,312	0.76
	Increase	9 th January 2020	33,488	0.01	23,52,800	0.77
	Increase	10 th January 2020	17,39,748	0.57	40,92,548	1.35
	Increase	17 th January 2020	2,55,844	0.08	43,48,392	1.43
	Increase	24 th January 2020	3,30,980	0.11	46,79,372	1.54
	Increase	31 st January 2020	12,38,428	0.41	59,17,800	1.95
	Increase	28 th February 2020	10,82,000	0.36	69,99,800	2.30
	Decrease	13 th March 2020	(496866)	(0.16)	65,02,934	2.14
	Increase	20 th March 2020	14,68,000	0.48	79,70,934	2.62
	At the end of the year		79,70,934	2.62	79,70,934	2.62

7. AMANSA HOLDINGS PRIVATE LIMITED

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		66,04,110	2.26	66,04,110	2.26
	Decrease	28 th February 2020	(5,94,664)	(0.20)	60,09,446	1.98
	Decrease	6 th March 2020	(1,92,152)	(0.06)	58,17,294	1.91
	At the end of the year		58,17,294	1.91	58,17,294	1.91

8. HDFC LIFE INSURANCE COMPANY LIMITED

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		47,08,600	1.61	47,08,600	1.61
	Increase	5 th April 2019	3,50,065	0.12	50,58,665	1.73
	Increase	19 th April 2019	53	0.00	50,58,718	1.73
	Decrease	24 th May 2019	(190)	(0.00)	50,58,528	1.73
	Increase	7 th June 2019	3,809	0.00	50,62,337	1.73
	Increase	14 th June 2019	110	0.00	50,62,447	1.73
	Decrease	21 st June 2019	(311)	(0.00)	50,62,136	1.73
	Decrease	5 th July 2019	(114)	(0.00)	50,62,022	1.73
	Increase	12 th July 2019	11,115	0.00	50,73,137	1.74
	Decrease	19 th July 2019	(6,911)	(0.00)	50,66,226	1.73
	Decrease	26 th July 2019	(224)	(0.00)	50,66,002	1.73
	Decrease	2 nd August 2019	(7,883)	(0.00)	50,58,119	1.73
	Decrease	9 th August 2019	(2,819)	(0.00)	50,55,300	1.73
	Decrease	16 th August 2019	(91,482)	(0.03)	49,63,818	1.69
	Decrease	23 rd August 2019	(29,072)	(0.01)	49,34,746	1.68
	Decrease	30 th August 2019	(165)	(0.00)	49,34,581	1.68

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	Decrease	6 th September 2019	(405)	(0.00)	49,34,176	1.68
	Increase	20 th September 2019	2,517	0.00	49,36,693	1.68
	Increase	27 th September 2019	13,748	0.00	49,50,441	1.69
	Decrease	4 th October 2019	(168)	(0.00)	49,50,273	1.69
	Decrease	11 th October 2019	(531)	(0.00)	49,49,742	1.69
	Decrease	18 th October 2019	(269)	(0.00)	49,49,473	1.69
	Decrease	25 th October 2019	(142)	(0.00)	49,49,331	1.69
	Decrease	1 st November 2019	(366)	(0.00)	49,48,965	1.69
	Decrease	15 th November 2019	(3,27,577)	(0.11)	46,21,388	1.57
	Decrease	22 nd November 2019	(520)	(0.00)	46,20,868	1.57
	Decrease	29 th November 2019	(8,438)	(0.00)	46,12,430	1.57
	Decrease	6 th December 2019	(323)	(0.00)	46,12,107	1.57
	Increase	13 th December 2019	651	0.00	46,12,758	1.52
	Increase	20 th December 2019	12,102	0.00	46,24,860	1.52
	Increase	27 th December 2019	65	0.00	46,24,925	1.52
	Decrease	31 st December 2019	(117)	(0.00)	46,24,808	1.52
	Increase	3 rd January 2020	25	0.00	46,24,833	1.52
	Decrease	9 th January 2020	(44,505)	(0.01)	45,80,328	1.51
	Decrease	17 th January 2020	(5,098)	(0.00)	45,75,230	1.51
	Decrease	24 th January 2020	(24,900)	(0.01)	45,50,330	1.50
	Decrease	31 st January 2020	(50,000)	(0.02)	45,00,330	1.48
	Increase	7 th February 2020	25	0.00	45,00,355	1.48
	Increase	14 th February 2020	325	0.00	45,00,680	1.48
	Decrease	21 st February 2020	(109)	(0.00)	45,00,571	1.48
	Increase	28 th February 2020	161	0.00	45,00,732	1.48
	Decrease	6 th March 2020	(1,655)	(0.00)	44,99,077	1.48
	Increase	13 th March 2020	1,18,483	0.04	46,17,560	1.52
	Increase	20 th March 2020	2,85,340	0.09	49,02,900	1.61
	Increase	27 th March 2020	2,08,130	0.07	51,11,030	1.68
	Decrease	31 st March 2020	(5,430)	(0.00)	51,05,600	1.68
	At the end of the year		51,05,600	1.68	51,05,600	1.68

9. STEADVIEW CAPITAL MAURITIUS LIMITED

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		49,04,244	1.68	49,04,244	1.68
	Increase	15 th November 2019	1,19,783	0.04	50,24,027	1.71
	At the end of the year		50,24,027	1.65	50,24,027	1.65

10. OUREA HOLDINGS LIMITED

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		79,04,427	2.70	79,04,427	2.70
	Decrease	25 th October 2019	(31,65,364)	(1.08)	47,39,063	1.61
	At the end of the year		47,39,063	1.56	47,39,063	1.56

Note: Variation in terms of percentage shareholding is due to increase in paid up share capital of the Bank on account of allotment of shares during the year ended 31st March 2020.

(v) Shareholding of Directors and Key Managerial Personnel:

1. Mr. Sanjay Agarwal – Managing Director & CEO

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		5,67,66,359	19.42	5,67,66,359	19.42
	Increase/Decrease	-	0	0.00	0	0.00
	At the end of the year		5,67,66,359	18.67	5,67,66,359	18.67

2. Mr. Uttam Tibrewal – Whole Time Director

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		35,44,673	1.21	35,44,673	1.21
	Increase/Decrease	-	0	0.00	0	0.00
	At the end of the year		35,44,673	1.17	35,44,673	1.17

3. Ms. Jyoti Narang – Independent Director

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		2,414	0.00	2,414	0.00
	Increase	19 th March 2020	15	0.00	2,429	0.00
	Increase	20 th March 2020	15	0.00	2,444	0.00
	Increase	23 rd March 2020	15	0.00	2,459	0.00
	Increase	25 th March 2020	30	0.00	2,489	0.00
	Increase	30 th March 2020	225	0.00	2,714	0.00
	At the end of the year		2,714	0.00	2,714	0.00

4. Mr. Krishan Kant Rathi – Independent Director

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		94,289	0.03	94,289	0.03
	Decrease	5 th March 2020	(11,000)	(0.00)	83,289	0.03
	At the end of the year		83,289	0.03	83,289	0.03

5. Mr. Mannil Venugopalan – Independent Director (Part Time) Chairman*

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		0	0	0	0
	Increase/Decrease	-	-	-	-	-
	At the end of the year		0	0	0	0

6. Mr. Narendra Ostawal – Non-Executive Director

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		0	0	0	0
	Increase/Decrease	-	-	-	-	-
	At the end of the year		0	0	0	0

7. Mr. Raj Vikash Verma – Independent Director

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		0	0	0	0
	Increase/Decrease	-	-	-	-	-
	At the end of the year		0	0	0	0

8. Mr. M S Sriram – Additional Director (Independent)

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		0	0	0	0
	Increase/Decrease	-	-	-	-	-
	At the end of the year		0	0	0	0

9. Mr. Pushpinder Singh – Additional Director (Independent)

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		0	0.00	0	0.00
	Increase	18 th March 2020	50	0.00	50	0.00
	Increase	20 th March 2020	50	0.00	100	0.00
	At the end of the year		100	0.00	100	0.00

10. Mr. V G Kannan – Additional Director (Independent)

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		0	0.00	0	0.00
	Increase	24 th March 2020	5	0.00	5	0.00
	At the end of the year		5	0.00	5	0.00

Mr. Deepak Jain – Chief Financial Officer

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		10,66,492	0.36	10,66,492	0.36
	Increase (Allotment of ESOP)	28 th February 2020	1,00,000	0.03	11,66,492	0.38
	Decrease	5 th March 2020	(1,00,000)	(0.03)	10,66,492	0.35
	At the end of the year		10,66,492	0.35	10,66,492	0.35

Mr. Manmohan Parnami – Company Secretary

Sr. No.	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		59,291	0.02	59,291	0.02
	Increase (Allotment of ESOP)	22 nd October 2019	4,668	0.00	63,959	0.02
	Decrease (Margin Transfer)	16 th December 2019	(1)	(0.00)	63,958	0.02
	At the end of the year		63,958	0.02	63,958	0.02

* Mr. Mannil Venugopalan has ceased to be Part-Time Chairman and Independent Director of the Bank on 29th March 2020 (Close of Business Hours) on completion of his tenure.

Note: Variation in terms of percentage shareholding is due to increase in paid up share capital of the Bank on account of allotment of shares during the year ended 31st March 2020.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment:

	(₹ in lakh)			
	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	6,30,497.81	2,30,838.06	-	8,61,335.87
ii) Interest accrued and due on borrowings	-	-	-	-
iii) Interest accrued but not due	12,292.82	17,231.38	-	29,524.21
Total (i+ii+iii)	6,42,790.63	2,48,069.45	-	8,90,860.08
Changes in Indebtedness during the financial year				
Addition	37,09,161.04	17,59,802.14	-	54,68,963.18
Reduction	35,46,581.17	17,50,185.53	-	52,96,766.70
Net Change	1,62,579.88	9,616.61	-	1,72,196.49
Indebtedness at the end of the financial year				
i) Principal Amount	7,93,077.69	2,40,454.67	-	10,33,532.36
ii) Interest accrued and due on borrowings	-	-	-	-
iii) Interest accrued but not due	11,069.41	5,775.40	-	16,844.81
Total (i+ii+iii)	8,04,147.10	2,46,230.07	-	10,50,377.17

Note: Deposits received by the Bank are in the ordinary course of banking business, which does not amount to deposit in terms of the provision of the Companies Act, 2013, hence, not included hereinabove.

VI) REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sr. No.	Particulars of Remuneration	Name of MD/MTD/Manger		Total Amount
		Mr. Sanjay Agarwal MD& CEO	Mr. Uttam Tibrewal WTD	
1.	Gross salary	185.95	168.55	354.50
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961			
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961			
	(c) Profits in lieu of salary under section 17(3) Income tax Act, 1961			
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission as % of profit others specify	-	-	-
5	Others please specify (Variable pay including Bonus amount)	45.00*	174.87**	219.87
Total (A)@		230.95	343.42	574.37
Ceiling as per the Act:		being 10% of the net profits of the Bank calculated as per Section 198 of the Companies Act, 2013		

*In FY 2019-20, on receipt of RBI approval, ₹ 45 lakh was released to Mr. Sanjay Agarwal as Bonus for FY 2017-18, which is included herein above.

** In FY 19-20, on receipt of RBI approval, ₹ 44.87 lakh for FY 2018-19, ₹ 39 lakh for FY 2017-18 and ₹ 91 lakh for FY 2016-17 were released to Mr. Uttam Tibrewal as Bonus, which is included herein above.

@The total remuneration consist of basic salary, taxable allowances including special allowance and excluding perquisites on ESOPs.

10,00,000 ESOPs granted to Mr. Uttam Tibrewal, Whole Time Director under ESOP Scheme 2018 on 30th August 2018 for which RBI approval was received on 17th June 2019. Vesting period for these options commenced from the RBI approval date and No ESOPs were granted/Exercised by him during the FY 2019-20.

Note: Above figures have been taken as recorded in Audited Financial Statement of the Bank.

B. Remuneration to other Directors:

Sr. No.	Particulars of Remuneration	Name of Directors							Total Amount
		Mr. Mannil Venugopalan	Mr. Raj Vikash Verma	Ms. Jyoti Narang	Mr. Krishan Kant Rathi	Mr. M S Sriram	Mr. Pushpinder Singh	Mr. V G Kannan	
1	Fee For attending Board/ Committee meetings	13.35	13.05	10.80	12.75	3.15	3.90	1.50	58.50
	Honorarium	19.89	-	-	-	-	-	-	19.89
	Commission	-	10.00	10.00	10.00	4.45	4.45	1.91	40.82
	Total (1)*	33.24	23.05	20.80	22.75	7.60	8.35	3.41	119.21
		Name of Directors							
	Other Non-Executive Directors	Narendra Ostawal							Total amount
2	Fee For attending Board Committee meetings	-							-
	Commission								
	Others, Please specify								
	Total (2)								-
	Total (B)=(1)+(2)								119.21
	Total Managerial Remuneration Ceiling as per the Act	Note: In terms of provisions of the Companies Act, 2013, the remuneration payable to Directors other than Executive Directors shall not exceed 1% of the net profit of the Bank. The remuneration paid to Directors was within prescribed limits during the year.							

* Recorded ₹ 137.26 lakh as expenditure in books of accounts pertaining to Director sitting fees and profit related commission/honorarium. Profit Linked commission/honorarium pertaining to FY 2019-20 is being released to the Independent Directors after the finalisation of Annual Audited Accounts of the Bank.

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

Sr. No.	Particulars of Remuneration	Key Managerial Personnel		Total Amount
		Deepak Jain (CFO)*	Manmohan Parnami (Company Secretary)*	
1.	Gross Salary	119.84	39.96	159.80
	Salary as per provisions contained in Section 17(1) of the income tax act,1961			
	Value of perquisites u/s 17(2) Income tax act,1961			
	Profits in lieu of salary u/s 17(3) Income tax Act,1961			
2.	Stock Option (granted during the year @ Exercise Price of ₹ 630 each)	50,000	4,282	-
3.	Sweat Equity	-	-	-
4.	Commission	-	-	-
	- as a % of profit			
	- others, specify			
5.	Others, please specify (It includes amount of Bonus and arrear appraisal for FY 2018-19)	44.94	7.85	52.79
Total @		164.78	47.81	212.59

@ The total remuneration consists of basic salary, taxable allowances including special allowance and annual performance linked bonus and exclusive of perquisites on ESOPs. ESOPs granted during the year have been mentioned hereinabove. Above Remuneration includes Bonus of FY 2018-19 for ₹ 44.94 lakh and ₹ 7.85 lakh paid to Mr. Deepak Jain and Mr. Manmohan Parnami respectively during FY 2019-20.

* The remuneration of Mr. Deepak Jain – Chief Financial Officer and Mr. Manmohan Parnami – Company Secretary of the Bank, does not include perquisites on ESOP amounting to ₹ 3.88 crore & ₹ 0.28 crore respectively, which were exercised during the period under review.

VII) PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief description	Details of penalty/ punishment/ compounding fees imposed	Authority (RD/ NCLT/COURT)	Appeal made, if any
A. Bank					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
B. Directors					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
A. Others Officers in Default					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

For and on behalf of the Board of Directors
AU SMALL FINANCE BANK LIMITED

Sd/-
Mr. Sanjay Agarwal
 Managing Director & CEO
 DIN: 00009526

Date: 2nd May 2020
 Place: Jaipur

Sd/-
Mr. Uttam Tibrewal
 Whole Time Director
 DIN: 01024940

Date: 2nd May 2020
 Place: Mumbai

Annexure VII

ANNUAL REPORT ON BUSINESS RESPONSIBILITY

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1.	Corporate Identity Number (CIN) of the Company	L36911RJ1996PLC011381			
2.	Name of the Company	AU SMALL FINANCE BANK LIMITED			
3.	Registered address	19-A, Dhuleshwar Garden, Ajmer Road, Jaipur – 302001 (Rajasthan)			
4.	Website	www.aubank.in			
5.	E-mail id	investorrelations@aubank.in			
6.	Financial year reported	1 st April 2019 to 31 st March 2020			
7.	Sector(s) that the Company is engaged in (industrial activity code-wise)	National Industrial Classification 2008 Section K: Financial and Insurance Activities Code: 64191			
8.	List three key products/services that the Company manufactures/provides (as in balance sheet)	• Deposits and Other products • Wheels and SBL Loans • Small and Mid – Corporate Loans			
9.	Total number of locations where business activity is undertaken by the Company	(a) Number of international locations – None (b) Number of national locations – 647 as on 31 st March 2020			
10.	Markets served by the Company	Local	State	National	International
		✓	✓	✓	x

SECTION B: FINANCIAL DETAILS OF THE COMPANY AS ON 31ST MARCH 2020

1. Paid-up Capital	₹ 304,12,33,270 (₹ 304.12 crore)
2. Total Turnover (₹ in crore)	4,991.98
3. Total profit after taxes (₹ in crore)	674.78
4. Total spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	1.87%
5. List of activities in which expenditure in 4 above has been incurred	Sustainable Livelihood Programmes – Exclusively designed community engagement programmes to build a self reliant approach in youths and to promote women entrepreneurs through vocational & interpersonal relationship training driven by AU Skills Academy and AU Udyogini. Financial & Digital Literacy – The Bank continues to pro-actively engage with the local community and has conducted 1,767 financial literacy camps in the rural & semi-urban geographies and in urban slums in FY 2019-20 to promote financial & digital literacy by providing education on basic financial product and services and help in enhancing their knowledge. Sports for Development – By nurturing sporting talent among children through life discipline, team handling, co-ordination skills and also to train them to graduate to higher level in sports. COVID-19 – Bank immediately responded to emerging needs of the society caused by unexpected COVID-19 outbreak which brought the health sector and the world economy with unprecedented challenges. Note: Details of CSR initiatives are forming part of CSR Report as Annexure-II of the Board's Report.

SECTION C: OTHER DETAILS (AS ON 31ST MARCH 2020)

1. Does the Company have any Subsidiary Company/Companies	No
2. Do the Subsidiary Company/Companies participate in the BR initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s).	Not Applicable
3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	No

SECTION D: BR INFORMATION

1. Details of Director/Directors responsible for Business Responsibility (BR)

(a) Details of Director/Directors responsible for implementation of the BR policy/policies

DIN	00009526
Name	Mr. Sanjay Agarwal
Designation	Managing Director & CEO

(b) Details of BR Head

DIN Number	NA
Name	Mr. Sunil Parnami
Designation	Chief of Investor Relations and M&A
Telephone number	022-62490607
E-mail id	sunil.parnami@aubank.in

2. Principle-wise (as per National Voluntary Guidelines) BR Policy/policies

(a) Details of compliance (Reply in Y/N)

Sr. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have a policy/policies for	Y	Y	Y	Y	Y	Y	N	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	-	Y	Y
3.	*Does the policy conform to any national/international standards? If yes, specify? (50 words)	Y	Y	Y	Y	Y	Y	-	Y	Y
4.	**Has the policy being approved by the Board? If yes, has it been signed by MD/owner/CEO/appropriate Board Director?	Y	Y	Y	Y	Y	Y	-	Y	Y
5.	Does the Company have a specified committee of the Board/Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	-	Y	Y
6.	Indicate the link for the policy to be viewed online?	www.aubank.in/notice-board								
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Policies/code that are internal documents of the Bank are accessed by employees through BIMS (an internal portal for policies & procedures) and other relevant Board approved policies have been hosted on the website of the Bank and can be accessed at the above link.								
8.	Does the Company have in-house structure to implement the policy/policies?	Y	Y	Y	Y	Y	Y	-	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	Y	-	Y	Y
10.	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	-	Y	Y

*All policies of the Bank have been formulated in compliance with applicable regulatory requirements prescribed by MCA, RBI, SEBI & other regulators, business requirements and in line with the industry best practices.

**The policies are being put up to the Board for approval after signature of respective process owner(s).

(b) If answer to the question at serial number 1 against any principle, is 'No', explain why: (Tick up to 2 options)

Sr. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	The Company has not understood the principles	-	-	-	-	-	-	-	-	-
2	The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	-	-	-	-	-	-	-	-	-
3	The Company does not have financial or human resources available for the task	-	-	-	-	-	-	-	-	-
4	It is planned to be done within next 6 months	-	-	-	-	-	-	-	-	-
5	It is planned to be done within the next 1 year	-	-	-	-	-	-	-	-	-
6	Any other reason (please specify)							@refer below		

@The Bank works closely with collective trade and industry associations and there is no specific policy outlined for this principle and we do not take part in any lobbying or policy advocacy.

Principle wise policies

P.No	Business Responsibility Principles	Relevant Policies/Code
P1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability	Fraud Risk Management Policy, Compliance Policy, Risk Based Internal Audit Policy, Anti-Bribery and Anti-Corruption Policy, Code of Conduct for Employees, Code of Conduct for Directors and Senior Management Personnel, Code of Conduct – Prohibition of Insider Trading Policy, Policy on Related party Transactions & Materiality, Code of Fair Disclosure and Conduct and Prohibition of Fraudulent and Unfair Trade Practices relating to securities market
P2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle	Fair Practice Code for Lenders, MSME Policy, Policy on Business Correspondents, Social and Environmental Management System, Policy for Soliciting and Servicing Insurance Products and Code of Conduct for Direct Selling Agents
P3	Businesses should promote the wellbeing of all employees	Learning & Development Policy, Code of Conduct for Employees, Capacity building policy, Compensation policy, Whistle blower Policy & Vigil Mechanism, Employee Leave policy, Prevention & Redressal Against Sexual Harassment and Job Rotation Policy
P4	Businesses should respect the interests of and be responsive towards all stakeholders especially those who are disadvantaged, vulnerable and marginalised.	Investor Grievance Redressal Policy, Communications Policy, CSR Policy, Customer Service Policy, Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market, Policy for Determination of Materiality of Events/Information, Whistle Blower Policy & Vigil Mechanism and Prevention & Redressal Against Sexual Harassment.
P5	Businesses should respect and promote human rights	Citizen's Charter, Charter on Customer Rights and Fair Practices Code for Lenders
P6	Business should respect, protect, and make efforts to restore the environment	Social and Environmental Management System
P7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner	Bank does not have any policy/code for this principle
P8	Businesses should support inclusive growth and equitable development	CSR Policy and Social and Environmental Management System
P9	Businesses should engage with and provide value to their customers and consumers in a responsible manner	Customer Service Policy, Customer Grievance Redressal Policy, Customer Compensation Policy, Citizen's Charter, Collection of Dues & Repossession of Security, Charter on Customer Rights and Fair Practice Code for Lenders

3. Governance related to BR

(a)	Indicate the frequency with which the Board of Directors, Committee of the Board or CEO assesses the BR performance of the Company? Within 3 months, 3-6 months, annually or more than 1 year?	The Board constituted CSR Committee meets at least twice in a year. The impact of the BR initiatives are monitored by BR Head and it is reported at regular interval to the management. BR performance of the Company is assessed annually by Board of Directors.
(b)	Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?	Yes, the Bank publishes its BR Report annually Hyperlink: www.aubank.in/disclosures

SECTION E: PRINCIPLE-WISE PERFORMANCE

PRINCIPLE 1

BUSINESSES SHOULD CONDUCT AND GOVERN THEMSELVES WITH ETHICS, TRANSPARENCY AND ACCOUNTABILITY

No.	Description	Response
1	Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/No. Does it extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?	No. The policy for this principle is applicable on all stakeholders including vendors, service providers of the Bank. The Bank has adopted a 'zero-tolerance' approach to bribery and corruption and put in place an Anti-Bribery and Anti-Corruption Policy, which sets forth obligations on part of every employee for prevention, detection and reporting of any act of bribery or corruption. Under the Bank's Anti-Bribery and Anti-Corruption Policy for vendor mechanism and outsourcing mechanism, the Bank ensures that a culture of transparency and highest ethical standards are followed while transacting and dealing with all the external stakeholders including vendors & suppliers.
2	How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.	The Bank has appropriate mechanism in place for redressal of grievances of stakeholders with the Bank. During the reporting period, the Bank has not received any complaints from shareholders through SCORES and other modes, and queries and requests of the shareholders have been duly resolved. The details of customer complaints have been disclosed in the schedule no. 18(12) of notes to accounts of the Audited Financial Statements for FY 2019-20.

PRINCIPLE 2

GOODS AND SERVICES THAT ARE SAFE AND CONTRIBUTE TO SUSTAINABILITY THROUGHOUT THEIR LIFECYCLE

No.	Description	Response
1	List up to three of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.	As a young phygital and tech focused Bank, our wide range of products supports the financial aspirations of our customers covering the credit, savings, payments, transactions financial needs and to make a positive impact on society. • Inclusive Banking – Offering world class Banking experience and for Banking the unbanked • Lending Products: Financing to Retail MSMEs, vehicle finance, Agri, SME & Mid Corporate, healthcare and other sectors • Digital Banking – Mobile Banking, Corporate Internet Banking, Missed Call Banking, Chatbot, AU Abhi and Tab Banking etc. for enhanced convenient digital banking.
2	For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional) (a) Reduction during sourcing / production / distribution achieved since the previous year throughout the value chain? (b) Reduction during usage by consumers (energy, water) has been achieved since the previous year	(a) The Bank, as a responsible organisation, established and implemented the required systems and processes to conserve energy aligned to its nature of the business. The Bank is using energy efficient cooling systems for its operation and also implemented IT architecture in a manner to achieve internal natural resource consumption efficiencies and simultaneously minimising the carbon footprint. (b) The Bank spearheaded its services with several unique banking innovations for Savings & Current Account, paperless and digital customer acquisitions, no 'home branch' concept, no slips for cash deposits or withdrawal and no form for Real Time Gross Settlement (RTGS) transactions, internet banking, mobile banking, WhatsApp Banking, Banking through Missed Call and various application solutions thereby reducing paper consumption, customer time as well as fuel consumption.

No.	Description	Response
3	Does the Company have procedures in place for sustainable sourcing (including transportation)? (a) If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.	Being a Banking Company, sustainable sourcing of inputs is not significant in its operations. However, the Bank endeavours to reduce the environmental impact of its operations. The Bank does not utilise raw materials/resources directly, yet in procurements of electrical equipment ESP star ratings are taking into consideration while procuring equipments & products for its branches/offices to save electricity.
4	Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? (a) If yes, what steps have been taken to improve their capacity and capability of local and small vendors?	Yes, the Bank procurement procedures covers quality assurance review of the vendors while procuring/ordering goods and services, wherein small and local vendors are given preference for procurement of daily use items and services such as stationary, food and beverages, taxi etc. The Bank also endeavours for upliftment of local and small vendors by providing them easy access to loans including working capital loans for their Businesses.
5	Does the Company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.	Being a Bank, our products are intangible in nature that they cannot be recycled. Hence, we have limited scope for using recycled material as processed inputs. The Bank follows e-waste disposal guidelines for disposal of fairly old systems and equipments in an environment friendly manner.

PRINCIPLE 3

BUSINESSES SHOULD PROMOTE THE WELLBEING OF ALL EMPLOYEES

No.	Description	Response																
1	Please indicate the total number of employees.	17,112																
2	Please indicate the total number of employees hired on temporary/contractual/casual basis.	1,079																
3	Please indicate the number of permanent women employees.	972																
4	Please indicate the number of permanent employees with disabilities.	5																
5	Do you have an employee association that is recognised by management?	No																
6	What percentage of your permanent employees is members of this recognised employee association?	Not Applicable																
7	Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.	<table><tr><th>No.</th><th>Category</th><th>No. of complaints filed during the financial year</th><th>No. of complaints pending as on end of the financial year</th></tr><tr><td>1</td><td>Child labour/forced labour/ involuntary labour</td><td>0</td><td>0</td></tr><tr><td>2</td><td>Sexual harassment</td><td>6</td><td>0</td></tr><tr><td>3</td><td>Discriminatory employment</td><td>0</td><td>0</td></tr></table>	No.	Category	No. of complaints filed during the financial year	No. of complaints pending as on end of the financial year	1	Child labour/forced labour/ involuntary labour	0	0	2	Sexual harassment	6	0	3	Discriminatory employment	0	0
No.	Category	No. of complaints filed during the financial year	No. of complaints pending as on end of the financial year															
1	Child labour/forced labour/ involuntary labour	0	0															
2	Sexual harassment	6	0															
3	Discriminatory employment	0	0															
8	What percentage of your undermentioned employees were given safety & skill up-gradation training in the last year?	a. Permanent Employees: 87% b. Permanent Women Employees: 98% c. Casual/Temporary/Contractual Employees: 52% d. Employees with Disabilities: 60%																

PRINCIPLE 4

BUSINESSES SHOULD RESPECT THE INTERESTS OF, AND BE RESPONSIVE TOWARDS ALL STAKEHOLDERS, ESPECIALLY THOSE WHO ARE DISADVANTAGED, VULNERABLE AND MARGINALISED

No.	Description	Response
1	Has the Company mapped its internal and external stakeholders? Yes/No	Yes
2	Out of the above, has the Company identified the disadvantaged, vulnerable and marginalised stakeholders?	As a Small Finance Bank, we are guided by the Reserve Bank of India (RBI) guidelines on priority sector lending, lending to small and marginal farmers, lending to weaker section and to support government-led initiatives to improve access to financial services, and insurance and pension cover for reaching out to disadvantaged, vulnerable and marginalised stakeholders. Internally, the Bank carries out data mining for analysing its existing customers by classifying them under suitable categories. The Bank has also emphasised on development of women by strengthening their skills and providing entrepreneurship training under its flagship CSR programme AU Udyogini, thereby paving the path for women empowerment in rural, semi-urban and local areas. The Bank is taking steps to enable easier access to the Bank's branches and ATMs for the physically challenged people and is also providing facility for the visually challenged to transact at ATMs.
3	Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalised stakeholders? If so, provide details thereof, in about 50 words or so.	Yes, the Bank follows a two pronged approach, one through direct intervention by engaging with the under-banked and unbanked population in rural and urban India, which is still not entirely integrated into India's mainstream economy and offering them simplified banking services and, second through its CSR programs, where the focus is on skill development of woman and students in rural, semi-urban and urban slums to become self-reliant. Please refer CSR section of Annual Report for more details.

PRINCIPLE 5

BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS

No.	Description	Response
1	Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?	The Bank's corporate whistle-blower program covers all its internal and external stakeholders providing them means to directly report their concerns, if any, to the Chief Vigilance Officer of the Bank. There is non-discrimination and fair to all approach that is followed by the Bank, and the Bank's Fair Practices Code ensures that all its products and service offerings are made available to its customers without discrimination. - The Bank offers doorstep banking, support to Sr. citizen customers and a ramp at its Branches for easy access by physically challenged customers. - The Banking outlets & Business correspondents of the Bank in rural & other areas offer doorstep Banking services and enhance these services further by reaching out and offering remittance, transfer and deposit – withdrawal services to customers. - In view of the lock down, rural customers were worst affected and marginal savers were supported well by AU by taking Banking services to their doorsteps.
2	How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the Management?	No complaints with respect to Human rights violations were reported during the period under review.



PRINCIPLE 6

BUSINESS SHOULD RESPECT, PROTECT, AND MAKE EFFORTS TO RESTORE THE ENVIRONMENT

No.	Description	Response
1	Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others?	Yes, The Bank understands its role and while carrying out its operation, it acts in a socially responsible manner to address the environmental and other concerns. The Bank complies with applicable environmental guidelines in its operations to the extent applicable. The Bank endeavor to create awareness among its vendors, suppliers about the policies that governs the Bank and the compliance to be ensured in this regard. The Bank also encourage vendors to adopt environment friendly measures in their operations. Further, the Bank's CSR Policy covers Environment Sustainability and projects have been undertaken to create positive, direct environmental impact through tree plantation drive and other measures and also by engaging with internal and external stakeholder to build and make meaningful impact of its efforts in this direction.
2	Does the Company have strategies/initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for web page etc.	No
3	Does the Company identify and assess potential environmental risks? Y/N	Yes, as a responsible Bank, we comply with applicable environmental regulations in respect of its premises and operations. Further, the Bank's Social Environment Management System (SEMS) sets guidelines to refrain from financing any activity that does not comply with applicable social and environment statutes applicable in India.
4	Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?	Not Applicable
5	Has the Company undertaken any other initiatives on clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc?	As a conscientious Bank, we understand our responsibility to operate in an environmentally sustainable way by developing, promoting and utilising eco-friendly and resource-efficient services. In this regard, the Bank has designed offices infrastructure that is energy efficient, to save energy and to make optimal utilisation of natural resources at its Branches and other offices. Further, we are pleased to inform that your Bank has initiated steps by installing the solar panel in its office to make clean energy and to reduce the carbon footprint.
6	Are the emissions/waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?	Yes, The Bank's emissions and waste are within permissible limits of the laws applicable.
7	Number of show cause/legal notices received from CPCB/SPCB, which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.	Nil

PRINCIPLE 7

BUSINESSES, WHEN ENGAGED IN INFLUENCING PUBLIC AND REGULATORY POLICY, SHOULD DO SO IN A RESPONSIBLE MANNER

No.	Description	Response
1	Is your Company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:	The Bank is a member of various trade bodies and associations such as the Indian Banks' Association, Confederation of Indian Industry in India and the Indian Institute of Banking & Finance among others. The Senior Management of the Bank participates in the programme organised by the above and other institutions to present views and represent issues of the Banking sector and of common interest.
2	Have you advocated/lobbied through the above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)	No

PRINCIPLE 8

BUSINESSES SHOULD SUPPORT INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT

No.	Description	Response
1	Does the Company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof?	Yes, the Bank is focused towards making socially inclusive and equitable growth by contributing to the upliftment of marginalised communities, women, partially disabled and others, and has taken several actions and initiatives to redefine the boundaries of social good through inclusive banking in areas where it operates. Through the Digital Banking unit, the Bank is driving digital payments across all economic sections of the society. • Skill training initiatives of AU Foundation include the AU Skill Academy, where the poor/marginalised young population is provided with vocational and job-oriented training, is provided to become self-reliant. 5 Academies have been established to train upto 5,000 Students every year. The details of programmes/initiatives/projects are covered in the CSR Report as Annexure-II of this Board's Report.
2	Are the programmes/projects undertaken through in-house team/own foundation/ external NGO/ government structures/any other organisation?	The projects/programmes are undertaken primarily through in-house teams with involvement at the ground level, through the AU Foundation and with the assistance of implementation partners, as part of its overall strategy.
3	Have you done any impact assessment of your initiative?	Periodic reviews are carried out for various projects. The Bank's initiatives cover comprehensive programmes for inclusive growth and evaluation with regard to the progress made in providing skills training, financial and digital literacy, women entrepreneurship programmes and access to banking and financial services to under-privileged customers, which are reviewed at regular intervals.
4	What is your Company's direct contribution to community development projects amount in INR and the details of the projects undertaken?	The details of contribution to community development projects are covered in the CSR Report as Annexure -II of this Board's Report.
5	Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words or so.	In all the social initiatives, the community plays a very important role for Bank. AU Foundation encourages that active engagement of key stakeholders such as government, NGOs, communities and other local institutions to facilitate developing and building community ownership, while ensuring the sustainability of the social development programmes. All projects and programmes developed under the CSR initiatives are largely focused on maximum community participation in rural and semi-urban, urban slums and other areas. Further, while designing the products & financial services delivery model, and the priority sector lending guidelines, the unbanked and under-banked population in rural and urban are considered as key constitutes for achieving Financial Inclusion meaningfully in the country.



PRINCIPLE 9

BUSINESSES SHOULD ENGAGE WITH AND PROVIDE VALUE TO THEIR CUSTOMERS AND CONSUMERS IN A RESPONSIBLE MANNER

No.	Description	Response
1	What percentage of customer complaints/consumer cases are pending as on the end of financial year?	0.76% of total customer complaints received by the Bank, are pending as on 31 st March 2020.
2	Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. Remarks (additional information)	Being a Banking Company, our products are intangible. Hence, product labelling is not applicable. However, the Bank complies with the disclosure requirements relevant for its product and services. Additionally, the Bank also displays the details of its products through various modes viz. brochures, website, print media and social media etc.
3	Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year? If so, provide details thereof, in about 50 words or so.	In the ordinary course of business, some customers and borrowers have had differences with the Bank, which could result into their filing of suits in courts alleging deficiencies of service. In order to reduce such instances, the Bank's customer experience team has taken several initiatives by being connected with customers and for offering the best banking experience.
4	Did your Company carry out any consumer survey/consumer satisfaction trends?	Yes, the Bank believes that the culture of best-in-class customer experience can be achieved by listening to customer voice, acting and closing the loop with resolution, which leaves a smile on customer's face. In this regard, the Bank conducted a customer survey to measure the delight level of our customer using QR code, where their feedback regarding the experience of our service delivery through various channels have been captured, and appropriate solutions were built in on the basis of their feedback.

Independent Auditor's Report

To the Members of AU Small Finance Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of AU Small Finance Bank Limited ("the Bank"), which comprise the Balance sheet as at March 31, 2020, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 and the Companies Act, 2013, as amended ("the Act") in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2020, its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Bank in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities

in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Emphasis of Matter

We draw attention to Note 2 of the Schedule 17 to the financial statements, which describes the extent to which the COVID-19 pandemic will impact the Bank's operations and its financial metrics which are dependent on uncertain future developments. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended March 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



Key audit matters	How our audit addressed the key audit matter
Identification of Non-Performing Advances and provisioning for Advances (Refer Schedule 17.4 to the financial statements) Advances constitute a major portion of the Bank's assets and the quality of the Bank's loan portfolio is measured in terms of the proportion of non-performing assets (NPAs) to the total loans and advances. As at March 31, 2020, the Bank has reported total gross advances of ₹ 27,233 crore (March 31, 2019: ₹ 22,994 crore), gross non-performing advances of ₹ 458 crore (March 31, 2019: ₹ 470 crore) and a corresponding provision for non-performing advances of ₹ 240 crore (March 31, 2019: ₹ 176 crore). Identification and provisioning of advances is governed by the prudential norms and guidelines relating to COVID-19 Regulatory Package issued by the Reserve Bank of India (RBI). These norms prescribe rule based and qualitative criteria for advances to be classified as NPA including overdue aging, moratorium on advances extension of asset classification benefit for specific Advances. Given the volume and variety of loans, judgement is involved in the application of RBI norms for classification of loans as NPA and in view of the significance of this area to the overall audit of financial statements, it has been considered as a key audit matter.	Our audit procedures included, among others the following: • Considered the Bank's accounting policies for NPA identification and provisioning and assessing compliance with the prudential norms prescribed by the RBI read with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020. • Tested the operating effectiveness of the controls (including application and IT dependent controls) for borrower-wise classification of loans in the respective asset classes viz., standard, sub-standard, doubtful and loss with reference to IRAC norms. • Performed test of details to test whether the provisioning rates applied for respective asset classes were in accordance with the Bank's accounting policies and assessed the reasonableness of the rates used by the management wherever such rates were higher than the minimum rates prescribed by RBI. • Performed inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a particular loan account or any product category which need to be considered as NPA. Examined the early warning reports generated by the Bank's credit team on a monthly basis to identify loan accounts with credit stress. • Considered the special mention accounts (SMA) reports submitted by the Bank to the RBI's central repository of information on large credits (CRILC) to assess whether any accounts from such reporting need to be considered as non-performing. • Performed analytical procedures on various financial and non-financial parameters to test the completeness of accounts identified as NPA. • We made inquiries with management regarding any effects considered on the NPA identification and/or provisioning, resulting from observations raised by the RBI during their annual inspection of the Bank's operations. • Tested the arithmetical accuracy of computation of provision for Advances.
IT systems and controls The reliability and security of IT systems plays a key role in the business operations of the Bank. Since large volume of transactions are processed daily, the IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. These systems also play a key role in the financial accounting and reporting process of the Bank. Due to the pervasive nature and complexity of the IT environment we have ascertained IT systems and controls as a key audit matter. Our areas of audit focus included user access management, developer access to the production environment and changes to the IT environment. These are key to ensuring IT dependent and application based controls are operating effectively.	• For testing the IT general controls, application controls and IT dependent manual controls, we included specialized IT auditors as part of our audit team. The specialized team also assisted in testing the accuracy of the information produced by the Bank's IT systems. • Tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting. • Tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were reviewed and authorized. • We considered the control environment relating to various interfaces, configuration and other application controls identified as key to our audit. • In addition to the above, we tested the design and operating effectiveness of certain automated controls that were considered as key internal controls over financial reporting. • Where deficiencies were identified, we tested compensating controls or performed alternate procedures.

Information Other than the Financial Statements and Auditor's Report Thereon The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. Responsibilities of Management and the Board of Directors for the Financial Statements The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read with the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank provision of section 29 of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by Reserve Bank of India ("RBI") from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.	In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. Those Charged with Governance are also responsible for overseeing the Bank's financial reporting process. Auditor's Responsibilities for the Audit of the Financial Statements Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also: • Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. • Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) (i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls. • Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
---	---



- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the financial year ended March 31, 2020 and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with the Companies (Accounting Standards) Rules,

2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014.

2. As required sub section (3) of section 30 of the Banking Regulation Act, 1949 and the appointment letter dated June 03, 2019, we report that:
 - a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
 - b. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
 - c. The financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches. We performed procedures necessary for the purpose of our walkthrough of processes and test of controls at branches by inspection of documents obtained from branches.
3. As required by Section 143(3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
 - c. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. In our opinion, the aforesaid financial statements comply with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI;
 - e. On the basis of the written representations received from the directors as on March 31, 2020

taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act;

- f. With respect to the adequacy of the internal financial controls over financial reporting of the Bank with reference to these financial statements and the operating effectiveness of such controls, refer to our separate Report in “Annexure 1” to this report;
- g. In our opinion, the entity being a banking company, the remuneration to the whole-time director during the year ended March 31, 2020 has been paid by the Bank in accordance with the provisions of Section 35B (1) of the Banking Regulation Act, 1949; and
- h. With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

- i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note Schedule 12, Schedule 17.I and Schedule 18A – Note 32 to the financial statements;
- ii. The Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
Firm’s Registration No.: 101049W/E300004

per Sarvesh Warty
Partner
Membership No.: 121411
UDIN: 20121411AAAABP3586

Place of Signature: Mumbai
Date: May 2, 2020



Annexure 1 to the Independent Auditor’s Report of Even Date on the Financial Statements of AU Small Finance Bank Limited

Report on the Internal Financial Controls under Clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 (the “Act”)

To the Members of AU Small Finance Bank Limited

We have audited the internal financial controls over financial reporting of AU Small Finance Bank Limited (the “Bank”) as of March 31, 2020 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Bank’s Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Bank’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate

internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls

over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants

Firm’s Registration No.: 101049W/E300004

per Sarvesh Warty

Partner

Membership No.: 121411

Place: Mumbai

Date: May 2, 2020



Balance Sheet

as at March 31, 2020

Particulars	Schedule	(₹ in '000)	
		As at March 31, 2020	As at March 31, 2019
CAPITAL & LIABILITIES			
Capital	1	30,41,233	29,23,575
Money received against Share Warrants		-	17,50,000
Employees stock options outstanding		5,21,240	4,29,435
Reserves & Surplus	2	4,02,05,638	2,65,25,899
Deposits	3	26,16,39,285	19,42,24,356
Borrowings	4	10,33,53,236	8,61,33,587
Other Liabilities and Provisions	5	1,26,70,078	1,42,41,113
Total		42,14,30,710	32,62,27,965
ASSETS			
Cash and Balances with Reserve Bank of India	6	1,04,96,369	81,11,424
Balances with banks and Money at Call and Short Notice	7	2,32,00,417	92,90,510
Investments	8	10,66,82,153	7,16,16,711
Advances	9	26,99,24,154	22,81,87,308
Fixed Assets	10	44,79,983	44,70,300
Other Assets	11	66,47,634	45,51,712
Total		42,14,30,710	32,62,27,965
Contingent Liabilities	12	1,36,00,492	50,21,437
Bills for Collection		-	-
Significant accounting policies and notes to accounts forming part of financial statements	17 & 18		

The Schedules referred to above form an integral part of the Balance Sheet.
As per our attached Report of even date.

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration No.: 101049W/E300004

For and on behalf of the Board of Directors
AU Small Finance Bank Limited

Raj Vikash Verma
(Non-Executive Independent
Part Time Chairman)
Place: New Delhi

Sanjay Agarwal
(Managing Director and CEO)
Place: Jaipur

Uttam Tibrewal
(Whole Time Director)
Place: Mumbai

Vimal Jain
(Chief Financial Officer)
Place: Jaipur

Manmohan Parnami
(Company Secretary)
Place: Jaipur

Date: May 02, 2020

Profit and Loss Account

for the Year Ended March 31, 2020

Particulars	Schedule	(₹ in '000)	
		Year Ended March 31, 2020	Year Ended March 31, 2019
I. INCOME			
Interest earned	13	4,28,58,843	2,94,91,288
Other income	14	70,60,920	46,19,110
Total Income		4,99,19,763	3,41,10,398
II. EXPENDITURE			
Interest expended	15	2,37,69,440	1,60,65,264
Operating expenses	16	1,41,78,585	1,08,26,075
Provisions & contingencies (refer note 9 – Schedule 18A)		52,23,893	34,00,991
Total Expenditure		4,31,71,918	3,02,92,330
III. PROFIT / LOSS			
Net profit/(loss) for the year		67,47,845	38,18,068
Add: Balance in Profit/Loss Account brought forward from previous year		1,57,20,275	1,36,58,366
Total		2,24,68,120	1,74,76,434
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		16,86,961	9,54,517
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 (refer Schedule 2.III)		6,70,000	3,78,000
Transfer to Capital Reserve		69,252	27,616
Transfer to Investment Fluctuation Reserve		9,04,349	2,21,200
Dividend paid (includes tax on dividend)		2,64,377	1,74,826
Balance carried over to Balance Sheet		1,88,73,181	1,57,20,275
Total		2,24,68,120	1,74,76,434
V. EARNING PER SHARE (refer note 5 – schedule 18B)			
Basic (₹)		22.78	13.16
Diluted (₹)		22.32	12.90
Nominal value per share (₹)		10.00	10.00
Significant accounting policies and notes to accounts forming part of financial statements	17 & 18		

The Schedules referred to above form an integral part of the Profit and Loss Account.
As per our attached Report of even date.

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration No.: 101049W/E300004

For and on behalf of the Board of Directors
AU Small Finance Bank Limited

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Raj Vikash Verma
(Non-Executive Independent
Part Time Chairman)
Place: New Delhi

Sanjay Agarwal
(Managing Director and CEO)
Place: Jaipur

Uttam Tibrewal
(Whole Time Director)
Place: Mumbai

Vimal Jain
(Chief Financial Officer)
Place: Jaipur

Manmohan Parnami
(Company Secretary)
Place: Jaipur

Date: May 02, 2020



Cash Flow Statement

for the Year Ended March 31, 2020

Particulars	(₹ in '000)	
	Year Ended March 31, 2020	Year Ended March 31, 2019
Cash Flow From Operating Activities		
Profit after tax	67,47,845	38,18,068
Add: Provision for tax	23,91,907	19,83,232
Net Profit Before Taxes	91,39,752	58,01,300
Adjustments for:-		
Employee Stock Options Expense	2,37,378	3,86,039
Depreciation on Bank's Property	8,86,177	6,17,546
Amortization of Premium on HTM Investments	2,35,808	1,28,310
Provision for Employee Expenses	1,89,123	(36,861)
Provision for Non-Performing Assets, Standard Assets and Other Provisions	23,13,919	11,29,943
Loss on sale of Fixed Assets	11,114	14,428
Operating profit before working capital changes	1,30,13,271	80,40,705
Movement in working capital		
Decrease / (Increase) in Investments (other than HTM Investments)	(2,35,33,319)	(1,94,30,372)
Decrease / (Increase) in Advances	(4,23,85,306)	(9,58,18,346)
Decrease / (Increase) in Other Assets	(17,98,640)	(13,77,683)
(Decrease) / Increase in Deposits	6,74,14,929	11,49,91,163
(Decrease) / Increase in Other Liabilities and Provisions	(34,26,003)	40,02,143
Cash Flow from Operating Activities	92,84,932	1,04,07,610
Direct Taxes Paid (Net of refunds)	(26,89,189)	(19,29,840)
Net Cash Flow from Operating Activities (A)	65,95,743	84,77,770
Cash Flow From Investing Activities		
Purchase of Fixed Assets	(9,21,990)	(12,57,168)
Proceeds from Sale of Fixed Assets	15,018	15,761
Investments in HTM securities (Net)	(1,17,67,548)	(2,18,04,530)
Net Cash Flow used in Investing Activities (B)	(1,26,74,520)	(2,30,45,937)

Cash Flow Statement

for the Year Ended March 31, 2020

Particulars	(₹ in '000)	
	Year Ended March 31, 2020	Year Ended March 31, 2019
Cash Flow from Financing Activities		
Proceeds from /(Repayment of) borrowings	1,72,19,649	97,44,940
Money received on exercise of Stock Options/ Issue of Shares	54,57,152	30,70,937
Money received against Share Warrants	-	17,50,000
Share Issue Expenses	(38,796)	(33,137)
Dividend paid (includes tax on dividend)	(2,64,376)	(1,74,826)
Net Cash Flow from Financing Activities (C)	2,23,73,629	1,43,57,914
Net Increase / (Decrease) in Cash and Cash Equivalents (A + B + C)	1,62,94,852	(2,10,253)
Cash and Cash Equivalents at the beginning of the year (Refer Note Below)	1,74,01,934	1,76,12,187
Cash and Cash Equivalents at the end of the year (Refer Note Below)	3,36,96,786	1,74,01,934
Note:		
Balance with Banks in India in Fixed Deposit (As per Sch 7 I (i) (b))	20,89,157	13,29,729
Balance with Banks in India in Current Account (As per Sch 7 I (i) (a))	1,61,260	60,781
Money at Call and Short Notice in India (As per Sch 7 I (iii))	2,09,50,000	79,00,000
Cash in hand (including foreign currency notes) (As per Sch 6 I)	32,56,790	11,59,935
Balance with RBI in Current Accounts (As per Sch 6 II)	72,39,579	69,51,489
Cash and Cash Equivalents at the end of the year	3,36,96,786	1,74,01,934

As per our attached Report of even date.

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration No.: 101049W/E300004

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Date: May 02, 2020

For and on behalf of the Board of Directors
AU Small Finance Bank Limited

Raj Vikash Verma
(Non-Executive Independent
Part Time Chairman)
Place: New Delhi

Uttam Tibrewal
(Whole Time Director)
Place: Mumbai

Manmohan Parnami
(Company Secretary)
Place: Jaipur

Sanjay Agarwal
(Managing Director and CEO)
Place: Jaipur

Vimal Jain
(Chief Financial Officer)
Place: Jaipur



Schedules

forming part of the Balance Sheet as at March 31, 2020

SCHEDULE 1 : CAPITAL

Particulars	(₹ in '000)	
	As at March 31, 2020	As at March 31, 2019
Authorized shares		
35,00,00,000 (March 31, 2019: 35,00,00,000) equity shares of ₹ 10/- each	35,00,000	35,00,000
Issued Subscribed and paid up capital		
I. 29,23,57,486 equity shares of ₹ 10/- each (March 31, 2019: 28,57,03,620 equity shares)	29,23,575	28,57,036
II. Add: 16,61,477 equity shares of ₹ 10/- each (March 31, 2019: 23,23,425 equity shares) in pursuant to exercise of employee stock option	16,615	23,234
III. Add: NIL equity shares of ₹ 10/- each (March 31, 2019: 43,30,441 equity shares) in pursuant to preferential allotment	-	43,305
IV. Add: 1,01,04,364 equity shares of ₹ 10/- each (March 31, 2019: NIL equity shares) in pursuant to conversion of share warrants	1,01,043	-
Total	30,41,233	29,23,575

SCHEDULE 2 : RESERVES AND SURPLUS

Particulars	(₹ in '000)	
	As at March 31, 2020	As at March 31, 2019
I. Statutory Reserve		
Opening Balance*	46,03,502	36,48,985
Additions during the year under the Banking Regulation Act, 1949	16,86,961	9,54,517
Deductions during the year	-	-
Sub-Total	62,90,463	46,03,502

*Opening balance of Statutory Reserve includes ₹ 291.89 crore represents transfer of twenty percent of net profit after tax in accordance with the provision of Section 45-IC of Reserve Bank of India Act, 1934 pursuant to NBFC Regulations.

II. Share Premium		
Opening Balance	53,70,306	22,67,481
Add: Allotment of equity shares	72,35,067	31,35,961
Less: Utilised for share issue expenses	38,796	33,136
Sub-Total	1,25,66,577	53,70,306
III. Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		
Opening Balance	5,83,000	2,05,000
Additions during the year	6,70,000	3,78,000
Deductions during the year	-	-
Sub-Total	12,53,000	5,83,000
IV. Capital Reserve		
Opening Balance	27,616	-
Additions during the year	69,252	27,616
Deductions during the year	-	-
Sub-Total	96,868	27,616

Schedules

forming part of the Balance Sheet as at March 31, 2020

SCHEDULE 2 : RESERVES AND SURPLUS (CONTD.)

Particulars	(₹ in '000)	
	As at March 31, 2020	As at March 31, 2019
V. Investment Fluctuation Reserve		
Opening Balance	2,21,200	-
Additions during the year	9,04,349	2,21,200
Deductions during the year	-	-
Sub-Total	11,25,549	2,21,200
VI. Balance in Profit and Loss Account		
Balance in Profit and Loss Account	1,88,73,181	1,57,20,275
Sub-Total	1,88,73,181	1,57,20,275
Total	4,02,05,638	2,65,25,899

SCHEDULE 3 : DEPOSITS

Particulars	(₹ in '000)	
	As at March 31, 2020	As at March 31, 2019
A.I Demand Deposits		
(i) From Banks	2,80,388	5,83,330
(ii) From Others	1,08,59,088	1,02,33,214
Sub-Total	1,11,39,476	1,08,16,544
A.II Savings Bank Deposits	2,67,33,587	2,50,84,367
A.III Term Deposits		
(i) From Banks	4,68,74,602	3,59,04,650
(ii) From Others	17,68,91,620	12,24,18,795
Sub-Total	22,37,66,222	15,83,23,445
Total	26,16,39,285	19,42,24,356
B.I Deposits of branches in India	26,16,39,285	19,42,24,356
B.II Deposits of branches outside India	-	-
Total	26,16,39,285	19,42,24,356

SCHEDULE 4 : BORROWINGS

Particulars	(₹ in '000)	
	As at March 31, 2020	As at March 31, 2019
I. Borrowings in India		
(i) Reserve Bank of India	31,00,000	27,50,000
(ii) Other Banks	1,31,95,467	93,47,147
(iii) Other Institutions and Agencies	8,70,57,769	7,40,36,440
Sub-Total	10,33,53,236	8,61,33,587
II. Borrowings outside India	-	-
Total	10,33,53,236	8,61,33,587
Secured Borrowings (Includes Refinance) other than CBLO, Repo and LAF Borrowings included in I above	7,17,08,067	6,02,99,781
Tier II Debt included in I above	69,50,000	72,00,000
Tier II Debt included in II above	-	-

Schedules

forming part of the Balance Sheet as at March 31, 2020

SCHEDULE 5 : OTHER LIABILITIES AND PROVISIONS

Particulars	(₹ in '000)	
	As at March 31, 2020	As at March 31, 2019
I. Bills Payable	2,92,006	3,80,964
II. Inter-office adjustments (net)	-	-
III. Interest Accrued	31,72,803	39,28,987
IV. Provision for Taxation	1,43,910	1,23,378
V. Standard Asset provision (refer note 4.6 – schedule 18A)	12,10,314	9,32,063
VI. Others (including Provisions)*	78,51,045	88,75,721
Total	1,26,70,078	1,42,41,113

*Including general provision of ₹ 138.38 crore (previous year: Nil) made by Bank in respect of accounts in default but standard against the potential impact of COVID-19 as on March 31, 2020.

SCHEDULE 6 : CASH AND BALANCES WITH RESERVE BANK OF INDIA

Particulars	(₹ in '000)	
	As at March 31, 2020	As at March 31, 2019
I. Cash in Hand (including Foreign Currency Notes - NIL)	32,56,790	11,59,935
II. Balances with Reserve Bank of India		
a. in Current Account	72,39,579	69,51,489
b. in Other Account	-	-
Total	1,04,96,369	81,11,424

SCHEDULE 7 : BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE

Particulars	(₹ in '000)	
	As at March 31, 2020	As at March 31, 2019
I. In India		
i) Balances with banks in		
(a) Current Accounts	1,61,260	60,781
(b) Other Deposit Accounts	20,89,157	13,29,729
ii) Money at call and short		
(a) with Banks	2,09,50,000	79,00,000
(b) with Other Institutions	-	-
Sub-Total	2,32,00,417	92,90,510
II. Outside India		
i) in Current Accounts	-	-
ii) in Other Deposit Accounts	-	-
iii) in Money at Call and Short Notice	-	-
Sub-Total	-	-
Total	2,32,00,417	92,90,510

Schedules

forming part of the Balance Sheet as at March 31, 2020

SCHEDULE 8 : INVESTMENTS

Particulars	(₹ in '000)	
	As at March 31, 2020	As at March 31, 2019
I. Investments in India in (net of Provision)		
i) Government Securities	7,64,32,096	4,85,77,966
ii) Other Approved Securities	-	-
iii) Shares	8,93,210	9,72,054
iv) Debentures and Bonds	2,13,79,868	52,11,308
v) Subsidiaries and/ or Joint Venture	-	-
vi) Others [Units, Certificate of Deposits (CD), Commercial Paper (CP), Pass Through Certificates (PTC)]	79,76,979	1,68,55,383
Sub-Total	10,66,82,153	7,16,16,711
II. Investments outside India (net of provision)	-	-
Total	10,66,82,153	7,16,16,711

SCHEDULE 9 : ADVANCES

Particulars	(₹ in '000)	
	As at March 31, 2020	As at March 31, 2019
A		
i) Bills Purchased and Discounted	44,202	40,132
ii) Cash Credits Overdrafts and Loans repayable on Demand	2,49,19,739	2,18,05,092
iii) Term loans	24,49,60,213	20,63,42,084
Total	26,99,24,154	22,81,87,308
B		
i) Secured by Tangible Assets (includes advances against Book debts)	26,15,91,546	22,10,37,413
ii) Covered by Bank / Government Guarantees (includes Advance to Banks)	2,70,177	49,227
iii) Unsecured	80,62,431	71,00,668
Total	26,99,24,154	22,81,87,308
C. I Advances in India		
i) Priority Sectors*	20,01,27,151	16,18,83,819
ii) Public Sector	36,485	1,21,199
iii) Banks	3,80,536	34,74,960
iv) Others	6,93,79,982	6,27,07,330
Total	26,99,24,154	22,81,87,308
C. II Advances outside India	-	-
Total	26,99,24,154	22,81,87,308

*Priority sectors includes ₹ 15,504.75 crore (previous year: ₹ 5,331.75 crore), in respect of which the Bank has sold Priority Sector Lending Certificates (PSLC). During the year ended March 31, 2020, the Bank has bought PSLC amounting Nil (previous year: ₹ 7,470.00 crore), which is not included in above. Advances are net of provisions.

SCHEDULE 10 : FIXED ASSETS

Particulars	(₹ in '000)	
	As at March 31, 2020	As at March 31, 2019
I. Premises (including Land)		
Gross Block		
At Cost as on 31st March of the preceding year	5,87,444	96,129
Additions during the year	2,432	4,91,315
Deductions during the year	-	-
Sub-Total	5,89,876	5,87,444

Schedules

forming part of the Balance Sheet as at March 31, 2020

SCHEDULE 10 : FIXED ASSETS (CONTD.)

Particulars	(₹ in '000)	
	As at March 31, 2020	As at March 31, 2019
Depreciation		
As at 31st March of the preceding year	15,451	10,789
Add: charge during the year	6,325	4,662
Deductions during the year	-	-
Sub-Total	21,776	15,451
Net Block	5,68,102	5,71,993
II. Other Fixed Assets (including Furniture & Fixtures)		
Gross Block		
At Cost as on 31st March of the preceding year	51,78,785	45,17,467
Additions during the year	8,95,694	7,49,403
Deductions during the year	74,549	88,085
Sub-Total	59,99,930	51,78,785
Depreciation		
As at 31st March of the preceding year	13,54,015	7,99,026
Add: charge during the year	8,79,852	6,12,885
Deductions during the year	48,417	57,896
Sub-Total	21,85,450	13,54,015
Net Block	38,14,480	38,24,770
III. Capital Work-in-Progress	97,401	73,537
Total	44,79,983	44,70,300

SCHEDULE 11 : OTHER ASSETS

Particulars	(₹ in '000)	
	As at March 31, 2020	As at March 31, 2019
i) Inter-Office Adjustment (Net)	-	-
ii) Interest Accrued	41,35,137	25,97,211
iii) Tax paid in Advance / Tax Deducted at Sources (Net of Provisions)	99,845	1,00,684
iv) Deferred Tax Assets (Net)	4,06,748	1,09,466
v) Advance for expenses	2,67,483	1,04,809
vi) Security Deposits	2,88,186	2,48,225
vii) Others	14,50,235	13,91,317
Total	66,47,634	45,51,712

SCHEDULE 12 : CONTINGENT LIABILITIES

Particulars	(₹ in '000)	
	As at March 31, 2020	As at March 31, 2019
I. Claims against the Bank not acknowledged as Debts	1,64,982	4,56,490
II. Guarantees given on behalf of Constituents		
a) In India	75,38,833	16,75,157
b) Outside India	-	-
III. Acceptances Endorsements and Other Obligation	1,16,577	2,42,312
IV. Other items for which the Bank is Contingently Liable		
(a) Credit enhancements provided by the Bank towards assets assignment/securitisation	50,77,390	23,96,530
(b) Capital commitments not provided	6,00,126	1,46,909
(c) Other Guarantees	1,02,584	1,04,039
Total	1,36,00,492	50,21,437

Schedules

forming part of the Profit and Loss Account for the Year Ended March 31, 2020

SCHEDULE 13 : INTEREST EARNED

Particulars	(₹ in '000)	
	Year ended March 31, 2020	Year ended March 31, 2019
I. Interest / Discount on Advances/ Bills	3,41,48,376	2,37,41,865
II. Income on Investments	61,34,691	33,38,624
III. Interest on Balances with RBI and Other Inter-Bank Funds	2,58,040	3,13,829
IV. Others	23,17,736	20,96,970
Total	4,28,58,843	2,94,91,288

SCHEDULE 14 : OTHER INCOME

Particulars	(₹ in '000)	
	Year ended March 31, 2020	Year ended March 31, 2019
I. Commission Exchange and Brokerage	42,91,437	31,81,250
II. Profit/(Loss) on sale of Investments (net)	17,25,732	2,21,157
III. Profit/(Loss) on sale of Land Building & Other Assets (net)	(11,114)	(14,428)
IV. Miscellaneous Income (refer note 47 – schedule 18A)	10,54,865	12,31,131
Total	70,60,920	46,19,110

SCHEDULE 15 : INTEREST EXPENDED

Particulars	(₹ in '000)	
	Year ended March 31, 2020	Year ended March 31, 2019
I. Interest on Deposits	1,60,54,668	89,91,397
II. Interest on Reserve Bank of India / Inter Bank Borrowings	8,12,950	6,69,882
III. Others	69,01,822	64,03,985
Total	2,37,69,440	1,60,65,264

SCHEDULE 16 : OPERATING EXPENSES

Particulars	(₹ in '000)	
	Year ended March 31, 2020	Year ended March 31, 2019
I. Payments to and Provision for Employees	75,96,184	60,11,107
II. Rent Taxes and Lighting	9,88,022	7,47,312
III. Printing and Stationery	1,19,237	95,131
IV. Advertisement and Publicity	2,41,075	2,16,900
V. Depreciation on Bank's Property	8,86,177	6,17,546
VI. Directors' fees- allowances and expenses	13,726	8,591
VII. Auditors' Fee	17,186	9,998
VIII. Law charges (includes Professional Fees)	2,21,261	1,65,040
IX. Postages Telegrams Telephones etc.	2,88,609	2,28,051
X. Repairs and Maintenance (includes AMC)	8,10,838	7,60,513
XI. Insurance	1,99,549	98,357
XII. Direct marketing expenses (Payout expenses)	10,20,083	6,87,056
XIII. Travelling & Conveyance	4,29,832	3,39,511
XIV. Other Expenditure	13,46,806	8,40,962
Total	1,41,78,585	1,08,26,075

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 17 : BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

1. Background

AU Small Finance Bank Limited (formerly known as AU Financiers (India) Limited) ("AUSFBL" or "the Company" or "the Bank") is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956.

The Company had originally obtained its license from Reserve Bank of India ('RBI') to operate as a non-deposit accepting Non-Banking Financial Company (NBFC-ND) on November 7, 2000 vide certificate of registration no. B-10-00139.

The Company has changed its name to AU Small Finance Bank Limited with effect from April 13, 2017 and commenced its operations as a Small Finance Bank from April 19, 2017 pursuant to the approval received from the Reserve Bank of India dated December 20, 2016.

The Bank is engaged in providing a range of banking and financial services including retail banking, wholesale banking and treasury operations and other services. The Bank operates in India only and does not have presence in any foreign country.

The Bank is governed by the Banking Regulation Act, 1949, banking guidelines issued by RBI on Small Finance Bank 2016, and the Companies Act, 2013.

2. Basis of preparation

The financial statements have been prepared under the historical cost convention and on the accrual basis of accounting, unless otherwise stated and complying with the requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank which is used in the preparation of financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by RBI from time to time, the accounting standards notified under section 133 of the Companies Act, 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014, Companies (Accounting Standards) Amendment Rules, 2016 in so far as they apply to banks. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

The SARS-CoV-2 virus responsible COVID-19 pandemic is continue to spread across the world and India is no exception, which has contributed to a significant decline and volatility in global and Indian financial markets and a significant decrease in global and local economic activities. On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. Numerous governments and Central Banks have introduced a variety of measures to contain the spread of the virus and moderate the economic impact due to disruptions. On March 24, 2020, the Indian government announced a strict 21 days lockdown which was further extended by 19 days up till 3rd May across the country to contain the spread of the virus. The lockdown of nearly 136 crore people and many businesses is leading to disruptions and dislocations on a scale never imagined. The extent to which the COVID-19 pandemic will impact the Bank's operations and financial metrics will depend on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated or elected by the Bank.

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Bank has granted a moratorium of three months on the payment of all instalments and/ or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 to all eligible borrowers. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Assets Classification and Provisioning norms).

3. Use of estimates

The preparation of the financial statements in conformity with Indian GAAP as applicable to Banks requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses for the reporting period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 17 : BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

results could differ due to these estimates. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

4. Significant accounting policies

A. Advances

(i) Classification

Advances are classified as performing assets and non-performing assets ('NPAs') in accordance with the RBI guideline on Income Recognition and Asset Classification (IRAC). Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. The advances are stated net of specific provisions made towards NPAs and unrealised interest on NPAs. Interest on NPAs is transferred to an interest suspense account and not recognised in the Profit and Loss Account until received.

(ii) Provisioning

Provision for non-performing advances comprising sub-standard, doubtful and loss assets is made at a minimum in accordance with the RBI guidelines. In addition, the Bank considers accelerated specific provisioning that is based on past experience, evaluation of security and other related factors. Specific loan loss provision in respect of non-performing advances are charged to the Profit and Loss Account. Any recoveries made by the Bank in case of NPAs written off are recognised in the Profit and Loss Account.

The Bank has applied following provisioning rates:

Overdue buckets	% of provision as per Bank policy	
	(Secured)	(Unsecured)
0-89	As mentioned below	
90-180	15%	25%
181-365	30%	30%
366-455	60%	60%
456-730	60%	100%
>730	100%	100%
Loss asset	100%	100%

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants

to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advances/ securities, which would generally include, among others, alteration of repayment period/ repayable amount/ the amount of instalments/ rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made and classification thereof is as per the extant RBI guidelines.

In accordance with RBI guidelines, the Bank has provided general provision on standard assets at levels stipulated by RBI from time to time - direct advances to sectors agricultural and SME at 0.25%, commercial real estate & NBFC at 1.00%, restructured standard advances progressively to reach 5.00%, commercial real estate-residential housing at 0.75%, housing loans (which have adequate Loan to Value (LTV) ratio as prescribed by RBI) at 0.25% and for other sectors at 0.40%. Provision made against standard assets in accordance with RBI guidelines as above is disclosed separately under Other Liabilities and not netted off against Advances.

Provision for unhedged Foreign Currency Exposure of borrowers is made as per the RBI guidelines.

B. Securitisation and transfer of assets

The Bank securitises out its receivables to Special Purpose Vehicles ('SPVs') in securitisation transactions. Such securitised-out receivables are de-recognised in the Balance Sheet when they are sold (true sale criteria as defined in RBI Circular, being fully met with) and consideration is received by the Bank. In respect of receivable pools securitised-out, the Bank provides liquidity facility and credit enhancements, as specified by the rating agencies, in the form of cash collaterals/ guarantees and/or by subordination of cash flows in line with RBI guidelines. The Bank also acts as a servicing agent for receivable pools securitised-out.

The Bank enters into transactions for transfer of standard assets through the direct assignment of cash flows, which are similar to asset-backed securitisation transactions through the SPV route, except that such



Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 17 : BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

portfolios of receivables are assigned directly to the purchaser and are not represented by Pass Through Certificates ('PTCs').

The RBI issued addendum guidelines on securitisation of standard assets vide its circular dated May 7, 2012. Accordingly, the Bank does not provide liquidity facility or credit enhancements on the direct assignment transactions undertaken subsequent to these guidelines. The Bank amortises any profit received for every individual securitisation or direct assignment transaction based on the method prescribed in these guidelines.

The Bank enters into transactions for the sale or purchase of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Bank sells the fulfilment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfilment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recorded as 'Miscellaneous Income' and the fee paid for purchase of the PSLCs is recorded as 'Other Expenditure' in the Profit and Loss Account. These are amortised on quarterly basis.

The Bank invests in PTCs issued by other SPVs. These are accounted for at the deal value and are classified as investments. The Bank also buys loans through the direct assignment route which are classified as advances. These are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised over the tenure of the loans.

C. Investments

Classification and valuation of the Bank's Investments is carried out in accordance with RBI and Fixed Income Money Market and Derivatives Association ('FIMMDA') guidelines issued in this regard from time to time.

(i) Classification

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into 'Held for Trading' ('HFT'), 'Available for Sale' ('AFS') and 'Held to Maturity' ('HTM') categories (hereinafter called "categories").

Investments, which the Bank intends to hold till maturity, are classified as HTM investments. Investments that are held principally for resale within a short period, including short sale, are classified as HFT investments. All other investments are classified as AFS investments.

For the purpose of disclosure in the financial statements, the investments are classified under six groups (hereinafter called "groups"):

- a) Government Securities;
- b) Other Approved Securities;
- c) Shares;
- d) Debentures and Bonds;
- e) Subsidiaries/ Joint Ventures; and
- f) Other Investments.

All investments purchase and sale including equity shares are recorded under "Settlement Date" Accounting.

(ii) Acquisition cost

The cost of investments is determined on weighted average basis. Broken period interest on debt instruments and government securities are considered as a revenue item. The transaction costs including brokerage, commission, transaction/settlement charges etc. paid at the time of acquisition of investments are recognised in Profit and Loss Account.

(iii) Transfer between categories

Transfer of investments between categories, if any are considered in accordance with the extant RBI guidelines as follows:

- a) Transfer from AFS/HFT to HTM is made at the lower of book value or market value at the time of transfer;
- b) Transfer from HTM to AFS/HFT is made at acquisition price/book value if originally placed in HTM at par or at a discount and

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 17 : BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

at amortised cost if originally placed in HTM at a premium;

- c) Transfer from AFS to HFT category or vice-versa is made at book value and the provision for the accumulated depreciation, if any, held is transferred to the provisions for depreciation against the HFT securities or vice-versa.

(iv) Valuation

Investments classified under HTM need not be marked to market and are carried at acquisition cost, unless it is more than face value, in which case the premium is amortised over the period remaining maturity by applying constant price method (Straight Line Method). Such amortisation of premium is adjusted against interest income under the head "Income from investments" as per the RBI guidelines.

Bank recognises any diminution, other than temporary, in the value of their investment under HTM category for each investment individually.

Investments classified as AFS and HFT are marked to-market on a periodic basis as per relevant RBI guidelines. The securities are valued scrip-wise and any depreciation/appreciation is aggregated for each category. Net appreciation in each category, if any, is ignored, while net depreciation is provided for. The book value of individual securities is not changed consequent to the periodic valuation of investments.

Treasury bills, commercial papers and certificates of deposit are valued at carrying cost including the pro rata discount accreted for the holding period.

Quoted investments are valued at traded/quoted price available on the recognised stock exchanges, subsidiary general ledger account transactions, price list of RBI or prices declared by Financial Benchmark India Pvt. Ltd. ('FIBIL') jointly with Fixed Income Money Market and Derivatives Association (FIMMDA) applicable as at the balance sheet date. For deriving market

value of unquoted fixed income securities (other than Central and State Government securities), yields/mark-up rates (reflecting associate credit risk) published by the FIMMDA is used. The market value of unquoted government securities which are in the nature of Statutory Liquidity Ratio ('SLR') securities included in the AFS and HFT categories is valued as per rates published by FIBIL/FIMMDA.

In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e., not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by Fixed Income Money Market and Derivatives Association of India (FIMMDA)/ Financial Benchmark India Pvt. Ltd. ('FIBIL') and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity published by FIMMDA is adopted for this purpose.

Equity shares for which current quotations are not available or where the shares are not quoted on the stock exchanges, should be valued at break-up value (without considering 'revaluation reserves', if any) which is to be ascertained from the company's latest balance sheet (which should not be more than one year prior to the date of valuation). In case the latest balance sheet is not available the shares are to be valued at ₹ 1 per company, as per relevant RBI guidelines.

Investment in mutual fund units are valued at latest available re-purchase price or Net Asset Value (where re-purchase price is not available) as declared by the mutual fund in respect of each particular scheme.

In case of funds with a lock-in period, where repurchase price/market quote is not available, Units could be valued at Net Asset Value (NAV). If NAV is not available, then these could be valued at cost, till the end of the locking period. Wherever the re-purchase price is not available, the Units could be valued at the NAV of the respective scheme.



Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 17 : BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Units of Venture Capital Funds (VCF) held under AFS category are valued using the Net Asset Value (NAV) shown by VCF as per the financial statement. The VCFs are valued based on the audited results once in a year. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the aforesaid six groups, is charged to the Profit and Loss Account. The net appreciation, if any, in any of the six groups is not recognised except to the extent of depreciation already provided. The valuation of investments includes securities under repo transactions. The book value of individual securities is not changed after the valuation of investments.

Non-performing investments are identified and depreciation/provision are made thereon based on the RBI guidelines. The depreciation/provision on such non-performing investments are not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Profit and Loss Account until received.

(v) Disposal of investments

Profit/Loss on sale of investments under AFS and HFT categories are recognised in the Profit and Loss Account. Profit in respect of investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to Capital Reserve account as per RBI guidelines. Loss on sale from HTM will be recognised in the Profit and Loss account.

(vi) Investment Fluctuation Reserve

As per the RBI circular RBI/2017-18/147 DBR.No. BP.BC.102/21.04.048/2017-18 dated April 2, 2018, to build up adequate reserves to protect against increase in yields in future, the Bank has created an Investment

Fluctuation Reserve (IFR) to the extent of the lower of following:

- a) net profit on sale of investments during the year;
- b) net profit for the year less mandatory appropriations.

As per the RBI circular, this reserve will be created until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis and where feasible this should be achieved within a period of three year.

(vii) Repo and reverse repo transactions

Repurchase ('repo') and reverse repurchase ('reverse repo') transactions including liquidity adjustment facility (with RBI) accounted for as borrowing and lending transactions. Accordingly, securities given as collateral under an agreement to repurchase them are held under the investments of the Bank and the Bank is accruing the coupon/discount on such securities during the repo period. Also, the Bank value the securities sold under repo transactions as per the investment classification of the securities. The difference between the clean price of the first leg and clean price of the second leg is recognised as interest income/expense over the period of the transaction in the Profit and Loss Account.

D. Transactions involving foreign exchange

Initial recognition

Transactions in foreign currencies entered into by the Bank are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement at the Balance Sheet date

Foreign currency monetary items, if any, of the Bank, outstanding at the balance sheet date are restated at the rates prevailing at the year-end as notified by Foreign Exchange Dealers Association of India ('FEDAI'). Non-monetary items of the Bank are carried at historical cost.

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 17 : BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Contingent liabilities on account of foreign exchange contracts, currency future contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

Treatment of Exchange differences

Exchange differences arising on settlement/ restatement of foreign currency monetary assets and liabilities of the Bank are recognised as income or expense in the Profit and Loss Account.

E. Employee Benefits

Employee benefits include provident fund, gratuity and compensated absences.

Defined contribution plan:

The Bank's contributions to provident fund are considered as defined contribution plan and are charged as an expense as they fall due based on the amount of contribution required to be made when the services are rendered by the employees.

Defined Benefits Plan

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Profit and Loss Account in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested while otherwise, it is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Short-term Employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the

services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under:

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

Long-term Employee benefits

The Bank accrues the liability for compensated absences based on actuarial valuation as at the Balance Sheet date conducted by an independent actuary which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation. The net present value of the Banks' obligation is determined using the Projected Unit Credit Method as at the Balance Sheet date. Actuarial gains/losses are recognised in the Profit and Loss Account in the year in which they arise.

Share based payments

The Employee Stock Option Schemes (ESOSs) of the Bank are in accordance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The Schemes provide for grant of options on equity shares to employees of the Bank to acquire the equity shares of the Bank that vest in a cliff vesting or in a graded manner and that are to be exercised within a specified period.

In accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the Guidance Note on Accounting for Employee Share-based Payments, issued by The Institute of Chartered Accountants of India, the cost of equity-settled transactions is measured using the intrinsic value method. The intrinsic value being the excess, if any, of the fair market price of the share under ESOSs over the exercise price of the option



Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 17 : BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

is recognised as deferred employee compensation with a credit to Employee's Stock Option (Grant) Outstanding account. The deferred employee compensation cost is amortised on a straight-line basis over the vesting period of the option. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of equity instruments that are outstanding. The fair market price is the latest available closing price preceding the date of grant of the option, on the stock exchange on which the shares of the Bank are listed.

The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion. In respect of the options which expire unexercised the balance standing to the credit of Employee's Stock Option (Grant) Outstanding accounts is transferred to Profit & Loss Account.

F. Revenue recognition

- i) Interest Income is recognised on a time proportion accrual basis taking into account the amount outstanding and the interest rate implicit in the underlying agreements. Income or any other charges on non-performing assets or on assets taken in custody for recovery of loan through disposal of such assets during the period are recognised only when realized as per the IRAC norms of RBI. Any such income recognised and remaining unrealized, before the asset became non-performing or before disposal of assets in custody of the company, is reversed. Overdue interest is recognised on realization basis. Overdue interest is treated to accrue on realisation, due to the uncertainty of their realisation other than on running accounts where it is recognised when due.
- ii) Service charges, fees and commission income are recognised when due except for guarantee commission and letter of credit which is recognised over the period of the guarantee/ letter of credit.

- iii) Income on discounted instruments are recognised over the tenure of the instrument on a constant yield basis.
- iv) Loan origination income i.e. processing fee and other charges are collected upfront and recognised at the inception of the loan.
- v) All other charges such as cheque return charges, legal charges, seizing charges, etc. are recognised on realisation basis. These charges are treated to accrue on realisation, due to the uncertainty of their realisation.
- vi) Dividend income is recognised on an accrual basis when the right to receive the dividend is established.
- vii) Interest income on deposits with banks and other financial institutions are recognised on a time proportion accrual basis taking into account the amount outstanding and the rate applicable.
- viii) Interest income on investments is recognised on accrual basis.
- ix) Assignment and Securitisation:
 - a) **Income on assignment transactions done prior to RBI circular no. DBOD.No.BP.BC-103/21.04.177/2011-12 May 07, 2012.**
In case of assignment of loan assets and related receivables "at par", income is accounted for by applying the interest rate implicit in such assigned contracts as reduced by Internal Rate of Return (IRR) committed to the purchaser of loan assets.
 - b) **For transactions done after issuance of RBI circular no. DBOD.No.BP.BC-103/21.04.177/2011-12 May 07, 2012.**
Gains arising on securitisation of assets is recognised over the tenure of securities issued by SPV as per guidelines on securitisation of standard assets issued by RBI. Income from excess interest spread is accounted for net of losses when redeemed in cash. Expenditure in respect

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 17 : BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

of securitisation (except bank guarantee fees for credit enhancement) is recognised upfront. Bank guarantee fees for credit enhancement is amortised over the tenure of the agreements. Income arising on direct assignment is recognised over the tenure of agreement on accrual basis.

- x) Amounts recovered against debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognised in the Profit and Loss Account.
- xi) Fees received on sale of Priority Sector Lending Certificates is recognised on proportionate basis during the financial year and considered as Miscellaneous Income, in accordance with the guidelines issued by the RBI.

G. Accounting for leases

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term is classified as operating leases. Operating lease rentals are recognised as an expense on straight-line basis over the lease period in accordance with the AS 19, Leases.

H. Taxation

Tax expenses comprises of current income tax and deferred tax.

Income tax

Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in Profit and Loss Account.

Deferred taxes

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the Profit and Loss Account.

Deferred tax liabilities are recognised for all taxable timing differences. Deferred tax assets are recognised for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Bank has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

The carrying cost of the deferred tax assets are reviewed at each balance sheet date. The Company writes down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

I. Accounting for provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date.

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 17 : BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Bank does not recognise a contingent liability but discloses its existence in the financial statements. Contingent assets are neither recognised nor disclosed in the financial statements.

J. Earnings Per Share (EPS)

Basic and diluted earnings per share is computed in accordance with Accounting Standard-20 – Earnings per share.

Basic earnings per share is calculated by dividing the net profit or loss after tax for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the period.

For the purpose of calculating diluted earnings per share, the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

K. Cash and Cash Equivalents

Cash and Cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

L. Fixed Assets

Property, Plant and Equipment/ Software/ Capital Work-in-Progress/ Software under development, Depreciation and Impairment

(i) Property, Plant and Equipment (PPE) and Software

Property, Plant and Equipment and Software are carried at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price and directly attributable cost of bringing the asset to its working condition for the intended use.

Gains or losses arising from derecognition of Property, Plant and Equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Profit and Loss Account when the asset is derecognised.

(ii) Depreciation on property, plant and equipment:

Leasehold land is amortised on a straight-line basis over the period of lease.

Depreciation on Property, Plant, Equipment and software is charged on a straight-line basis using the rates arrived at, based on the useful lives estimated by the management as given below. The useful life have been estimated by the management based on technical advice obtained. Determination of useful life of an asset is a matter of judgment and based on various factors such as type and make of an item, its place and pattern of usage, nature of technology, obsolescence factors, availability of spares, etc. and makes a significant impact on the useful life of an asset.

Particulars	Useful Life (years)
Premises owned by the Bank	60
Furniture and Fixture	10
Vehicles	8
Software	4-7
Computer, Printer, servers and other office equipment	3-6
ATMs	10
Safe, Locker and locker gate	15

Addition to lease hold premises are charged off over the remaining period of lease subject to maximum of 10 years.

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 17 : BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Items individually costing up to ₹ 5,000/- are fully depreciated in the year of installation/purchase as the management estimates the useful life of such assets as one year.

Depreciation on assets acquired/sold during the period is recognised on a pro-rata basis to the Profit and Loss Account from/upto the date of acquisition/sale.

The residual values, useful life and methods of depreciation of property, plant and equipment are reviewed at each financial period end and adjusted prospectively, if appropriate.

(iii) Impairment of assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

(iv) Capital Work-in-Progress/ Software under development

Costs incurred towards acquisition of assets, including expenses incurred prior to those assets being put to use and directly attributable to bringing them to their working condition are included under “Capital Work-in-Progress”. Capital Work-in-Progress and Software under development are stated at the amount incurred up to the date of Balance Sheet.

M. Segment Reporting

Part A: Business segments

Business segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organisation structure, the internal business reporting system and the guidelines prescribed by RBI. The Bank operates in the following segments:

(a) Treasury

The treasury segment primarily consists of net interest earnings from the Bank’s investment portfolio, money market borrowing and lending and gains or losses on investment operations.

(b) Retail banking

The retail banking segment serves retail customers through a branch network and other delivery channels. This segment raises deposits from customers and provides loans and other services to customers with the help of specialist product groups. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are derived from interest earned on retail loans, fees from services rendered etc. expenses of this segment primarily comprise interest expense on deposits, commission paid to retail assets sales agents infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses of specialist product groups, processing units and support groups.

(c) Wholesale banking

The wholesale banking segment provides loans and transaction services to large corporates,



Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 17 : BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

- emerging corporates, public sector units, government bodies, financial institutions and medium scale enterprises. Revenues of the wholesale banking segment consist of interest earned on loans made to customers etc. The principal expenses of the segment consist of interest expense on funds borrowed from external sources, interest on deposits, personnel costs, other direct overheads and allocated expenses of delivery channels, specialist product groups, processing units and support groups.
- interest expense less operating expense and provisions, if any, for that segment. Segment-wise income and expenses include certain allocations. Segment capital employed represents the net assets in that segment.
- Part B: Geographic segments**

The Bank operates in a single geographic segment i.e. domestic.
- N. Share Issue Expenses**

Share issue expenses are adjusted from Securities Premium Account as permitted by Section 52 of the Companies Act, 2013.
- O. Accounting for Proposed Dividend**

Dividend proposed/declared including dividend distribution tax after the balance sheet date is accrued in the books of the Bank in the year in which the dividend is approved by the shareholders as per revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, dated March 30, 2016.
- (d) Other banking business**

This segment includes income from para banking activities such as third party product distribution and the associated costs.
- (e) Unallocated**

All items which are reckoned at an enterprise level are classified under this segment. This includes unallocable assets and liabilities such as deferred tax, prepaid expenses, etc.

Segment revenue includes earnings from customers. Segment result includes revenue less

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Amounts in notes forming part of the financial statements for the year ended March 31, 2020 are denominated in rupee crore to conform to extant RBI guidelines.

A. Disclosures as Laid Down by RBI Circulars

1 Capital Adequacy Ratio

The Capital adequacy ratio ("CAR") has been computed as per operating guideline for Small Finance Bank in accordance with RBI Circular No. RBI/2016-17/81DBR.NBD.No.26/16.13.218/2016-17 dated October 6, 2016.

The Bank has followed Basel II standardized approach for credit risk in accordance with the Operating Guideline issued by the Reserve Bank of India for Small Finance Banks. Further, the RBI vide its circular No. DBR.NBD.No. 4502/16.13.218/2017-18 dated November 8, 2017 has provided an exemption to all Small Finance Banks whereby no separate capital charge is prescribed for market risk and operational risk.

The total Capital Adequacy ratio of the Bank as at March 31, 2020 is 21.99% (previous year: 19.31%) against the regulatory requirement of 15.00% as prescribed by RBI.

The Bank has also considered an additional Risk Weight of 25% on assets under lien for its "grandfathered" legacy borrowings as per instructions received from RBI.

No Capital Conservation Buffer and Counter - Cyclical Capital Buffer is applicable on Small Finance Bank (SFB) as per operating guidelines issued on SFB by RBI.

The following table set forth, for the year indicated, computation of Capital adequacy:

		₹ in crore)	
Sr. No.	Particulars	March 31, 2020	March 31, 2019
(i)	Common Equity Tier 1 capital ratio (%)	18.36%	15.96%
(ii)	Tier I capital ratio (%)	18.36%	15.96%
(iii)	Tier II capital ratio (%)	3.63%	3.35%
(iv)	Total Capital Ratio (CRAR) (%)	21.99%	19.31%^
(v)	Percentage of the shareholding of the Government of India in public sector banks	-	-
(vi)	Amount of equity capital raised	545.72*	482.09**
(vii)	Amount of Additional Tier I capital raised; of which		
	Perpetual Non-Cumulative Preference Shares (PNCPS)	-	-
	Perpetual Debt Instruments (PDI)	-	-
(viii)	Amount of Tier II capital raised; of which		
	Debt capital instruments:	-	500.00
	Preferential capital instrument	-	-
	Shares (PCPS)/ Redeemable Non-Cumulative Preference Shares (RNCPS)/ Redeemable Cumulative Preference Shares	-	-

* During the year ended March 31, 2020, the Bank has received an amount of ₹ 525.00 crore (the "Balance Consideration") upon allotment of equity shares against 1,01,04,364 convertible warrants pursuant to exercise of option by the warrant holder. These warrants are converted into 1,01,04,364 equity share of the Bank of face value ₹ 10 each, at an issue price of ₹ 692.77 per share aggregating to ₹ 700.00 crore out of which ₹ 175.00 crore (the "Upfront Consideration") was received during the previous year.

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

**** During the year ended March 31, 2019, the Bank has raised additional equity capital through a preferential allotment of 43,30,441 equity shares of ₹ 10 each at an issue price of ₹ 692.77 per share. Accordingly, the paid-up share capital of the Bank has increased by ₹ 4.33 crore and the reserves of the Bank have increased by ₹ 295.67 crore. Also the Bank allotted 1,01,04,364 convertible warrants, each convertible into one equity share of the Bank of face value ₹ 10 each, at an issue price of ₹ 692.77 per share aggregating to ₹ 700.00 crore out of which ₹ 175.00 crore (the "Upfront Consideration") has been received during the current year against allotment of warrant and the balance of ₹ 525.00 crore (the "Balance Consideration") shall be received upon allotment of equity shares against such warrants pursuant to exercise of option by the warrant holder. This Upfront Consideration is considered as part of Tier I Capital for the purpose of computation of the Capital Adequacy Ratio as at March 31, 2019.**

^ The Bank has reduced proposed dividend for computing Capital Adequacy Ratio as at March 31, 2019.

Further the Bank allotted 16,61,477 equity shares (previous year: 23,23,425 equity shares) aggregating to paid up share capital of ₹ 1.66 crore (previous year: ₹ 2.32 crore) and the reserves of the Bank have increased by ₹ 19.06 crore (previous year: ₹ 4.77 crore) in respect of stock options exercised.

2 Investments

2.1 Detail of Investments

Particulars	(₹ in crore)	
	March 31, 2020	March 31, 2019
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	10,668.24	7,161.72
(b) Outside India	-	-
(ii) Provisions for Depreciation		
(a) In India	0.02	0.05
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	10,668.22	7,161.67
(b) Outside India	-	-
(2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	0.05	0.47
(ii) Add: Provisions made during the year	0.02	0.05
(iii) Less: Write off/ write back of excess provisions during the year	0.05	0.47
(iv) Closing balance	0.02	0.05

Reserve Bank of India vide its circular dated April 2, 2018 and June 15, 2018 respectively granted banks an option to spread provisions for mark to market losses on investments held in AFS and HFT for the quarters ended December 31, 2017, March 31, 2018 and June 30, 2018. The Circular stated that the provisioning for each of these quarters may be spread equally over upto four quarters, commencing with the quarter in which the loss was incurred. The Bank has availed the dispensation as provided in above circular in Quarter ended June 30, 2018, however, during the Quarter ended December 31, 2018, the brought forward unamortised depreciation has been fully offset against the appreciation in the AFS/HFT Investments.

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

2.2 Repo Transactions

Details of repo/reverse repo deals (in face value terms) (Including LAF and TREPS) entered during the year ended March 31, 2020

Particulars	(₹ in crore)			
	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2020
Securities sold under repo:				
i. Government securities				
a. LAF Repo	-	310.00	37.10	310.00
b. Triparty Repo (TREPS)	-	474.84	140.01	449.97
ii. Corporate debt securities	-	25.19	0.14	-
Securities purchased under reverse repo:				
i. Government securities				
a. LAF Repo	-	2,700.00	191.59	2,095.00
b. Triparty Repo (TREPS)	-	239.96	3.14	-
ii. Corporate debt securities	-	-	-	-

Details of repo/reverse repo deals (in face value terms) (Including LAF and TREPS) entered during the year ended March 31, 2019

Particulars	(₹ in crore)			
	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2019
Securities sold under repo:				
i. Government securities				
a. LAF Repo	-	275.00	12.07	275.00
b. Triparty Repo (TREPS)	-	268.06	12.43	-
ii. Corporate debt securities	-	-	-	-
Securities purchased under reverse repo:				
i. Government securities				
a. LAF Repo	-	575.00	45.19	510.00
b. Triparty Repo (TREPS)	-	-	-	-
ii. Corporate debt securities	-	-	-	-

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

2.3 Non-SLR investment portfolio

i) Issuer composition of Non-SLR investments

Issuer-wise composition of non-SLR investments as at March 31, 2020:

(₹ in crore)

Sr. No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities*	Extent of 'Unlisted' Securities*
1	2	3	4	5	6	7
(i)	Public sector undertakings	354.36	-	-	-	-
(ii)	Financial institutions	1,857.59	417.79	-	-	-
(iii)	Banks	154.64	94.98	-	-	-
(iv)	Private corporates	402.76	-	-	-	50.00
(v)	Subsidiaries/ Joint Ventures	-	-	-	-	-
(vi)	Others**	255.66	255.66	-	-	-
(vii)	Provision held towards depreciation	-	-	-	-	-
Total		3,025.01	768.43	-	-	50.00

Amounts reported under column 4, 5, 6 and 7 above are not mutually exclusive.

* Excludes equity shares, units of equity-oriented mutual fund, units of venture capital fund, pass through certificates (PTC), security receipts, commercial papers, certificates of deposit, non-convertible debentures (NCDs) with original or initial maturity up to one year issued by corporate (including NBFC), unlisted convertible debentures and securities acquired by way of conversion of debt.

** Others include Investment in Pass Through Certificates (PTC).

Issuer-wise composition of non-SLR investments as at March 31, 2019:

						(₹ in crore)
Sr. No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities*	Extent of 'Unlisted' Securities*
1	2	3	4	5	6	7
(i)	Public sector undertakings	645.69	447.16	-	-	-
(ii)	Financial institutions	971.03	335.14	-	-	-
(iii)	Banks	33.17	-	-	-	-
(iv)	Private corporates	246.74	98.70	-	-	-
(v)	Subsidiaries/ Joint Ventures	-	-	-	-	-
(vi)	Others**	407.29	407.29	-	-	-
(vii)	Provision held towards depreciation	(0.05)	(0.05)	-	-	-
Total		2,303.87	1,288.24	-	-	-

Amounts reported under column 4, 5, 6 and 7 above are not mutually exclusive.

* Excludes equity shares, units of equity-oriented mutual fund, units of venture capital fund, pass through certificates (PTC), security receipts, commercial papers, certificates of deposit, non-convertible debentures (NCDs) with original or initial maturity up to one year issued by corporate (including NBFC), unlisted convertible debentures and securities acquired by way of conversion of debt.

** Others include Investment in Pass Through Certificates (PTC).

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

ii) Non-performing Non-SLR investments

The Bank does not have any Non-performing Non-SLR investment as on March 31, 2020 and March 31, 2019.

2.4 Details of investments category-wise (Net of Provision for Depreciation)

The details of investments held under the three categories viz. Held for Trading (HFT), Available for Sale (AFS) and Held to Maturity (HTM) are as under:

Particulars	As at March 31, 2020				As at March 31, 2019			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
	(₹ in crore)				(₹ in crore)			
Government securities	10.47	2,592.25	5,040.49	7,643.21	5.08	965.40	3,887.31	4,857.79
Other approved securities	-	-	-	-	-	-	-	-
Shares	-	89.32	-	89.32	-	97.21	-	97.21
Debentures and bonds	-	2,137.99	-	2,137.99	-	521.13	-	521.13
Subsidiary/ Joint ventures	-	-	-	-	-	-	-	-
Others*	300.00	497.70	-	797.70	-	1,685.54	-	1,685.54
Total	310.47	5,317.26	5,040.49	10,668.22	5.08	3,269.28	3,887.31	7,161.67

* Others Investment includes Certificate of Deposits amounting of ₹ 94.98 crore (previous year: NIL), Commercial Papers of ₹ 147.07 crore (previous year: ₹ 1,278.30 crore), Mutual fund Units of ₹ 300.00 crore (previous year: NIL) and PTC of ₹ 255.66 crore (previous year: ₹ 407.24 crore).

Figures Reported above are Net of Provision (Depreciation/NPI)

2.5 Sale and Transfers to/from HTM Category

During the year ended March 31, 2020 and the previous year ended March 31, 2019 the Bank has not sold and transferred securities to or from HTM category exceeding 5% of the book value of investment held in HTM category at the beginning of the year. The 5% threshold referred to above does not include onetime transfer of securities to/from HTM category with the approval of Board of Directors permitted to be undertaken by banks as per extant RBI guidelines, sale of securities under pre-announced Open Market Operation (OMO) auction to the RBI and sale of securities or transfer to AFS/HFT consequent to the reduction of ceiling on SLR securities under HTM.

3 Derivatives/ Exchange traded Interest derivatives/ Risk exposures in derivatives

The bank has not entered into any derivative instruments for trading/speculative purposes either in Foreign Exchange or domestic treasury operations and Bank does not have any Forward Rate Agreement or Interest rate swaps during the year ended March 31, 2020 and March 31, 2019.



Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

4 Asset Quality

4.1 Movement in NPAs (On fund based portfolio)

Particulars	(₹ in crore)	
	March 31, 2020	March 31, 2019
(i) Net NPAs to Net Advances (%)	0.81%	1.29%
(ii) Movement of NPAs (Gross)		
Gross NPAs as on 1st April (opening balance)	470.14	269.74
Additions (Fresh NPAs) during the year	617.03*	447.73
Sub-total (A)	1,087.17	717.47
Less:		
(i) Upgradations	525.73*	175.20
(ii) Recoveries (excluding recoveries made from upgraded accounts)	56.53	52.50
(iii) Technical/ Prudential Write-offs	2.05	-
(iv) Write-offs other than those under (iii) above	45.08	19.63
Sub-total (B)	629.39	247.33
Gross NPAs as on 31st March (closing balance) (A-B)	457.78	470.14
(iii) Movement of Net NPAs		
(a) Opening balance	294.50	169.34
(b) Additions during the year	402.65	316.51
(c) Reductions during the year	(479.85)	(191.35)
(d) Closing balance	217.30	294.50
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	175.64	100.40
(b) Provisions made during the year	214.38	131.22
(c) Write-offs/ Write-back of excess provisions	(149.54)	(55.98)
(d) Closing balance	240.48	175.64

*Additions and deletions does not include loans which have become NPA during the month and subsequently moved out of NPA in the same month.

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

4.2 Disclosure on accounts subjected to restructuring for the year ended March 31, 2020:

Sr.	Type of Restructuring No. Asset Classification → Details ↓	Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total			
		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard
1	Restructured Accounts as on April 1 of the FY (opening figures)*	-	-	-	-	-	-	-	-	-	-	3	0.48	5	-	8	3
2	Fresh restructuring during the year	-	-	-	-	-	-	-	-	-	-	0.02	-	0.39	-	0.41	0.02
3	Upgradations to restructured standard category during the year	-	-	-	-	-	-	-	-	-	-	-	0.06	-	-	0.06	-
4	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year	-	-	-	-	-	-	-	-	-	-	-	0.01	-	-	0.01	-
5	Downgradations of restructured accounts during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts as on March 31 of the year (closing figures)*	-	-	-	-	-	-	-	-	-	-	-	0.06	2	5	7	-
		-	-	-	-	-	-	-	-	-	-	-	0.01	0.97	-	1.03	0.01
		-	-	-	-	-	-	-	-	-	-	-	-	0.97	-	0.98	-

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



Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

4.2 Disclosure on accounts subjected to restructuring for the year ended March 31, 2019:

Sr.	Type of Restructuring No-Asset Classification → Details ↓	Under CDR Mechanism				Under SME Debt Restructuring Mechanism				Others				Total			
		Sub-Standard		Doubtful		Sub-Standard		Doubtful		Sub-Standard		Doubtful		Sub-Standard		Doubtful	
		Standard	Loss	Standard	Total	Standard	Loss	Standard	Total	Standard	Loss	Standard	Total	Standard	Loss	Standard	Total
1	Restructured Accounts as on April 1 of the FY (opening figures)* No. of borrowers Amount Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year No. of borrowers Amount Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the year No. of borrowers Amount Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year No. of borrowers Amount Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the year No. of borrowers Amount Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the year No. of borrowers Amount Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts as on March 31 of the year (closing figures)* No. of borrowers Amount Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

4.3 Details of Financial Assets sold during the year to Securitisation/Reconstruction Companies (SC/RC) for Asset Reconstruction

During the year, there was no sale of non-performing financial assets to Securitisation Company/Reconstruction Company (previous year: Nil).

4.4 Details of book value of investment in security receipts (SRs) backed by NPAs

The Bank has not invested in security receipts during the year and previous year.

4.5 Details of non-performing assets purchased/sold

The Bank did not sell/buy non-performing assets during the year and previous year, (Does not includes clean up call option exercised on Securitised portfolio).

4.6 Provisions on Standard Assets

Particulars	March 31, 2020		March 31, 2019	
	121.03*		93.21	
Provision towards Standard Assets				

*Does not includes general provision of ₹ 138.38 crore made by bank in respect of accounts in default but standard against the potential impact of COVID-19 as on March 31, 2020.

5 Business Ratios

Particulars	March 31, 2020		March 31, 2019	
	11.91%		12.02%	
i. Interest Income as a percentage to Working Funds				
ii. Non-interest income as a percentage to Working Funds	1.96%		1.88%	
iii. Operating Profit as a percentage to Working Funds	3.33%		2.94%	
iv. Return on Assets	1.81%		1.48%	
v. "Business" (deposits plus advances) per employee (₹ in crore)	3.00		2.34	
vi. Profit per employee (₹ in crore)	0.05		0.03	

Definitions of certain items in Business ratios/information:

- Working funds to be reckoned as monthly average of total assets (excluding accumulated losses, if any) as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949.
- Operating profit = (Interest Income + Other Income – Interest expenses – Operating expenses).
- Return on Assets has been calculated on yearly average of total assets.
- "Business" is the total of monthly average of net advances and deposits (net of inter-bank deposits).
- Productivity ratios (Business per employee and Profit per employee) are based on monthly average of employees count.

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system/reports and has been furnished by the Management which has been relied upon by the auditors.



Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEARENDED MARCH 31, 2020 (CONTD.)

6 Asset Liability Management

Maturity pattern of certain items of assets and liabilities

As at March 31, 2020

Particulars	Day 1	2 to 7 days	8 to 14 days	15-30 days	31 days & upto 2 months	More than 2 months and upto 3 months	Over 3 months & upto 6 months	Over 6 months & upto 1 year	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Deposits	100.96	947.85	1,034.59	824.86	1,744.82	1,980.83	3,631.26	8,110.79	7,594.92	165.91	27.14	26,163.93
Advances	1.23	20.44	50.03	43.44	28.40	1,204.18	2,181.50	4,043.39	11,500.66	4,300.83	3,618.30	26,992.42
Investments	2,788.50	555.21	176.67	367.32	339.13	416.54	997.81	1,888.14	2,930.07	43.68	165.14	10,668.22
Borrowings	7.94	694.97	75.76	145.20	467.70	596.97	1,168.45	1,872.77	4,280.14	525.42	500.00	10,335.32
Foreign Currency assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-	-	-	-

As at March 31, 2019

Particulars	Day 1	2 to 7 days	8 to 14 days	15-30 days & upto 2 months	31 days & upto 2 months	More than 2 months and upto 3 months	Over 3 months & upto 6 months	Over 6 months & upto 1 year	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Deposits	45.95	691.48	495.99	911.62	1,733.71	1,739.14	2,099.08	4,482.04	6,955.77	253.52	14.14	19,422.44
Advances	8.54	332.72	168.46	394.94	654.47	518.75	1,326.14	2,736.79	8,598.92	3,632.66	4,446.34	22,818.73
Investments	1,048.15	347.44	502.80	465.69	684.38	602.81	677.33	1,193.67	1,408.25	47.88	183.27	7,161.67
Borrowings	0.73	0.05	327.50	203.29	133.84	100.30	1,150.61	1,492.90	4,028.59	675.55	500.00	8,613.36
Foreign Currency assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-	-	-	-

In computing the above information, certain estimates and assumptions have been made by the Bank's Management which have been relied upon by the auditors.

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

7 Exposures

7.1 Exposure to real estate sector

Category	March 31, 2020	March 31, 2019
(a) Direct exposure		
(i) Residential Mortgages - Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Includes Individual housing loans eligible for inclusion in priority sector advances as at March 31, 2020 ₹ 340.69 crore and as at March 31, 2019 ₹ 78.90 crore).	450.22	116.35
(ii) Commercial Real Estate - Lending secured by mortgages on commercial real estate (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.	900.01	793.69
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
(a) Residential	-	-
(b) Commercial Real Estate	-	-
Total (A)	1,350.23	910.04
(b) Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	1,028.68	519.57
Total (B)	1,028.68	519.57
Total Exposure to Real Estate Sector (A+B)	2,378.91	1,429.61

Of the loans given against the mortgage of any real estate, only those loans have been classified as an exposure to commercial real estate, the prospects for repayment in respect of which depend primarily on the cash flows generated by such mortgaged asset.

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system/reports which has been furnished by the Management and has been relied upon by the auditors.

7.2 Exposure to Capital Market

Particulars	March 31, 2020	March 31, 2019
(i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt.	89.32	97.21
(ii) Advances against shares/ bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity oriented mutual funds.	-	-
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security.	-	-
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/ convertible debentures/ units of equity oriented mutual funds does not fully cover the advances.	-	16.12
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers.	136.00	-

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

Particulars	(₹ in crore)	
	March 31, 2020	March 31, 2019
(vi) 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.	-	-
(vii) Bridge loans to companies against expected equity flows/ issues.	-	-
(viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds.	-	-
(ix) Financing to stockbrokers for margin trading.	-	-
(x) All exposures to Venture Capital Funds (both registered and unregistered).	-	-
Total Exposure to Capital Market	225.32	113.33

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system/reports which has been furnished by the Management and has been relied upon by the auditors.

7.3 Details of risk category-wise country exposure

The Bank does not have any country risk exposure other than "home country exposures" and accordingly, no provision is maintained with regard to country risk exposure (previous year: Nil).

7.4 Details of Single Borrower Limit (SGL)/Group Borrower Limit (GBL) exceeded by the bank

During the year ended March 31, 2020 and March 31, 2019, the Bank has not exceeded the prudential credit exposure limit as prescribed by the Reserve Bank of India in respect of Single Borrower and Group Borrowers.

7.5 Unsecured Advances

The Bank has not extended any advances where the collateral is an intangible asset such as a charge over rights, licenses, authorisations, etc. (previous year: Nil). The unsecured advances of ₹ 806.24 crore (previous year: ₹ 710.07 crore) as disclosed in Schedule 9 are without any collateral security.

8 Penalties levied by the RBI

During the year ended March 31, 2020, RBI has imposed a penalty of ₹ 0.001 crore (previous year: Nil) for not exchanging soiled notes at a branch.

9 Breakup of "Provisions and Contingencies" recognised in the Profit and Loss Account comprise:

Sr. No.	Particular	(₹ in crore)	
		March 31, 2020	March 31, 2019
(i)	Provision for Non-performing advances	64.75	75.24
(ii)	Provision for Depreciation on Investments	(0.04)	(0.42)
(iii)	Provision for Income Tax	268.92	195.56
(iv)	Provision for Deferred Tax	(29.73)	2.76
(v)	Non-performing Advances written off	51.80	28.47
(vi)	Provision on Standard Advances	27.83	36.81
(vii)	Other Provision and Contingencies*	138.86	1.68
	Total Provisions and Contingencies	522.39	340.10

*Including general provision of ₹ 138.38 crore made by bank in respect of accounts in default but standard against the potential impact of COVID-19 as on March 31, 2020.

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

10 Floating provision

Particulars	(₹ in crore)	
	March 31, 2020	March 31, 2019
(a) Opening balance in the floating provisions account	-	-
(b) The quantum of floating provisions made in the accounting year	-	-
(c) Amount of draw down made during the accounting year	-	-
(d) Closing balance in the floating provisions account	-	-

11 Draw down from reserves

There has been no draw down from reserves during the year ended March 31, 2020 and March 31, 2019 other than those disclosed under Schedule 2.

12 Disclosure for Customer Complaints

(A) Status of Customer Complaints

(i) Customer complaints other than ATM transaction disputes:

Particular	March 31, 2020	March 31, 2019
No. of complaints pending at the beginning of the year	763	118
No. of complaints received during the year	18002	14182
No. of complaints redressed during the year	18561	13537
No. of complaints pending at the end of the year	204	763

(ii) ATM transaction disputes relating to the Bank's customers on bank's ATMs:

Particular	March 31, 2020	March 31, 2019
No. of complaints pending at the beginning of the year	6	3
No. of complaints received during the year	3682	5446
No. of complaints redressed during the year	3687	5443
No. of complaints pending at the end of the year	1	6

(iii) ATM transaction disputes relating to the Bank's customers on other bank's ATMs:

Particular	March 31, 2020	March 31, 2019
No. of complaints pending at the beginning of the year	126	-
No. of complaints received during the year	9370	9283
No. of complaints redressed during the year	9464	9157
No. of complaints pending at the end of the year	32	126

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

(iv) Total customer complaints and ATM transaction disputes [total of tables (i), (ii) and (iii) above]:

Particular	March 31, 2020	March 31, 2019
No. of complaints pending at the beginning of the year	895	121
No. of complaints received during the year	31054	28911
No. of complaints redressed during the year	31712	28137
No. of complaints pending at the end of the year	237	895

Includes complaints received from Banking Ombudsman (BO) and out of 237 (previous year: 895) pending complaints, all redressed before Board meeting except 3 (previous year: 62) complaints.

(B) Status of Awards passed by the Banking Ombudsman (BO)

Particular	March 31, 2020	March 31, 2019
No. of unimplemented Awards at the beginning of the year	Nil	Nil
No. of Awards passed by the Banking Ombudsmen during the year	Nil	Nil
No. of Awards implemented during the year	Nil	Nil
No. of unimplemented Awards at the end of the year	Nil	Nil

The above details are as furnished by the Management and relied upon by the Auditors.

13 Disclosure of Letters of Comfort (LoC) issued by the Bank

The Bank has not issued any Letter of Comfort during the period ended March 31, 2020 and March 31, 2019.

14 Provisioning Coverage Ratio

The Provision Coverage Ratio (PCR) (excluding standard assets provision and general provision on advances due to COVID-19) of the Bank is 52.78% as at March 31, 2020 (previous year: 37.36%).

15 Bancassurance Business

Commission, Exchange and Brokerage in Schedule 14 include the following fees earned on Bancassurance business:

Nature of Income	March 31, 2020	March 31, 2019
Towards selling of life insurance policies	17.55	16.03
Towards selling of non-life insurance policies	13.02	9.85
Towards selling of mutual fund and other products	0.48	0.70

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

16 Concentration of deposits, advances, exposures and NPAs

(i) Concentration of Deposits

Particulars	March 31, 2020	March 31, 2019
Total Deposits of twenty largest depositors*	6,125.75	4,854.83
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	23.41%	25.00%

*Includes certificate of deposits

(ii) Concentration of Advances

Particulars	March 31, 2020	March 31, 2019
Total Advances to twenty largest borrowers	1,026.32	1,289.56
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	3.79%	5.72%

Advances comprise credit exposure (funded and non-funded credit limits).

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system which has been relied upon by the auditors.

(iii) Concentration of Exposures

Particulars	March 31, 2020	March 31, 2019
Total Exposure to twenty largest borrowers/customers	2,420.45	2,071.66
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrowers/customers	8.05%	8.33%

Exposures comprise credit exposure (funded and non-funded credit limits) including investment exposure.

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system which has been relied upon by the auditors.

(iv) Concentration of NPAs

Particulars	March 31, 2020	March 31, 2019
Total Exposure to top four NPA accounts	26.97	26.25



Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

17 Sector-wise advances

Sr. No.		Sector	March 31, 2020		
			Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
A Priority Sector*					
1	Agriculture and allied activities		3,815.27	67.17	1.76%
2	Advances to industries sector eligible as priority sector lending		2,111.06	27.17	1.29%
	Wood and Wood Products		212.40	3.44	1.62%
	Engineering		385.93	4.75	1.23%
	Gems and Jewellery		325.08	1.97	0.61%
	Infrastructure		386.62	2.25	0.58%
3	Services		13,944.70	276.24	1.98%
	Transport Operators		2,736.76	60.13	2.20%
	Trade		6,883.74	144.18	2.09%
4	Personal loans		341.84	0.91	0.27%
	Housing Loan		340.69	0.91	0.27%
	Advances against Fixed Deposits		1.00	-	0.00%
Sub-total (A)			20,212.87	371.49	1.84%
B Non-Priority Sector					
1	Agriculture and allied activities		-	-	0.00%
2	Industry		67.78	0.32	0.47%
	Wood and Wood Products		9.93	0.06	0.62%
	Engineering		9.83	0.02	0.23%
	Gems and Jewellery		6.16	0.01	0.21%
	Infrastructure		2.36	-	0.00%
3	Services		4,348.18	74.71	1.72%
	Transport Operators		591.99	6.16	1.04%
	Trade		447.63	14.98	3.35%
4	Personal loans		2,604.07	11.26	0.43%
	Housing Loan		109.54	-	0.00%
	Vehicle Loans		1,125.33	8.88	0.79%
	Advances against Fixed Deposits		809.54	-	0.00%
Sub-total (B)			7,020.03	86.29	1.23%
Total (A+B)			27,232.90	457.78	1.68%

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

17 Sector-wise advances (contd.)

		(₹ in crore)		
Sr. No.	Sector	March 31, 2019		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
A Priority Sector*				
1	Agriculture and allied activities	3,227.80	73.86	2.29%
2	Advances to industries sector eligible as priority sector lending	1,490.30	24.99	1.68%
	Engineering	236.90	4.69	1.98%
	Gems and Jewellery	248.66	2.03	0.82%
	Infrastructure	321.73	2.23	0.69%
3	Services	11,529.05	303.98	2.64%
	Transport Operators	2,634.88	78.23	2.97%
	Trade	5,090.90	141.40	2.78%
4	Personal loans**	91.05	-	0.00%
	Sub-total (A)	16,338.20	402.83	2.47%
B Non-Priority Sector				
1	Agriculture and allied activities	-	-	0.00%
2	Industry	18.06	0.06	0.31%
	Engineering	3.42	-	0.00%
	Gems and Jewellery	0.18	0.00	1.04%
	Infrastructure	2.86	0.02	0.70%
3	Services	4,175.49	41.93	1.00%
	Transport Operators	137.36	5.01	3.65%
	Trade	224.64	11.90	5.30%
	Non-Banking Financial Companies	2,712.78	-	0.00%
4	Personal loans	2,462.62	25.32	1.03%
	Vehicle Loans	1,551.24	19.50	1.26%
	Sub-total (B)	6,656.17	67.31	1.01%
	Total (A+B)	22,994.37	470.14	2.04%

*Priority sector outstanding total advances includes ₹ 15,504.75 crore (previous year: ₹ 5,331.75 crore), in respect of which the Bank has sold Priority Sector Lending Certificates (PSLC).

During the year ended March 31, 2020, the Bank has bought PLSC amounting Nil (previous year: ₹ 7,470.00 crore) which is not included in above disclosure.

**Personal loan includes Housing loan.

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system/reports which has been furnished by the Management and has been relied upon by the auditors.

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

18 Technical or prudential write-offs

Technical or prudential write-offs refer to the amount of non-performing assets which are outstanding in the books of the branches, but have been written-off (fully or partially) at the head office level. The financial accounting systems of the Bank are integrated and there are no write-offs done by the Bank which remain outstanding in the books of the branches. Movement in the stock of technically or prudentially written-off accounts is given below:

Particular	(₹ in crore)	
	March 31, 2020	March 31, 2019
Opening balance of technical/prudential write-offs	-	-
Technical/Prudential write-offs during the year	2.41	-
Sub-total (A)	2.41	-
Recoveries made from previously technically/prudentially written-off accounts during the year (B)	-	-
Closing balance of technical/prudential write-offs [(A)-(B)]	2.41	-

* Includes two loans which directly classified into technical written off from standard assets classification during the year amounting to ₹ 0.36 crore.

19 Overseas assets, NPAs and revenue

The Bank does not have any overseas branches and hence the disclosure regarding overseas assets, NPAs and revenue is not applicable (Previous Year: Nil).

As on March 31, 2020, the Nomination and Remuneration Committee consist of Non-Executive Directors, composition of committee is as follows:

20 Off Balance Sheet SPVs sponsored

There are no Off-Balance Sheet SPVs sponsored by the Bank, which need to be consolidated as per accounting norms.

- Mr. Krishan Kant Rathi – Independent Director (Chairman)
- Mr. Raj Vikash Verma – Independent Director (w.e.f. March 30, 2020)
- Ms. Jyoti Narang – Independent Director
- Mr. Narendra Ostawal – Non-Executive Director

21 Disclosures on remuneration

A. Qualitative Disclosures:

a) Information relating to the composition and mandate of the Remuneration Committee:

In compliance of Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Banking Regulation Act, 1949 and other guidelines as applicable, the Board of Directors through its Nomination and Remuneration Committee (NRC) of the Board oversees the framing, review and implementation of the compensation policy of the Bank, on behalf of the Board. This committee works in coordination with Risk Management Committee of the Bank, in order to achieve effective alignment between risk and remuneration.

Mr. Mannil Venugopalan – Independent Director - Chairman (ceased to be a member from March 30, 2020)

The roles and responsibilities of the Nomination and Remuneration Committee (NRC) are as under:

- (i) Assist the Board in formulation and implementation of compensation policy and lay down the criteria for remuneration of directors, Key Management Personnel (KMPs) and Senior Management Personnel (SMPs) and other employees and take inputs from the Risk Management Committee of the Board to ensure balance between remuneration and risks as required. The

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

committee shall ensure that the mix of cash, equity and other forms of compensation must be consistent with risk alignment and objectives of the Bank.

provide the suggestions on governance to the Board of directors.

- (ii) Lay down the comprehensive criteria for assessment in terms of qualifications, positive attributes, independence, professional experience, track record, integrity and considering other parameters for appointment of directors, KMPs and SMPs.

- (ix) Review and oversee the Employee Benefits Program of the Bank including deferred benefits and

- (x) Assessing the integrity and suitability, financial position, cross check of any criminal records, civil actions undertaken, refusal of admission to or expulsion from professional bodies, sanctions applied by regulators or similar bodies and previous questionable business practice are considered for a candidate.

- (iii) Develop policies and lay down criteria for appointment/ removal/ re-appointment of the Directors of the Board capturing the statutory and regulatory requirements.

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

Objectives of Compensation Policy:

- (iv) Assist in defining the performance evaluation criteria for Directors and other KMPs and ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- (v) Ensure that the compensation policy formulated for remuneration of Directors, KMPs and SMPs is reasonable and sufficient to attract, retain and motivate quality talent required to run the Bank.
- (vi) Ensure Bank's compensation policy provides a fair and consistent basis for motivating and rewarding employees appropriately according to their performance, job profile, their contribution, skill and competence and also review compensation levels of the Bank's employees vis-à-vis other banks and the banking industry in general.
- (vii) Ensure that the compensation for directors, KMPs, SMPs is a mix of fixed and variable pay and such compensation that reflects short and long-term performance objectives appropriate to the working and the goals of the Bank.

- Ensure compliance with applicable laws, rules and regulations as well as 'Fit and Proper criteria' of directors before their appointment.
- Establish standards on compensation/ remuneration including fixed and variable, which are in alignment with the applicable rules and regulations and is based on the trends and practices of remuneration prevailing in the industry.
- Retain, motivate and promote talent and to ensure long-term sustainability of talented KMPs, SMPs and other employees.
- Define internal guidelines for payment of perquisites to the Directors and KMPs.
- Institutionalize a mechanism for the appointment/ removal/ resignation/ evaluation of performance of Directors.
- Perform such functions as are required to be performed by the Nomination and Remuneration committee under the SEBI (Share Based Employee Benefits) Regulations, 2014, including the following:

- (viii) Ensure that appropriate procedures are in place to assess Board effectiveness and also

- (a) administering the ESOP plans;

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

- (b) determining the eligibility of employees to participate under the ESOP plans;

(c) granting options to eligible employees and determining the date of grant;

(d) determining the number of options to be granted to an employee;

(e) determining the exercise price under the ESOP plans and

(f) Formulation of the criteria for determining qualifications, positive attributes and independence of a Directors and formulate the criteria for evaluation of performance of all the Directors on the Board, KMPs and SMPs.
- The remuneration process is aligned to Bank's compensation policy.
- 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:

The Key parameters taken into account for the structuring of remuneration covering fixed pay and variable pay are mentioned below:

(i) Risk factors that are significant to the Banking operations of the Bank are taken into consideration in devising the remuneration structure and it is symmetric to the risk outcomes.

(ii) Compensation payout is scheduled in manner where sensitivity to time horizon of risks is taken into consideration in the review process.

(iii) Individual performance is reviewed on the basis of Key Responsibility Areas (KRAs) and the same is carried out under the Annual Performance Review (APR) of the Bank.

(iv) Industry Benchmarking, inflation and increase of cost of living.
- In addition, remuneration process includes a 'malus' and 'clawback' option to take care of any disciplinary issue or future drop in performance of individual/ business/ Bank.

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

Individual performances are assessed in line with business/individual delivery of the Key Result Areas (KRAs), top priorities of business, budgets etc. One of the key factor to be considered for annual performance evaluation is the goal sheet built in Human Capital Management Software.

In linking the performance and level of remuneration the job levels, business budgets, risk factors, achievement of individual KRAs are taken into consideration for taking decision in this regard.

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:

Employees are classified into following three categories for the purpose of remuneration:

Category I: Whole Time Directors (WTD)/Chief Executive Officer (CEO)

Category II: Risk Control and Compliance Staff

Category III: Other Categories of Staff

Category I

The compensation for all Category I employees is approved by the Nomination and Remuneration committee and RBI and the variable pay shall not exceed 70% of the fixed pay.

Category II

The compensation shall be subject to several factors while assessing the remuneration structure of employees with judicious mix of fixed and variable pay in line with industry practices. Key Result Areas (KRAs) of the executives, risk

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

- factors, performance vis-a-vis targets will be given suitable weightage for deciding the variable pay and considering principles laid down under compensation policy.

Category III

The employees of the Bank are being appointed by the Human Resource Management team of the Bank. The remuneration structure of employees is designed with judicious mix of fixed and variable pay in line with industry practices.

For adjusting deferred remuneration before and after vesting:

The Bank's compensation policy provides for following in the event of negative contributions malus arrangement wherein Bank shall withhold vesting of amount of deferred remuneration and clawback arrangement wherein ED's shall be liable to return previously paid or vested remuneration to the Bank as per the applicable provisions/guidelines stipulated by RBI.

Malus: Payment of all or part of amount of deferred variable pay can be prevented, this shall be applicable in case of:

(i) Disciplinary Action (at the discretion of the Disciplinary Committee) and/or

(ii) Significant drop in performance of Individual/Business (at the discretion of the Nomination & Remuneration Committee).

(iii) Resignation of staff prior to the payment date.

Clawback: Previously paid or already vested deferred variable pay may be recovered under this clause.

This clause will be applicable in case of Disciplinary Action (at the discretion of the Disciplinary Action Committee and approval of the Nomination & Remuneration Committee).

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 remuneration structure is Mix of Fixed Pay, Variable Pay & Deferred compensation methodology, which is reflective of the commitment and philosophy of creating and sharing wealth with the employees.

The Variable pay is decided considering risk factors, job profile, level of performance and industry norms to ensure that employee morale is high and to promote consistency in performance over the time horizon.

The breakup of remuneration is the follows:

Fixed Remuneration: It consists of Basic Salary, House Rent Allowance, conveyance, other allowances and perquisites.

Variable Remuneration: Variable Remuneration is paid as a percentage of Fixed pay, depending upon the performance of the Employees against set key responsibility areas (KRAs).

Employee Stock Option: ESOPs are being given to the Executive Directors, KMPs, SMPs and other employees on the basis of their performance against set KRAs, responsibilities, and vintage with the organization.
- B. Quantitative Disclosures:

a) Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.

During the year ended March 31, 2020, 5 meetings of Nomination and Remuneration committee was held. Each Member of the Nomination and Remuneration committee is paid a sitting fee of ₹ 30,000 per meeting attended.

During the year ended March 31, 2019, 6 meetings of Nomination and Remuneration committee was held. Each Member of the Nomination and Remuneration committee is paid a sitting fee of ₹ 20,000 per meeting attended.

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

- b) Number of employees having received a variable remuneration award during the financial year.**

3 KMP and 5 Senior Management Personnel as risk takers were paid the variable remuneration during the year ended March 31, 2020.

1 KMP and 5 Senior Management Personnel as risk takers were paid the variable remuneration during the year ended March 31, 2019.
- c) Number and total amount of sign-on awards made during the financial year.** – Nil (previous year Nil)
- d) Details of guaranteed bonus, if any, paid as joining/ sign on bonus.** – Nil (previous year Nil)
- e) Details of severance pay, in addition to accrued benefits, if any.** – Nil (previous year Nil)
- f) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.**

Cash – ₹ 0.26 crore variable pay is pertaining to performance of Mr. Uttam Tibrewal for FY 2017-18 and the same was pending to be released as on March 31, 2020 and ₹ 0.30 crore variable pay is pertaining to performance of him for FY 2018-19 and the same is to be paid in FY 2020-21. (previous year Nil).

Outstanding ESOPs as at March 31, 2020 – 38,30,681 equity shares (previous year 27,56,429 equity shares).
- g) Total amount of deferred remuneration paid out in the financial year.**

Cash – ₹ 0.45 crore variable pay is pertaining to performance of Mr. Sanjay Agarwal for FY 2017-18 and ₹ 0.91 crore, 0.39 crore and 0.45 crore is variable pay pertaining to performance of Mr. Uttam Tibrewal for FY 2016-17, 2017-18 and 2018-19 respectively.

ESOPs – 1,34,900 Equity Shares exercised (previous year 13,08,217 Equity Shares exercised).
- h) Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.**

Total fixed salary for the year ended March 31, 2020 - ₹ 9.05 crore. (3 KMPs and 6 SMPs) (previous year ₹ 7.26 crore - 3 KMPs and 5 SMPs)

Deferred Variable Pay

 - ESOPs – 1,63,943 equity shares (previous year 5,47,200 equity shares)

FY 2019-20

 - Post RBI approval ₹ 0.29 crore will be paid for FY 2018-19 to Mr. Uttam Tibrewal in FY2020-21 and remaining were paid in FY2019-20.
 - 10,00,000 ESOPs under ESOP Scheme 2018 for FY 18-19 were granted to Mr. Uttam Tibrewal after RBI Approval dated June 17, 2019.
 - Earlier for F.Y. 2017-18, 38,702 ESOPs under ESOP Scheme 2015 – Plan A & 10,18,758 ESOPs under ESOP Scheme 2015 – Plan B were granted and revised proposal has been submitted to RBI and the approval of the RBI is pending as at year end FY 2019-20.

FY 2018-19

 - Variable Pay for Mr. Sanjay Agarwal, MD & CEO of ₹ 0.45 crore for the year FY 2017-18 was approved by Nomination & remuneration committee & Board which is pending with RBI for its approval and no variable pay is proposed for performance of FY 2018-19.
 - Variable Pay for Mr. Uttam Tibrewal, WTD of ₹ 0.91 crore, ₹ 0.65 crore & ₹ 0.75 crore for the year FY 2016-17, FY 2017-18 and FY 2018-19 was approved by Nomination & remuneration committee & Board, the approval of the same from RBI is awaited.

Non-Deferred variable pay

Remuneration award of ₹ 3.75 crore paid during FY 2019-20 was related to FY 2018-19 and remuneration for the FY 2019-20 (previous year ₹ 1.50 crore was related to FY 2017-18).

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

- i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments** – Nil
- j) Total amount of reductions during the financial year due to ex-post explicit adjustments.** – Nil (previous year Nil)
- k) Total amount of reductions during the financial year due to ex-post implicit adjustments.** – Nil (previous year Nil)

Excludes gratuity benefits since the same is computed at Bank level.
- 22 Credit default swaps**

The Bank has not transacted in credit default swaps during the period ended March 31, 2020, (previous year: Nil).
- 23 Intra-Group exposure**

The Bank does not have any exposure (advances/investments) within the group, (previous year: Nil).
- 24 Transfers to Depositor Education and Awareness Fund (DEAF)**

During the year ended March 31, 2020 and March 31, 2019 the Bank was not required to transfer any amount to Depositor Education and Awareness Fund.
- 25 Unhedged foreign currency exposure**

As of March 31, 2020, there is no unhedged foreign currency exposure, (previous year: Nil).
- 26 Disclosures relating to Securitisation**

(i) Information of assignment/securitisation activity as an originator:

Particulars	(₹ in crore)	
	Year ended March 31, 2020	Year ended March 31, 2019
Total number of loan assets assigned/securitized (in Nos.)	1,02,268	-
Total book value of loan assets assigned/securitized	4,007.02	-
Sale consideration received for loan assets assigned/securitized	4,007.02	-
Income recognised in Profit and Loss Account (including income on MRR)	163.71	148.82

(ii) Information with respect to outstanding credit enhancements and liquidity support:

Particulars	Transactions at PAR		Transactions at PREMIUM	
	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
Outstanding credit enhancements (first loss):				
Cash collaterals (placed as bank deposits)	69.11	99.75	0.23	0.23
Guarantees provided by banks on behalf of the Bank	113.28	-	5.81	5.81
Outstanding credit enhancements (second loss):				
Guarantees provided by banks on behalf of the Bank	234.87	138.27	-	-
Cash collaterals (placed as bank deposits)	70.95	-	-	-
Liquidity facility (utilised)	32.42	24.43	-	-
Liquidity facility (unutilised)	19.30	1.40	-	-



Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

26 Disclosures relating to Securitisation (contd.)
(iii) Disclosure as per RBI guidelines for securitisation transactions:

Particulars	As at	
	March 31, 2020	March 31, 2019
(₹ in crore)		
No. of SPVs sponsored by the Bank for securitisation transactions (in Nos.)	20	26
Total amount of securitised assets as per books of the SPVs sponsored by the Bank (outstanding as on balance sheet date)	3,300.46	876.74
Total amount of exposures retained by the Bank to comply with minimum retention requirement (MRR) as on the date of balance sheet		
a) Off balance sheet exposures		
First Loss	113.28	-
Others	-	-
b) On balance sheet exposures		
First Loss	69.11	99.75
Others	211.59	59.35
Amount of exposures to securitisation transaction other than MRR		
a) Off balance sheet exposures		
I) Exposure to own securitisations		
First Loss	-	-
Others (Guarantees provided by banks on behalf of the Bank)	234.87	138.27
II) Exposure to Third party securitisations		
First Loss	-	-
Others	-	-
b) On balance sheet exposures		
I) Exposure to own securitisations		
First Loss	-	-
Others (Cash collateral placed in lieu of bank guarantee)	70.95	-
II) Exposure to Third party securitisations		
First Loss	-	-
Others	-	-

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

27 Liquidity Coverage Ratio (LCR)

i) Quantitative disclosure on Liquidity Coverage Ratio (LCR) for period ended March 31, 2020:

Particular	Quarter ended March 31, 2020		Quarter ended December 31, 2019		Quarter ended September 30, 2019		Quarter ended June 30, 2019	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets (HQLA)								
1. Total High Quality Liquid Assets (HQLA)		6,419.21		5,017.92		4,815.21		4,600.14
Cash Outflows								
2. Retail deposits and deposits from small business customers, of which:								
(i) Stable deposits	1,564.46	78.22	977.23	48.86	902.37	45.12	837.58	41.88
(ii) Less stable deposits	7,125.41	712.54	7,064.55	706.46	6,253.29	625.33	5,434.03	543.40
3. Unsecured wholesale funding, of which:								
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	7,294.59	5,686.14	6,131.52	4,673.21	5,566.21	4,294.85	5,759.21	4,493.62
(iii) Unsecured debt	486.80	486.80	341.42	341.42	543.11	543.11	274.28	274.28
4. Secured wholesale funding		36.52		-		-		25.27
5. Additional requirements, of which:								
(i) Outflows related to derivative exposures and other collateral requirements								
(ii) Outflows related to loss of funding on debt products								
(iii) Credit and liquidity facilities								
6. Other contractual funding obligations	760.21	760.21	627.02	627.02	622.97	622.97	517.51	517.51
7. Other contingent funding obligations	4,211.58	187.29	3,539.03	159.96	3,010.26	135.41	2,535.97	118.42
8. Total Cash Outflows		7,947.72		6,556.93		6,266.79		6,014.38
Cash Inflows								
9. Secured lending (e.g. reverse repos)	540.62	-	115.46	-	87.00	-	31.80	-
10. Inflows from fully performing exposures	1,665.16	1,412.20	1,320.56	1,080.01	1,178.27	962.38	1,386.89	1,180.28
11. Other cash inflows	412.51	206.26	389.10	194.55	349.72	174.86	323.15	161.58
12. Total Cash Inflows		1,618.46		1,274.56		1,137.24		1,341.86
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
		6,418.93		5,017.92		4,815.21		4,600.14
13. Total HQLA		6,329.26		5,282.37		5,129.55		4,672.53
14. Total Net Cash Outflows								
15. Liquidity Coverage Ratio (%)		101%		95%		94%		98%

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

27 Liquidity Coverage Ratio (LCR) (contd.)

i) Quantitative disclosure on Liquidity Coverage Ratio (LCR) for period ended March 31, 2019:

Particular	Quarter ended March 31, 2019			Quarter ended December 31, 2018			Quarter ended September 30, 2018			Quarter ended June 30, 2018		
	Total Unweighted Value (average)	Total Weighted Value (average)	(₹ in crore)	Total Unweighted Value (average)	Total Weighted Value (average)	(₹ in crore)	Total Unweighted Value (average)	Total Weighted Value (average)	(₹ in crore)	Total Unweighted Value (average)	Total Weighted Value (average)	(₹ in crore)
High Quality Liquid Assets												
1. Total High Quality Liquid Assets (HQLA)			3,811.74			3,034.42			2,205.42			1,671.12
Cash Outflows												
2. Retail deposits and deposits from small business customers, of which:												
(i) Stable deposits	760.21	38.01		657.44	32.87		561.97	28.10		456.19	22.81	
(ii) Less stable deposits	4,380.32	438.03		3,388.19	338.82		2,623.55	262.35		1,987.79	198.78	
3. Unsecured wholesale funding, of which:												
(i) Operational deposits (all counterparties)	-	-		-	-		-	-		-	-	
(ii) Non-operational deposits (all counterparties)	5,137.36	3,886.14		4,535.92	3,307.09		3,310.51	2,270.90		2,512.27	1,782.26	
(iii) Unsecured debt	497.05	497.05		214.91	214.91		403.41	403.41		324.33	324.33	
4. Secured wholesale funding		16.67			-			19.57			3.30	
5. Additional requirements, of which:												
(i) Outflows related to derivative exposures and other collateral requirements												
(ii) Outflows related to loss of funding on debt products												
(iii) Credit and liquidity facilities												
6. Other contractual funding obligations	423.77	423.77		276.73	276.73		303.81	303.81		270.04	270.04	
7. Other contingent funding obligations	2,145.08	100.23		1,822.23	83.48		1,460.15	66.02		1,316.84	58.87	
8. Total Cash Outflows		5,399.90			4,253.90			3,354.16			2,660.39	
Cash Inflows												
9. Secured lending (e.g. reverse repos)	45.13	-		65.03	-		43.36	-		26.56	-	
10. Inflows from fully performing exposures	1,518.77	1,340.21		1,465.87	1,303.73		1,405.35	1,260.68		1,167.06	1,029.46	
11. Other cash inflows	272.42	136.21		266.62	133.31		223.98	111.99		207.56	103.78	
12. Total Cash Inflows		1,476.42			1,437.04			1,372.67			1,133.24	
		Total Adjusted Value			Total Adjusted Value			Total Adjusted Value			Total Adjusted Value	
13. Total HQLA		3,811.74			3,034.42			2,205.42			1,671.12	
14. Total Net Cash Outflows		3,923.48			2,816.86			1,981.49			1,527.15	
15. Liquidity Coverage Ratio (%)		97%			108%			111%			109%	

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

27 Liquidity Coverage Ratio (LCR) (contd.)

ii) Qualitative disclosure on Liquidity Coverage Ratio (LCR):

To assess Bank's resilience in liquidity stress scenario of 30 days with its high-quality liquid assets, Banks need to compute Liquidity Coverage Ratio (LCR) as per RBI - Basel III Framework on Liquidity Standards. High Ratio signifies Bank has enough liquid assets which it can use to fulfil its liquidity obligations in acute stress scenario. Ratio to compute as below:

LCR = $\frac{\text{Stock of High Quality Liquid Assets (HQLA)}}{\text{Net Cash Outflows over a 30 days period}}$

Stock of High Quality Liquid Asset is total funding liquid assets could generate in stress scenario. Net Cash outflows is the difference as derived by multiplying the outstanding balances of various categories or types of liabilities by the outflow run-off rates and cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in.

Minimum Requirement for Small Finance Banks (as per operating guidelines for Small Finance Banks RBI/2016-17/81 DBR.NBD.No.26/16.13.218/2016-17 dated Oct 06, 2016 & RBI circular RBI/2019-20/217 DOR.BP.BC.No.65/21.04.098/2019-20 dated April 17, 2020) is as below:

Till December 31, 2017	From January 1, 2018	From January 1, 2019	From January 1, 2020	From April 17, 2020	From October 1, 2020	From April 1, 2021
60%	70%	80%	90%	80%	90%	100%

The Bank has implemented LCR framework and has consistently maintained the LCR percentage well above the regulatory threshold limit. The average LCR for the quarter ended March 31, 2020 was 101% which is above the regulatory limit of 90%. For the quarter ended March 31, 2020 HQLA stood at ₹ 6,419 crore.

Asset Liability Committee (ALCO) of the Bank is the primary governing body for Liquidity Risk Management, Treasury is entrusted with the responsibility, under the guidance of the ALCO operationalising liquidity management within the Bank. ALM Risk unit independently measures, monitors & report Liquidity Risk as per regulatory & internal guidelines.

In computing the above information, certain estimates and assumptions have been made by the Bank's Management which have been relied upon by the auditors.

28 Divergence in the asset classification and provisioning

RBI vide its circular DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 and Notification dated 1st April 2019, has directed banks shall make suitable disclosures, if either or both of the following conditions are satisfied:-

- (a) the additional provisioning for NPAs assessed by RBI exceeds 10 per cent of the reported profit before provisions and contingencies for the reference period, and
- (b) the additional Gross NPAs identified by RBI exceed 15 per cent of the published incremental Gross NPAs for the reference period.

The Bank has not been subjected to any assessment by the RBI during the year.

There has been no material divergence observed by the RBI for the financial year 2017-18 (as per assessment by the RBI during financial year 2018-19) in respect of the Bank's asset classification and provisioning under the extant prudential norms on income recognition asset classification and provisioning (IRACP) which require such disclosures.



Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

29 Details of Priority Sector Lending Certificates (PSLCs)

Type of PSLCs	(₹ in crore)			
	For the year ended March 31, 2020		For the year ended March 31, 2019	
	PSLC bought during the year	PSLC sold during the year	PSLC bought during the year	PSLC sold during the year
Agriculture	-	960.00	1,750.00	275.00
Small and Marginal farmers	-	1,150.00	1,105.00	600.00
Micro Enterprises	-	12,139.75	-	2,409.75
General	-	1,255.00	4,615.00	2,047.00
Total	-	15,504.75	7,470.00	5,331.75

30 Provision pertaining to fraud accounts

Particular	(₹ in crore)	
	As at March 31, 2020	As at March 31, 2019
No. of frauds reported during the year	95	33
Amount involved in fraud	1.09	0.64
Amount involved in fraud net of recoveries/write-offs as at the end of the year	0.80	0.28
Provisions held as at the end of the year	0.80	0.28
Amount of unamortised provision debited from "other reserves" as at the end of the year	-	-

31 Provision for credit card and debit card reward points

The Bank is not providing any reward points on cards.

32 Description of contingent liabilities

Sr. No.	Contingent liability*	Brief description
1	Claims against the Bank not acknowledged as debts	The Bank is a party to various legal and tax proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.
2	Guarantees on behalf of constituents	As a part of its Banking activities, the Bank issues guarantees on behalf of its customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of customer failing to fulfill its financial or performance obligations
3	Acceptances, endorsements and other obligations	These includes: Documentary credit such as letters of obligations, enhance the credit standing of the customers of the Bank. Bill rediscounted by the Bank and cash collateral provided by the Bank on assets which have been securitised.
4	Other items for which the Bank is contingently liable	These includes: a) Credit enhancements in respect of securitised-out loans b) Contractual payments for Capital commitments c) Other Guarantees

*Also refer Schedule 12 - Contingent Liabilities

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

33 Corporate social responsibility

Particular	(₹ in crore)	
	March 31, 2020	March 31, 2019
(a) Gross amount required to be spent by the Bank during the year (including deficit of previous year)	16.38	11.10
(b) Amount spent during the year		
On purposes other than construction/acquisition of any asset		
Paid in Cash	12.65	4.59
Yet to be Paid in Cash	-	-
Total	12.65	4.59

34 Small and micro industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

35 Proposed dividend

The Reserve Bank of India, vide its circular dated April 17, 2020, has decided that banks shall not make any further dividend payouts from profits pertaining to the financial year ended March 31, 2020 until further instructions, with a view that banks must conserve capital in an environment of heightened uncertainty caused by COVID-19. Accordingly, the Board of Directors of the Bank, at their meeting held on May 2, 2020, has not proposed any dividend for the year ended March 31, 2020.

During the Previous year, the Board of Directors at their meeting proposed a dividend of ₹ 0.75 per share and the same has been approved by members in Annual General Meeting. In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Bank has not appropriated proposed dividend (including tax) aggregating ₹ 26.43 crore from Profit and Loss Account. However, the effect of the proposed dividend has been reckoned in determining Capital funds in the computation of capital adequacy ratio as at March 31, 2019.

36 Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A):

The Bank does not have any account under the Scheme for Sustainable Structuring of Stressed Assets (S4A) as on March 31, 2020, (previous year: Nil).

37 Disclosures on Flexible Structuring of Existing Loans:

The Bank does not have any account under the Scheme Flexible Structuring of Existing Loans as on March 31, 2020, (previous year: Nil).

38 Resolution of Stressed Assets – Revised Framework

The Bank is having one loan account for resolution of stressed Assets (Revised framework) amounting to ₹ 41.67 crore as per RBI Circular RBI/2017-18/131DBR.No.BP.BC.101/21.04.048/2017-18 and RBI/2018-19/203 DBR.No.BP.BC.45/21.04.048/2018-19 as on March 31, 2020 where resolution plan has been submitted by one of the lead Banker on March 30, 2020. (previous year: Nil).

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

39 Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances

The Bank has not restructured any account as per RBI Circular RBI/2019-20/160 DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020, DBR.No.BP.BC.100/21.04.048/2017-18 dated February 07, 2018 and DBR.No.BP.BC.108/21.04.048/2017-18 dated June 6, 2018 as on March 31, 2020, (previous year: Nil).

40 Disclosures on Strategic Debt Restructuring Scheme (SDR):

The Bank does not have any accounts under SDR as on March 31, 2020, (previous year: Nil).

41 Disclosures on Change in Ownership outside SDR Scheme:

The Bank does not have any account which are currently under the scheme of Change in Ownership Outside SDR as on March 31, 2020, (previous year: Nil).

42 Disclosures on Change in Ownership of Projects Under Implementation:

The Bank does not have any account which are currently under the scheme of Change in Ownership of Projects Under Implementation as on March 31, 2020, (previous year: Nil).

43 Details of factoring exposure:

The factoring exposure of the Bank as at March 31, 2020 is Nil (previous year: Nil).

44 Inter-bank Participation with risk sharing:

During the year the Bank has not entered into inter-bank participation with risk sharing, (previous year: Nil).

45 Investor education and protection fund

There is no amount required to be transferred to Investor Education and Protection Fund by the Bank, (previous year: Nil).

46 Disclosure on remuneration to Non-Executive Directors

Particular	(₹ in crore)	
	March 31, 2020	March 31, 2019
Remuneration by way of sitting fees to the Non-Executive Directors for attending meetings of the Board and its committees	0.64	0.36
Profit related commission to all Non-Executive Directors other than the Chairperson	0.47	0.33

47 Miscellaneous income includes profit on sale of units of mutual fund, recoveries from loans written off, income from dealing in Priority Sector Lending Certificates (PSLC), marketing support fees etc.

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

48 Details of payments of Audit Fees

Particular	(₹ in crore)	
	March 31, 2020	March 31, 2019
Statutory Audit fees and other related services*	1.72	1.00
Other Matters	-	-
Total	1.72	1.00

*Includes out of pocket expenses.

49 COVID-19 Regulatory Package – Asset Classification and Provisioning

Disclosure as per RBI Circular RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020 on COVID-19 Regulatory Package - Asset Classification and Provisioning -

Sr. No.	Particular	(₹ in crore)
		Amount
1	Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended in terms of paragraph 2 and 3 of the Circular #	2,469.83
2	Respective amount where asset classification benefits is extended*	36.26
3	Provisions made during the Q4FY2020 in terms of paragraph 5 of the Circular	123.49
4	Provisions adjusted during the respective accounting periods against slippages and the residual provisions in terms of paragraph 6 of the Circular	-

excludes amounts in SMA/overdue categories, where the moratorium/deferment was extended on securitised portfolio amounting to ₹ 297.79 crore and provision made of ₹ 14.89 crore there on.

* includes only those cases which could have got assets classification benefit as on March 31, 2020.

B. OTHER DISCLOSURES

1 Fixed Assets as per Schedule 10 relating to purchase of software and system development expenditure which are as follows:

Particular	(₹ in crore)	
	March 31, 2020	March 31, 2019
Gross Block		
At cost on 31st March of the preceding year	124.79	107.18
Additions during the year	19.20	17.80
Deductions during the year	2.44	0.19
Total (a)	141.55	124.79
Depreciation/Amortisation		
As at 31st March of the preceding year	33.86	17.29
Charge for the year	20.49	16.76
Deductions during the year	1.71	0.19
Total (b)	52.64	33.86
Net Value (a-b)	88.91	90.93



Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

2 Segment reporting

Part A: Business segments:

Segment reporting for the year ended March 31, 2020 and March 31, 2019 is given below:

		(₹ in crore)	
Sr. No.	Particular	March 31, 2020	March 31, 2019
1	Segment revenue		
(a)	Treasury	819.95	403.29
(b)	Retail banking	3,616.37	2,550.46
(c)	Wholesale banking	524.61	430.72
(d)	Other banking operations	31.05	26.57
(e)	Unallocated	-	-
	Income from operations	4,991.98	3,411.04
2	Segment results		
(a)	Treasury	163.76	11.39
(b)	Retail banking	563.15	410.34
(c)	Wholesale banking	156.02	131.82
(d)	Other banking operations	31.04	26.58
	Total Segment results	913.97	580.13
	Less: Unallocated expenses	-	-
	Total Profit Before Tax	913.97	580.13
	Provision for Tax (Including deferred tax)	239.19	198.32
	Total Profit After Tax	674.78	381.81
3	Segment Assets		
(a)	Treasury	13,040.65	8,384.82
(b)	Retail banking	24,564.95	19,167.40
(c)	Wholesale banking	3,751.73	4,341.87
(d)	Other banking operations	2.72	4.40
(e)	Unallocated	783.02	724.31
	Total Assets	42,143.07	32,622.80
4	Segment Liabilities		
(a)	Treasury	5,151.12	4,471.73
(b)	Retail banking	15,755.57	11,807.77
(c)	Wholesale banking	16,839.33	13,156.64
(d)	Other banking operations	0.00	0.00
(e)	Unallocated	20.24	23.77
	Capital and Other Reserves	4,376.81	3,162.89
	Total Liabilities	42,143.07	32,622.80

Part B: Geographic segments

The business of the Bank is in India only. Accordingly, geographical segment is not applicable.

Segmental information is provided as per the MIS/reports available for internal reporting purposes, which includes certain estimates and assumptions. The methodology adopted in compiling and reporting the above information has been relied upon by the auditors.

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

3 Related Party Disclosures:

A. Related Parties:

Key management personnel (KMP)

Mr. Sanjay Agarwal, Managing Director and CEO
Mr. Uttam Tibrewal, Whole Time Director
Mr. Deepak Jain, Chief Financial Officer (upto March 31, 2020),
Elevated as Chief Operating Officer w.e.f. April 1, 2020
Mr. Vimal Jain, Chief Financial Officer (w.e.f. April 1, 2020)
Mr. Manmohan Parnami, Company Secretary

Enterprises over which KMP/ relatives of KMP have control/ significant influence

Abhiyan Bharat Foundation
AU Bank Employees Group Gratuity Trust
AU Financiers Employees Welfare Trust
AU Foundation (w.e.f. July 19, 2018)
BIFCO Private Limited
Deepak Tarachand HUF
DS Speciality Product LLP
Durga Automation & Control Private Limited (w.e.f. March 12, 2019)
Durga Bearings (Mumbai) Private Limited
Jyoti Sanjay Family Trust
Kalinga Agencies
Kalinga Mercantile Private Limited
Kalinga Extrusions India Private Limited
Khushi Buildhome Private Limited
Manmohan Parnami HUF
MYS Holdings Private Limited
Namokar Mining Industries LLP
Sanjay and Jyoti Agarwal Foundation
Shivgyan Mines and Minerals Private Limited
Shree Dham Mining Industries LLP
Speciality Stones Private Limited

Relatives of KMP

Ms. Jyoti Agarwal
Mr. Chirinjee Lal Agarwal
Ms. Shakuntala Agarwal
Mr. Yuvraj Agarwal
Ms. Mallika Agarwal
Mr. Ajay Agarwal
Ms. Pinki Agarwal
Ms. Pooja Tibrewal
Mr. Devi Prasad Tibrewal
Ms. Geeta Devi Tibrewal
Mr. Vaibhav Tibrewal
Mr. Subhash Tibrewal
Ms. Manju Agarwal
Ms. Uma Bagaria
Ms. Suman Sultania
Ms. Shweta Jain
Ms. Santosh Jain
Mr. Devansh Jain
Ms. Khushi Jain
Ms. Kavita Goyal
Ms. Sunita Agrawal
Ms. Anita Agarwal

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

3 Related Party Disclosures: (contd.)

Relatives of KMP	Ms. Bhawna Parnami
	Ms. Rajkumari Sukhija
	Ms. Asmita Parnami
	Ms. Jaisvi Parnami
	Mr. Mahinder Parnami
	Ms. Kavita Sukhija
	Ms. Shikha Taneja

B. The Bank's related parties balances and transactions for the year ended are summarised as follows:

1. Deposits

Particular	As at March 31, 2020		As at March 31, 2019	
	Closing balance	Highest balance during the year	Closing balance	Highest balance during the year
Key Management Personnel (KMP)	6.62	24.66	3.26	35.55
Relatives of KMP	26.62	46.38	11.06	25.97
Enterprise over which KMP/Relative of KMP have control/ significant influence	2.52	22.89	0.38	7.48

2. Interest Paid on Deposits

Particular	Year ended March 31, 2020	Year ended March 31, 2019
Key Management Personnel (KMP)	0.40	0.27
Relatives of KMP	1.19	0.63
Enterprise over which KMP/ Relative of KMP have control/ significant influence	0.02	0.00

Income including miscellaneous charges received from all the related parties are less than ₹ 1,00,000/- hence not shown separately.

3. Remuneration

Particular	Year ended March 31, 2020	Year ended March 31, 2019
Mr. Sanjay Agarwal, Managing Director and CEO	2.31	1.69
Mr. Uttam Tibrewal, Executive Director	3.43	1.47
Mr. Deepak Jain, Chief Financial Officer	1.65	1.61
Mr. Manmohan Parnami, Company Secretary	0.48	0.47
Total	7.87	5.24

- Remuneration paid excludes value of employee stock options exercised during the year.
- The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Bank as a whole.

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

3 Related Party Disclosures: (contd.)

4. Loans given and repayment

There is no loan related transaction with the related parties during the year (previous year: Nil).

5. Other transaction

Name of related party	Nature of transactions	Year ended March 31, 2020	Year ended March 31, 2019
		(₹ in crore)	(₹ in crore)
Mr. Uttam Tibrewal	Issue of Equity Shares of the Bank	-	2.57
Mr. Deepak Jain	Issue of Equity Shares of the Bank	6.64	0.15
Mr. Manmohan Parnami	Issue of Equity Shares of the Bank	0.02	0.02
Key Management Personnel (KMP)	Dividend Paid	4.61	2.95
Relatives of KMP	Dividend Paid	2.32	1.55
Enterprises over which KMP/relatives of KMP have control/significant influence	Dividend Paid	0.73	0.52
AU Bank Employees Group Gratuity Trust	Contribution to Fund	3.30	11.75
AU Foundation	Donation	4.05	0.77

4 Leases

The Bank has taken various premises under operating lease. The future minimum lease payments are given below:

Particulars	March 31, 2020	March 31, 2019
Not later than one year	70.73	53.36
Later than one year and not later than five years	263.90	215.29
Later than five years	89.78	97.66
Total	424.41	366.31
The total of minimum lease payments recognised in the Profit and Loss Account for the year	67.59	60.01
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases	-	-
Sub-lease amounts recognised in the Profit and Loss Account for the year	-	-
Contingent (usage based) lease payments recognised in the Profit and Loss Account for the year	-	-



Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

5 Earnings per equity share (AS 20)

Particulars	(₹ in crore)	
	March 31, 2020	March 31, 2019
Profit/(loss) after tax (A)	674.78	381.81
Less: Exceptional item	-	-
Net profit excluding exceptional item (B)	674.78	381.81
Weighted average number of equity shares in calculating basic EPS (C)	29,61,61,899	29,01,57,123
Add: Effect of dilution – Stock option granted to employees	61,75,606	57,92,321
Weighted average number of equity shares in calculating diluted EPS (D)	30,23,37,505	29,59,49,444
Earning per share including exceptional item		
Basic (In ₹) (A/C)	22.78	13.16
Diluted (In ₹) (A/D)	22.32	12.90
Nominal value per share (In ₹)	10.00	10.00
Earning per share excluding exceptional item		
Basic (In ₹) (B/C)	22.78	13.16
Diluted (In ₹) (B/D)	22.32	12.90
Nominal value per share (In ₹)	10.00	10.00

The dilutive impact is due to options granted to employees and convertible warrants issued by the Bank.

6. Deferred taxes

Other assets include deferred tax asset (net). The break-up of the same is as follows:

Particulars of Asset/(Liability)	(₹ in crore)	
	March 31, 2020	March 31, 2019
Provision for NPA and general provision on standard assets	69.86	39.53
Expenditure allowed on payment basis	8.60	5.33
Depreciation	(10.79)	(17.68)
Deduction u/s. 36(1)(viii) of the Income Tax Act, 1961	(31.54)	(20.37)
Others	4.54	4.14
Net Deferred Tax Asset	40.67	10.95

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

7 Accounting for employee share based payments
Stock options

The Bank has provided various share-based payment schemes to its Directors and Employees. The plans in operation are Plan A, Plan B, Plan C and Plan D. The numerical A1, A2, A3, B1, B2, B3, B4, B5, B6, C1, C2, C3, C4, C5, C6, C7, C8, C9, D1, D2, D3, D4, D5, D6, D7 and D8 represents different grants made under these plans. During the year ended March 31, 2020, the following series were in operation:

Particulars	Plan A1	Plan A2	Plan A3	Plan B1	Plan B2	Plan B3	Plan B4	Plan B5	Plan B6	Plan C1	Plan C2	Plan C3	Plan C4
Date of grant	Aug 31, 2015	Aug 23, 2016	Oct 27, 2017	Aug 31, 2015	Aug 23, 2016	Nov 11, 2016	Jan 24, 2017	Oct 27, 2017	Aug 6, 2018	Nov 11, 2016	Jan 24, 2017	Feb 22, 2017	May 13, 2017
Date of Board/ Compensation Committee approval	Aug 10, 2015	Aug 23, 2016	Oct 27, 2017	Aug 10, 2015	Aug 23, 2016	Nov 11, 2016	Jan 24, 2017	Oct 27, 2017	Aug 6, 2018	Nov 11, 2016	Jan 24, 2017	Feb 22, 2017	May 13, 2017
Number of Options granted	33,38,436	4,18,512	3,61,000	28,62,846	10,92,654	36,000	30,000	42,510	1,146	11,700	1,85,900	70,700	4,99,800
Method of settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Graded vesting period:													
1st vesting "12 months from the date of grant or on the date of proposed initial public offer of Bank's equity shares whichever is later"	20%	20%	20%	20%	20%	20%	20%	20%	20%	NA	NA	NA	NA
1st vesting "12 months from the date of grant or one year from the date of proposed initial public offer of Bank's equity shares which ever is later"	NA	NA	NA	NA	NA	NA	NA	NA	NA	20%	20%	20%	20%
1st vesting "12 months from the date of grant	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2nd vesting "On expiry of one year from the 1st vesting date"	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
3rd vesting "On expiry of two years from the 1st vesting date"	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
4th vesting "On expiry of 3 years from the 1st vesting date"	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Exercise period													
Vesting conditions													
Weighted average remaining contractual life (years)	1.28	1.40	2.58	1.28	1.40	1.62	1.82	2.58	3.35	4.28	4.28	4.28	4.28
Weighted average exercise price per option (₹)	10.11	10.11	10.11	33.37	33.37	33.37	33.37	33.37	33.37	140.00	140.00	140.00	140.00



Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

7 Accounting for employee share based payments (contd.)

Particulars	Plan C5	Plan C6	Plan C7	Plan C8	Plan C9	Plan D1	Plan D2	Plan D3	Plan D4	Plan D5	Plan D6	Plan D7	Plan D8
Date of grant	Jan 30, 2018	Apr 25, 2018	Aug 6, 2018	Aug 30, 2018	Oct 13, 2018	Aug 30, 2018	Nov 22, 2018	Jan 17, 2019	Apr 22, 2019	Jun 17, 2019	Jul 25, 2019	Oct 21, 2019	Jan 22, 2020
Date of Board/ Compensation Committee approval	Jan 30, 2018	Apr 25, 2018	Aug 6, 2018	Aug 30, 2018	Oct 13, 2018	Aug 30, 2018	Nov 22, 2018	Jan 17, 2019	Apr 22, 2019	Jun 17, 2019	Jul 25, 2019	Oct 21, 2019	Jan 22, 2020
Number of Options granted	10,53,901	2,919	5,480	27,600	50,865	18,56,950	1,54,541	2,437	2,500	10,00,000	16,05,415	40,276	54,000
Method of settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Graded vesting period:													
1st vesting "12 months from the date of grant or on the date of proposed initial public offer of Bank's equity shares whichever is later"	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
1st vesting "12 months from the date of grant	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
2nd vesting "On expiry of one year from the 1st vesting date"	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
3rd vesting "On expiry of two years from the 1st vesting date"	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
4th vesting "On expiry of 3 years from the 1st vesting date"	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Exercise period	6 years from the 1st vesting date												
Vesting conditions	Continuous service												
Weighted average remaining contractual life (years)	4.84	5.07	5.35	5.42	5.54	5.42	5.65	5.80	6.06	6.22	6.32	6.56	6.82
Weighted average exercise price per option (₹)	140.00	140.00	140.00	140.00	140.00	664.00	643.00	622.00	589.00	664.00	630.00	668.00	724.00

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

7 Accounting for employee share based payments (contd.)

Particulars	March 31, 2020												
	Plan A1	Plan A2	Plan A3	Plan B1	Plan B2	Plan B3	Plan B4	Plan B5	Plan B6	Plan C1	Plan C2	Plan C3	Plan C4
Options outstanding at the beginning of the year	14,95,591	2,09,256	3,10,400	13,90,652	4,49,495	18,000	24,000	40,008	1,146	5,040	1,06,160	36,160	64,400
Granted during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Forfeited during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercised during the year	(5,29,440)	-	(68,400)	(2,97,407)	(3,52,031)	-	-	(3,753)	-	(1,080)	(25,490)	(9,420)	(20,730)
Expired during the year	(5,979)	-	-	(3,316)	(5,298)	(18,000)	-	-	-	(2,160)	(16,140)	(13,140)	(11,460)
Outstanding at the end of the year	9,60,172	2,09,256	2,42,000	10,89,929	92,166	-	24,000	36,255	1,146	1,800	64,530	13,600	32,210
Exercisable at the end of the year	9,60,172	2,09,256	61,500	10,89,929	92,166	-	24,000	15,000	229	-	11,780	-	810

Particulars	March 31, 2020												
	Plan C5	Plan C6	Plan C7	Plan C8	Plan C9	Plan D1	Plan D2	Plan D3	Plan D4	Plan D5	Plan D6	Plan D7	Plan D8
Options outstanding at the beginning of the year	8,09,336	1,419	3,980	27,600	50,865	18,17,392	1,47,119	2,437	-	-	-	-	-
Granted during the year	-	-	-	-	-	-	-	-	2,500	10,00,000	16,05,415	40,276	54,000
Forfeited during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercised during the year	(1,19,104)	(284)	(796)	(640)	-	(2,23,737)	(9,165)	-	-	-	-	-	-
Expired during the year	(47,179)	-	-	-	(40,000)	(57,824)	(24,608)	-	-	-	(66,549)	(4,000)	-
Outstanding at the end of the year	6,43,053	1,135	3,184	26,960	10,865	15,35,831	1,13,346	2,437	2,500	10,00,000	15,38,866	36,276	54,000
Exercisable at the end of the year	1,24,174	-	-	4,880	2,173	1,28,321	15,299	487	-	-	-	-	-

Particulars	March 31, 2019												
	Plan A1	Plan A2	Plan A3	Plan B1	Plan B2	Plan B3	Plan B4	Plan B5	Plan B6	Plan B5	Plan B6	Plan B5	Plan B6
Options outstanding at the beginning of the year	24,12,210	3,34,810	3,61,000	22,39,418	7,21,813	28,800	24,000	24,000	42,510	-	-	-	-
Granted during the year	-	-	-	-	-	-	-	-	-	-	-	-	1,146
Forfeited during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercised during the year	(8,86,587)	(1,25,554)	(50,600)	(8,27,946)	(2,49,466)	(10,800)	-	-	(2,502)	-	-	-	-
Expired during the year	(30,032)	-	-	(20,820)	(22,852)	-	-	-	-	-	-	-	-
Outstanding at the end of the year	14,95,591	2,09,256	3,10,400	13,90,652	4,49,495	18,000	24,000	24,000	40,008	1,146	-	-	-
Exercisable at the end of the year	12,265	-	21,600	6,649	15,581	-	9,000	6,000	-	-	-	-	-

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

7 Accounting for employee share based payments (contd.)

Particulars	March 31, 2019									
	Plan C1	Plan C2	Plan C3	Plan C4	Plan C5	Plan C6	Plan C7	Plan C8	Plan C9	Plan D1
Options outstanding at the beginning of the year	9,000	1,70,000	66,200	1,04,200	10,37,921	-	-	-	-	-
Granted during the year	-	-	-	-	-	2,919	5,480	27,600	50,865	18,56,950
Forfeited during the year	-	-	-	-	-	-	-	-	-	-
Exercised during the year	(1,800)	(27,360)	(11,380)	(18,440)	(1,10,990)	-	-	-	-	-
Expired during the year	(2,160)	(36,480)	(18,660)	(21,360)	(1,17,595)	(1,500)	(1,500)	-	-	(39,558)
Outstanding at the end of the year	5,040	1,06,160	36,160	64,400	8,09,336	1,419	3,980	27,600	50,865	18,17,392
Exercisable at the end of the year	-	4,000	-	1,200	72,942	-	-	-	-	-

Details of stock options granted during the year:

Plan A, B, C and D: The weighted average fair value of stock options granted during the year was ₹ 282.88 (Plan D4), ₹ 316.69 (plan D5), ₹ 312.65 (plan D6), ₹ 466.35 (plan D7) and ₹ 362.89 (plan D8).

The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

Particulars	Plan D4				Plan D5				Plan D6			
	Tranche vesting in FY 2020-21	Tranche vesting in FY 2021-22	Tranche vesting in FY 2022-23	Tranche vesting in FY 2023-24	Tranche vesting in FY 2020-21	Tranche vesting in FY 2021-22	Tranche vesting in FY 2022-23	Tranche vesting in FY 2023-24	Tranche vesting in FY 2020-21	Tranche vesting in FY 2021-22	Tranche vesting in FY 2022-23	Tranche vesting in FY 2023-24
Share price on the date of grant (₹)	616.90	616.90	616.90	616.90	705.85	705.85	705.85	705.85	632.90	632.90	632.90	632.90
Exercise price (₹)	589.00	589.00	589.00	589.00	664.00	664.00	664.00	664.00	630.00	630.00	630.00	630.00
Expected volatility (%)	37.65%	37.65%	37.65%	37.65%	37.65%	37.65%	37.65%	37.65%	46.20%	46.20%	46.20%	46.20%
Life of the options granted (years)	4.00	4.50	5.00	5.50	4.00	4.50	5.00	5.50	4.00	4.50	5.00	5.50
Risk-free interest rate (%)	7.23%	7.23%	7.23%	7.23%	6.75%	6.75%	6.75%	6.75%	6.48%	6.48%	6.48%	6.48%
Expected dividend rate (%)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Fair value of the option (₹)	255.97	272.82	287.37	303.03	288.54	305.17	323.12	336.72	283.41	301.42	318.72	333.57

Particulars	Plan D7				Plan D8			
	Tranche vesting in FY 2020-21	Tranche vesting in FY 2021-22	Tranche vesting in FY 2022-23	Tranche vesting in FY 2023-24	Tranche vesting in FY 2020-21	Tranche vesting in FY 2021-22	Tranche vesting in FY 2022-23	Tranche vesting in FY 2023-24
Share price on the date of grant (₹)	654.40	654.40	654.40	654.40	888.35	888.35	888.35	888.35
Exercise price (₹)	668.00	668.00	668.00	668.00	724.00	724.00	724.00	724.00
Expected volatility (%)	89.53%	89.53%	89.53%	89.53%	33.69%	33.69%	33.69%	33.69%
Life of the options granted (years)	4.00	4.50	5.00	5.50	3.00	2.50	3.00	4.00
Risk-free interest rate (%)	6.19%	6.19%	6.19%	6.19%	6.61%	6.61%	6.61%	6.61%
Expected dividend rate (%)	0%	0%	0%	0%	0%	0%	0%	0%
Fair value of the option (₹)	435.59	452.82	472.55	489.66	354.62	330.21	354.62	398.46

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

7 Accounting for employee share based payments (contd.)

The Bank measures the cost of ESOP using the intrinsic value method. Had the Bank used the fair value model to determine compensation, its profit after tax and earnings per share as reported would have changed to the amounts indicated below:

Particulars	Year ended March 31, 2020		Year ended March 31, 2019	
	(₹ in crore)		(₹ in crore)	
Profit after tax as reported	674.78		381.81	
Add: ESOP cost using intrinsic value method (net of tax)	17.76		25.11	
Less: ESOP cost using fair value method (net of tax)	51.64		36.38	
Profit after tax (adjusted)	640.90		370.54	
Earnings Per Share				
Basic				
- As reported	22.78		13.16	
- Adjusted for ESOP cost using fair value method	21.64		12.77	
Diluted				
- As reported	22.32		12.90	
- Adjusted for ESOP cost using fair value method	21.20		12.52	

Particulars	As at March 31, 2020		As at March 31, 2019	
	(₹ in crore)		(₹ in crore)	
Stock options outstanding (gross)	104.14		103.75	
Deferred compensation cost outstanding	21.52		44.87	
Stock options outstanding (net)	82.62		58.88	

FY 2019-20

The Bank has granted 10,00,000 stock options on August 30, 2018 under Plan D1 to Whole Time Director however the bank has received RBI approval on June 17, 2019. Vesting period for these options commenced from the RBI approval date and accordingly these options have been considered for the purpose of computing the ESOP cost as per Plan D5.

The Bank has granted 38,702 and 10,18,758 stock options on October 27, 2017 under Plan A3 and Plan B5, respectively, to Whole time Director which were pending for RBI Approval. During the year ended March 31, 2020, the bank has submitted the revised proposal to RBI and the approval of the RBI is pending as at March 31, 2020. Accordingly, these options have not been considered for the purpose of computing the impact of ESOP fair value on profit before tax. The vesting period for these options will commence only after the RBI approval is received.

FY 2018-19

The Bank has granted 10,00,000 stock options on August 30, 2018 under Plan D1 and 38,702 and 10,18,758 stock options on October 27, 2017 under Plan A3 and Plan B5, respectively, to Whole time Director which are pending for RBI Approval. Accordingly, these options have not been considered for the purpose of computing the impact of ESOP fair value on profit before tax. The vesting period for these options will commence only after the RBI approval is received.



Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

8 Employee benefits

(a) Defined benefit plans

Gratuity

The gratuity plan provides a lumpsum payment to vested employees at retirement or on termination of employment based on respective employee's salary and years of employment with the Bank considering the ceiling of gratuity amount of ₹ 0.20 crore.

Reconciliation of opening and closing balance of present value of defined benefit obligation for gratuity benefits is given below.

Particulars	(₹ in crore)	
	March 31, 2020	March 31, 2019
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Liability at the beginning of the year	15.15	11.60
Interest cost	1.21	0.90
Current service cost	11.15	5.65
Benefits paid during the year	(0.40)	(0.32)
Actuarial (gain) / loss on obligation	5.96	(2.68)
Experience adjustment	-	-
Assumption change	-	-
Liability at the end of the year	33.07	15.15
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets at the beginning of the year	11.86	0.14
Expected return on plan assets	0.18	0.18
Contributions	3.30	11.86
Benefits paid	(0.40)	(0.32)
Actuarial gain / (loss) on plan assets	0.93	-
Experience adjustment	-	-
Assumption change	-	-
Fair value of plan assets at the end of the year	15.87	11.86
Amount recognised in Balance Sheet		
Fair value of plan assets at the end of the year	15.87	11.86
Liability at the end of the year	(33.07)	(15.15)
Net Asset (included under Schedule 11.VII) / (Liability) (included under Schedule 5.IV)	(17.20)	(3.29)
Expenses recognised in Profit and Loss Account		
Interest cost	1.21	0.90
Current service cost	11.15	5.65
Expected return on plan assets	(0.18)	(0.18)
Net actuarial (gain) / loss recognised in the year	5.03	(2.68)
Net cost	17.21	3.69
Actual return on plan assets	1.11	0.18
Estimated contribution for the next year	17.00	3.00
Assumptions		
Discount rate	6.50% per annum	8.00% per annum
Expected return on plan assets	8.00% per annum	8.00% per annum
Withdrawal rate	1.00% at all ages	1.00% at all ages
Salary escalation rate	7.50% per annum	7.50% per annum

Schedules

forming part of the Financial Statements for the year ended March 31, 2020

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD.)

8 Employee benefits (contd.)

Experience adjustment

Particulars	(₹ in crore)				
	Years ended March 31,				
	2020	2019	2018	2017	2016
Plan assets	15.87	11.86	0.14	-	-
Defined benefit obligation	33.07	15.15	11.60	6.99	4.64
Surplus / (deficit)	(17.20)	(3.29)	(11.46)	(6.99)	(4.64)
Experience adjustment gain / (loss) on plan assets	0.93	-	-	-	-
Experience adjustment (gain) / loss on plan liabilities	5.96	(2.68)	(0.52)	0.18	0.11

(b) Defined contribution plans

Provident fund

The Bank makes Provident Fund contributions to a defined contribution retirement benefit plans for qualifying employees. Under the schemes, the bank is required to contribute a specified percentage of the payroll costs to the Provident Fund Commissioner to fund the benefits.

The Bank recognised ₹ 24.96 crore (previous year: ₹ 14.36 crore) for provident fund contributions in the Profit and Loss Account. The contributions payable to these plans by the Bank are at rates specified in the rules of the schemes.

(c) Compensated absences

The Bank has provided for compensatory leaves which can be availed and not encashed as per policy of the Bank as present value obligation of the benefit at related current service cost measured using the Projected Unit Credit Method on the basis of an actuarial valuation. The Bank has accordingly booked ₹ 5.00 crore (previous year: ₹ 4.49 crore) in the books of account for the period.

9 Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

As per our attached Report of even date.

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration No.: 101049W/E300004

per **Sarvesh Warty**
Partner
Membership No. 121411
Place: Mumbai

For and on behalf of the Board of Directors
AU Small Finance Bank Limited

Raj Vikash Verma
(Non-Executive Independent
Part Time Chairman)
Place: New Delhi

Sanjay Agarwal
(Managing Director and CEO)
Place: Jaipur

Uttam Tibrewal
(Whole Time Director)
Place: Mumbai

Vimal Jain
(Chief Financial Officer)
Place: Jaipur

Manmohan Parnami
(Company Secretary)
Place: Jaipur

Date: May 02, 2020



Basel II (Pillar 3) Disclosures

As at 31st March 2020

RBI circular DBR.No.BP.BC.4/21.06.001/2015-16 dated 1st July, 2015 on 'Prudential guideline on Capital Adequacy and Market Discipline – New Capital Adequacy Framework (NCAF)' requires banks to make applicable Pillar 3 disclosures. These disclosures have not been subjected to audit or limited review. These disclosures are available on the Bank's website at: <https://www.aubank.in/reports/regulatory-disclosures>

AU SMALL FINANCE BANK LIMITED

CIN: L36911RJ1996PLC011381
Registered Office: 19-A, DHULESHWAR GARDEN, AJMER ROAD,
JAIPUR – 302001, RAJASTHAN
Tel: +91 141 4110060 | Fax: +91 141 4110090
E-mail: investorrelations@aubank.in | Website: www.aubank.in

Notice of Annual General Meeting

Notice is hereby given that the Twenty Fifth (25th) Annual General Meeting ("AGM") of the members of **AU SMALL FINANCE BANK LIMITED ("Bank")** will be held on Tuesday, 21st July, 2020 at 3:30 p.m. through video conferencing ("VC") or other audio visual means ("OAVM") in light of the COVID-19 crisis and in accordance with the Circular no. 14/2020 dated April 8, 2020 read with Circular no. 17/2020 dated April 13, 2020 and Circular no. 20/2020 dated May 5, 2020 issued by the Ministry of Corporate Affairs, Government of India ('MCA Circulars') to transact the following business:

ORDINARY BUSINESS

Item No. 1: To adopt the Audited Financial Statements of the Bank for the Financial Year ended on 31st March 2020 and the reports of the Board of Directors and the Auditors thereon.

Item No.2: To appoint a director in place of Mr. Sanjay Agarwal (DIN: 00009526), who retires by rotation and, being eligible, has offered himself for re-appointment.

SPECIAL BUSINESS

Item No. 3: To appoint Mr. Mankal Shankar Sriram (M S Sriram) (DIN: 00588922) as an Independent Director.

To consider and if thought fit, to pass, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 149, 152, schedule IV and other applicable provisions, if any, of the Companies Act, 2013 ("**Act**") read with rules made there under, Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, provisions of Section 10A(2)(a) of the Banking Regulation Act, 1949 and all other provisions/ regulations/guidelines/notifications/circulars issued in this regard (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and on the recommendation of Nomination and Remuneration Committee, Mr. M S Sriram (DIN: 00588922), who was appointed as an Additional Director (Independent) w.e.f. 21st October, 2019 in terms of provisions of Section 161(1) of the Act and whose term of office expires at this Annual General Meeting ("AGM") and in respect of whom the Bank has received a notice in writing under Section 160 of the Act

from a member proposing his candidature for the office of director and who meets the criteria of Independence as provided under Section 149(6) of the Act and Regulation 16(1)(b) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, be and is hereby appointed as an Independent Director of the Bank to hold office for a term of three (3) years i.e. upto 20th October, 2022 and who shall not be liable to retire by rotation.

RESOLVED FURTHER THAT Board of Directors be and is hereby authorised to do all such acts, deeds and things as may be considered necessary or desirable in connection with or incidental thereto to give effect to the above resolution, including but not limited to filing of necessary forms with the Registrar of Companies, disclosures with stock exchanges and to comply with all other requirements in this regard."

Item No. 4: To appoint Mr. Pushpinder Singh (DIN: 08496066) as an Independent Director.

To consider and, if thought fit, to pass, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 149, 152, schedule IV and other applicable provisions, if any, of the Companies Act, 2013 ("**Act**") read with rules made there under, Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, provisions of Section 10A(2)(a) of the Banking Regulation Act, 1949 and all other provisions/ regulations/guidelines/notifications/circulars issued in this regard (including any statutory modification(s) or re-enactment(s) thereof for the time being in force and on the recommendation of Nomination and Remuneration Committee, Mr. Pushpinder Singh (DIN: 08496066), who was appointed as an Additional Director (Independent) w.e.f. 21st October, 2019 in terms of provisions of Section 161(1) of the Act and whose term of office expires at this Annual General Meeting ("AGM") and in respect of whom the Bank has received a notice in writing under Section 160 of the Act from a member proposing his candidature for the office of director of the Bank and who meets the criteria of Independence as provided under Section 149(6) of the Act and Regulation 16(1)(b) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements)



Regulations 2015, be and is hereby appointed as an Independent Director of the Bank to hold office for a term of three (3) years i.e. upto 20th October, 2022 and who shall not be liable to retire by rotation.

RESOLVED FURTHER THAT Board of Directors be and is hereby authorised to do all such acts, deeds and things as may be considered necessary or desirable in connection with or incidental thereto to give effect to the above resolution, including but not limited to filing of necessary forms with the Registrar of Companies, disclosures with stock exchanges and to comply with all other requirements in this regard."

Item No. 5: To appoint Mr. Kannan Gopalaraghavan Vellur (V G Kannan) (DIN:03443982) as an Independent Director.

To consider and, if thought fit, to pass, the following resolution as an **Ordinary Resolution**:

RESOLVED THAT pursuant to the provisions of Sections 149, 152, Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 ("Act") read with rules made there under, Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, provisions of Section 10A(2)(a) of the Banking Regulation Act, 1949 and all other provisions/regulations/guidelines/notifications/circulars issued in this regard including any statutory modification(s) or re-enactment(s) thereof for the time being in force and on the recommendation of Nomination and Remuneration Committee, Mr. V G Kannan (DIN: 03443982), who was appointed as an Additional Director (Independent) w.e.f. 22nd January 2020 in terms of provisions of Section 161(1) of the Act and whose term of office expires at this Annual General Meeting ("AGM") and in respect of whom the Bank has received a notice in writing under Section 160 of the Act from a member proposing his candidature for the office of director of the Bank and who meets the criteria of Independence as provided under Section 149(6) of the Act and Regulation 16(1)(b) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, be and is hereby appointed as an Independent Director of the Bank to hold office for a term of three (3) years i.e. upto 21st January, 2023 and who shall not be liable to retire by rotation.

RESOLVED FURTHER THAT Board of Directors be and is hereby authorised to do all such acts, deeds and things as may be considered necessary or desirable in connection with or incidental thereto to give effect to the above resolution, including but not limited to filing of necessary forms with the Registrar of Companies, disclosures with stock exchanges and to comply with all other requirements in this regard.

Item No. 6: To issue debt securities/bonds/other permissible instruments, in one or more tranches.

To consider and if thought fit, to pass the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 42, 71, 180 and other applicable provisions, if any, of the Companies Act, 2013, ("Act") read with rules made thereunder, applicable regulations of Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and other applicable rules, guidelines, circulars, notifications issued in this regard by Reserve Bank of India or any other regulatory authority (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and subject to such other approval(s), consent(s), permission(s) and sanction(s) as may be necessary from the concerned statutory or regulatory authority(ies) approval of the Members of the Bank be and is hereby accorded to the Board of Directors (hereinafter referred to as the 'Board', which term shall be deemed to include any Committee thereof, which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution and with the power to delegate such authority to any person or persons) for borrowing/raising funds denominated in Indian rupees or any other permitted foreign currency by issue of debt securities, including but not limited to long-term bonds, perpetual debt instruments, Tier I/Tier II Capital and Bonds or such other debt securities as may be permitted under RBI guidelines from time to time, on a private placement basis and/or for making offers and/or invitations thereof and/or issue(s)/ issuances thereof, for a period of one year from the date hereof, in one or more tranches and/or series and under one or more shelf disclosure documents and/or one or more letters of offer and on such terms and conditions for each series/tranches, including the price, coupon, premium, discount, tenor etc. as deemed fit by the Board, as per the structure and within the limits permitted by RBI, as applicable of an amount not exceeding ₹ 12,000 crore (Rupees Twelve Thousand Crore Only) in domestic and/ or overseas market within the overall borrowing limits of the Bank and on such terms and conditions as may be approved by the Board, from time to time.

RESOLVED FURTHER THAT Board of Directors be and is hereby authorised to do all such acts, deeds and things as may be considered necessary or desirable in connection with or incidental thereto to give effect to the above resolution, including but not limited to filing of necessary forms with the Registrar of Companies, disclosures with stock exchanges and to comply with all other requirements in this regard.

Item No. 7: To approve the amendments in Employee Stock Option Scheme 2015 Plan A & B ("ESOP Scheme 2015")

To consider and if thought fit, to pass the following Resolution as **Special Resolution**:

"RESOLVED THAT pursuant to provisions of Section 62(1)(b) of Companies Act, 2013 and other applicable provisions, if any, of Companies Act, 2013 read with Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014, Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and all other applicable rules / notifications / guidelines / regulations / circular issued in this regard (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and pursuant to the relevant clauses of Articles of Association of the Bank, approval of members

be and is hereby accorded to amend/alter the ESOP Scheme 2015 by substituting the existing Section 8 of the ESOP Scheme 2015 of the Bank in the below manner subject to such approval(s)/consent(s)/permission(s)/sanction(s), as may be required, from the appropriate regulatory authorities including but not limited to the Stock Exchange(s), Securities and Exchange Board of India, Reserve Bank of India and further subject to such terms and conditions as may be prescribed while granting such approval(s) / consent(s) / permission(s) / sanction(s) which may be agreed to and accepted by the Board of Directors hereinafter referred to as the **"Board"** which term shall be deemed to include any Committee thereof, which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution and with the power to delegate such authority to any person or persons. constituted by the Board, for the time being exercising the powers conferred on the Board by this Resolution:

Section and Heading	Existing Section	Revised Section
Section 8 – Change in Capital Structure or Corporate Action	8.1.Except as hereinafter provided, a Grant made shall be subject to adjustment, by the Compensation Committee, at its discretion with respect to number and price of the Options or the Shares, as the case may be, in the event of Change in Capital Structure or occurrence of Corporate Action. However, such amendment shall be subject to compliance of Shareholder's agreement and Article of Association of the Company. 8.2.The existence of ESOP 2015 and the Grants made hereunder shall not in any way affect the right or the power of the BoD or the Shareholders or the Company to make, undertake or authorize any Change in Capital Structure or any Corporate Action including any issue of shares, debt or other securities having any priority or preference over the Shares or the rights thereof. 8.3.If there is a Change in the Capital Structure of the Company before the commencement of the Exercise Period, the Option Grantee shall be entitled to Exercise the Options, in relation to such number of Resultant Shares to which he/she would have been entitled as if all the Options not exercised by him/her had been Vested in him/her before such change in the Capital Structure of the Company had taken place and the rights under the Options shall stand correspondingly adjusted. 8.4.The Underlying Shares in respect of which the Options are granted are Shares as presently constituted. In case, Options are granted and after commencement but before expiry of the Exercise Period, there is a Change in the Capital Structure of the Company, the Vested Options that may thereafter be Exercised shall, if: (a) the number of Resultant Shares is more than the original Shares, shall proportionately increase and the Exercise Price shall proportionately decrease; or	In the event of any Change in Capital Structure or Corporate Action carried out by the Bank, any options that will be granted under the scheme / granted but are not exercised shall be appropriately adjusted by the Compensation Committee ("Committee"). The adjustment due to Change in Capital Structure or due to Corporate Action will be to the number of options and/ or Exercise Price and/ or to the number of Shares to be allotted, as the case may be, which will be at the discretion of the Committee, subject to Applicable Law. In the event of Change in Capital Structure or any Corporate Action to be carried out by the Bank before the Options granted under this Scheme are exercised, the Option Grantee shall be entitled to such number of Resultant Shares as appropriately adjusted considering that all outstanding Options (including granted but not vested/ vested but not exercised) have been exercised by him/ her before such Change in Capital Structure/ Corporate Action had taken place and his/ her rights for exercising of Options shall stand correspondingly adjusted. For any other corporate action not mentioned above, the treatment of options (including the options vested/ to be vested/ exercised/ to be exercised/ available for Grant and those available for re-issue) shall be decided by the Committee, subject to Applicable Law. The following shall, inter alia, be taken into consideration by the Committee before making any adjustments: (i) In case the provisions of the Applicable Law restrict/ prohibit the issue of the Resultant Shares at a discount, the Exercise Price shall not be less than the amount as prescribed under Applicable Law;



Section and Heading	Existing Section	Revised Section
	(b) The number of Resultant Shares is more than the original Shares, shall proportionately decrease and the Exercise Price shall proportionately increase. Provided that in case the provisions of the Applicable Laws restrict/prohibit the issue of Resultant Shares at a discount, the Exercise Price shall not be less than the amount as prescribed under such Applicable Law. 8.5.Where the Options have Vested (but not exercised) or not Vested, should the equity share capital of the Company be increased by capitalization by bonus issue, appropriate adjustments shall be made either to the number of Options or the Exercise Price of Options granted, to reflect such change without in any way affecting the rights of the Option Grantee holding such Options and also preventing any dilution or enlargement of benefits of the Plan. In the event of a bonus issue of shares during the Vesting Period, in relation to the Unvested Options only, the Option Holder would be entitled to apply for and be allotted proportionately higher number of Options, exercisable on the same terms as of the original Options except the Exercise Price. The per Option Exercise Price of aggregate of original Options and bonus Options will be the aggregate Exercise Price of the number of Options eligible for Grant of bonus Options, divided by the aggregate number of original Options (eligible for bonus Options) and bonus Options. For the purpose of the Vesting Period and Exercise Period, the Bonus Options will be treated at par with the original Options on which the bonus Options have been issued.	(ii) The number of options and/ or Exercise Price and/ or number of Shares to be allotted shall be adjusted in a manner such that total value to the employee of the options remains as nearly as possible the same after the Change in Capital Structure/ Corporate Action; (iii) The vesting period and the life of the options shall be left unaltered as far as possible to protect the rights of the option holder(s); (iv) In case of bonus issue, Committee may adjust number of options and/ or Exercise Price and/ or allot such number of bonus shares at the time of issuing Shares against original Options, as part of adjustment to the number of original Options on account of bonus adjustments, that post allotment of such bonus shares the Option Grantee is at the same shareholding level as she/ he would have been at the time of issuance of Shares against her/ his original Options prior to the bonus issue. The Option Grantee will not be required to pay any additional consideration for such allotment of bonus shares on account of bonus adjustments.

RESOLVED FURTHER THAT revised ESOP Scheme 2015 covering amendment to Section 8 – Change in Capital Structure or Corporate Action as placed herein before the members be and is hereby approved and adopted by the members of the Bank.

RESOLVED FURTHER THAT it is hereby affirmed that the amendments to the ESOP Scheme 2015 are not prejudicial to the interests of the option holders.

RESOLVED FURTHER THAT the Compensation Committee i.e. Nomination and Remuneration Committee or any other committee of the Bank as constituted by the Board be and is hereby authorized to implement, administer/ superintend including issue and allotment of securities under the Employee Stock Option Scheme pursuant to the exercise of options by the eligible employees.

RESOLVED FURTHER THAT the Board of the Bank be and is hereby authorised, wherever required including the power to delegate the authority to any official (s) of the Bank to sign application, execute, submit any documents with Stock Exchange(s) i.e. BSE Limited and National Stock Exchange of India Limited, Securities and Exchange Board

of India or any other authority(ies) as may be required, and to deliver on behalf of the Bank all deeds, documents, declarations, undertakings, clarification, submissions and other writings, as applicable to any authority and to do all such other acts, deeds, matters and things as may be required in this regard.

Item No. 8: To approve the amendments in Employee Stock Option Scheme 2016 (“ESOP Scheme 2016”)

To consider and if thought fit, to pass the following Resolution as **Special Resolution**:

RESOLVED THAT pursuant to provisions of Section 62(1)(b) of Companies Act, 2013 and other applicable provisions, if any, of Companies Act, 2013 read with Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014, Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and all other applicable rules/notifications/guidelines/regulations/circular issued in this regard (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and

pursuant to the relevant clauses of Articles of Association of the Bank, consent of members be and is hereby accorded to amend/alter the ESOP Scheme 2016 by substituting the existing Section 8 of the ESOP Scheme 2016 of the Bank in the below manner subject to such approval(s)/consent(s)/ permission(s)/sanction(s), as may be required, from the appropriate regulatory authorities including but not limited to the Stock Exchange(s), Securities and Exchange Board of India, Reserve Bank of India and further subject

to such terms and conditions as may be prescribed while granting such approval(s)/consent(s)/permission(s)/ sanction(s), and which may be agreed to and accepted by the Board of Directors (hereinafter referred to as the “**Board**” which term shall be deemed to include any Committee thereof, which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution and with the power to delegate such authority to any person or persons.

Section and Heading	Existing Section	Revised Section
Section 8 – Change in Capital Structure or Corporate Action	8.1.Except as hereinafter provided, a Grant made shall be subject to adjustment, by the Compensation Committee, at its discretion with respect to number and price of the Options or the Shares, as the case may be, in the event of Change in Capital Structure or occurrence of Corporate Action. However, such amendment shall be subject to compliance of Shareholder’s agreement and Article of Association of the Company. 8.2.The existence of ESOP 2016 and the Grants made hereunder shall not in any way affect the right or the power of the BoD or the Shareholders or the Company to make, undertake or authorize any Change in Capital Structure or any Corporate Action including any issue of shares, debt or other securities having any priority or preference over the Shares or the rights thereof. 8.3.If there is a Change in the Capital Structure of the Company before the commencement of the Exercise Period, the Option Grantee shall be entitled to Exercise the Options, in relation to such number of Resultant Shares to which he/she would have been entitled as if all the Options not exercised by him/her had been Vested in him/her before such change in the Capital Structure of the Company had taken place and the rights under the Options shall stand correspondingly adjusted. 8.4.The Underlying Shares in respect of which the Options are granted are Shares as presently constituted. In case, Options are granted and after commencement but before expiry of the Exercise Period, there is a Change in the Capital Structure of the Company, the Vested Options that may thereafter be Exercised shall, if: (a) the number of Resultant Shares is more than the original Shares, shall proportionately increase and the Exercise Price shall proportionately decrease; or (b) The number of Resultant Shares is more than the original Shares, shall proportionately decrease and the Exercise Price shall proportionately increase. Provided that in case the provisions of the Applicable Laws restrict/prohibit the issue of Resultant Shares at a discount, the Exercise Price shall not be less than the amount as prescribed under such Applicable Law. 8.5.Where the Options have Vested (but not exercised) or not Vested, should the equity share capital of the Company be increased by capitalization by bonus	In the event of any Change in Capital Structure or Corporate Action carried out by the Bank, any options that will be granted under the scheme / granted but are not exercised shall be appropriately adjusted by the Compensation Committee (“Committee”). The adjustment due to Change in Capital Structure or due to Corporate Action will be to the number of options and/ or Exercise Price and/ or to the number of Shares to be allotted, as the case may be, which will be at the discretion of the Committee, subject to Applicable Law. In the event of Change in Capital Structure or any Corporate Action to be carried out by the Bank before the Options granted under this Scheme are exercised, the Option Grantee shall be entitled to such number of Resultant Shares as appropriately adjusted considering that all outstanding Options (including granted but not vested/ vested but not exercised) have been exercised by him/ her before such Change in Capital Structure/ Corporate Action had taken place and his/ her rights for exercising of Options shall stand correspondingly adjusted. For any other corporate action not mentioned above, the treatment of options (including the options vested/ to be vested/ exercised/ to be exercised/ available for Grant and those available for re-issue) shall be decided by the Committee, subject to Applicable Law. The following shall, inter alia, be taken into consideration by the Committee before making any adjustments: (i) In case the provisions of the Applicable Law restrict/ prohibit the issue of the Resultant Shares at a discount, the Exercise Price shall not be less than the amount as prescribed under Applicable Law; (ii) The number of options and/ or Exercise Price and/ or number of Shares to be allotted shall be adjusted in a manner such that total value to the employee of the options remains as nearly as possible the same after the Change in Capital Structure/ Corporate Action; (iii) The vesting period and the life of the options shall be left unaltered as far as possible to protect the rights of the option holder(s); (iv) In case of bonus issue, Committee may adjust number of options and/ or Exercise Price and/ or allot such number of bonus shares at the time of issuing Shares against



Section and Heading	Existing Section	Revised Section
	issue, appropriate adjustments shall be made either to the number of Options or the Exercise Price of Options granted, to reflect such change without in any way affecting the rights of the Option Grantee holding such Options and also preventing any dilution or enlargement of benefits of the Plan. In the event of a bonus issue of shares during the Vesting Period, in relation to the Unvested Options only, the Option Holder would be entitled to apply for and be allotted proportionately higher number of Options, exercisable on the same terms as of the original Options except the Exercise Price. The per Option Exercise Price of aggregate of original Options and bonus Options will be the aggregate Exercise Price of the number of Options eligible for Grant of bonus Options, divided by the aggregate number of original Options (eligible for bonus Options) and bonus Options. For the purpose of the Vesting Period and Exercise Period, the Bonus Options will be treated at par with the original Options on which the bonus Options have been issued.	original Options, as part of adjustment to the number of original Options on account of bonus adjustments, that post allotment of such bonus shares the Option Grantee is at the same shareholding level as she/ he would have been at the time of issuance of Shares against her/ his original Options prior to the bonus issue. The Option Grantee will not be required to pay any additional consideration for such allotment of bonus shares on account of bonus adjustments.

RESOLVED FURTHER THAT revised ESOP Scheme 2016 covering amendment to Section 8 – Change in Capital Structure or Corporate Action as placed herein before the members be and is hereby approved and adopted by the members of the Bank.

RESOLVED FURTHER THAT it is hereby affirmed that the amendments to the ESOP Scheme 2016 are not prejudicial to the interests of the option holders.

RESOLVED FURTHER THAT the Compensation Committee i.e. Nomination and Remuneration Committee or any other committee of the Bank as constituted by the Board be and is hereby authorized to implement, administer/ superintend including issue and allotment of securities under the Employee Stock Option Scheme pursuant to the exercise of options by the eligible employees.

RESOLVED FURTHER THAT the Board of the Bank be and is hereby authorised, wherever required including the power to delegate the authority to any official (s) of the Bank to sign application, execute, submit any documents with Stock Exchange(s) i.e. BSE Limited and National Stock Exchange of India Limited, Securities and Exchange Board of India or any other authority(ides) as may be required, and to deliver on behalf of the Bank all deeds, documents, declarations, undertakings, clarification, submissions and other writings, as applicable to any authority and to do all such other acts, deeds, matters and things as may be required in this regard.”

Item No. 9: To approve the amendments in Employee Stock Option Scheme 2018 (“ESOP Scheme 2018”)

To consider and if thought fit, to pass the following Resolution as **Special Resolution**:

RESOLVED THAT pursuant to provisions of Section 62(1)(b) of Companies Act, 2013 and other applicable provisions, if any, of Companies Act, 2013 read with Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014, Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and all other applicable rules/notifications/guidelines/regulations/circular issued in this regard (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and pursuant to the relevant clauses of Articles of Association of the Bank, consent of members be and is hereby accorded to amend/alter the ESOP Scheme 2018 by substituting the existing Section 8 of the ESOP Scheme 2018 of the Bank in the below manner subject to such approval(s)/consent(s)/ permission(s)/sanction(s), as may be required, from the appropriate regulatory authorities including but not limited to the Stock Exchange(s), Securities and Exchange Board of India, Reserve Bank of India and further subject to such terms and conditions as may be prescribed while granting such approval(s)/consent(s)/permission(s)/ sanction(s), and which may be agreed to and accepted by the Board of Directors (hereinafter referred to as the “Board” which term shall be deemed to include any Committee thereof, which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution and with the power to delegate such authority to any person or persons.

Section and Heading	Existing Section	Revised Section
Section 8 – Change in Capital Structure or Corporate Action	8.1.Except as hereinafter provided, a Grant made shall be subject to adjustment, by the Compensation Committee, at its discretion with respect to number and price of the Options or the Shares, as the case may be, in the event of Change in Capital Structure or occurrence of Corporate Action. However, such amendment shall be subject to compliance of Shareholder’s agreement and Article of Association of the Company. 8.2.The existence of ESOP 2018 and the Grants made hereunder shall not in any way affect the right or the power of the BoD or the Shareholders or the Company to make, undertake or authorize any Change in Capital Structure or any Corporate Action including any issue of shares, debt or other securities having any priority or preference over the Shares or the rights thereof. 8.3.If there is a Change in the Capital Structure of the Company before the commencement of the Exercise Period, the Option Grantee shall be entitled to Exercise the Options, in relation to such number of Resultant Shares to which he/she would have been entitled as if all the Options not exercised by him/her had been Vested in him/her before such change in the Capital Structure of the Company had taken place and the rights under the Options shall stand correspondingly adjusted. 8.4.The Underlying Shares in respect of which the Options are granted are Shares as presently constituted. In case, Options are granted and after commencement but before expiry of the Exercise Period, there is a Change in the Capital Structure of the Company, the Vested Options that may thereafter be Exercised shall, if: (a) the number of Resultant Shares is more than the original Shares, shall proportionately increase and the Exercise Price shall proportionately decrease; or (b) The number of Resultant Shares is more than the original Shares, shall proportionately decrease and the Exercise Price shall proportionately increase. Provided that in case the provisions of the Applicable Laws restrict/prohibit the issue of Resultant Shares at a discount, the Exercise Price shall not be less than the amount as prescribed under such Applicable Law. 8.5. Where the Options have Vested (but not exercised) or not Vested, should the equity share capital of the Company be increased by capitalization by bonus issue, appropriate adjustments shall be made either to the number of Options or the Exercise Price of Options granted, to reflect such change without in any way affecting the rights of the Option Grantee holding such Options and also preventing any dilution or enlargement of benefits of the Plan. In the event of a bonus issue of shares during the Vesting Period, in relation to the Unvested	In the event of any Change in Capital Structure or Corporate Action carried out by the Bank any options that will be granted under the Scheme/ granted but are not exercised shall be appropriately adjusted by the Compensation Committee (“Committee”). The adjustment due to Change in Capital Structure or due to Corporate Action will be to the number of options and/ or Exercise Price and/ or to the number of Shares to be allotted, as the case may be, which will be at the discretion of the Committee, subject to Applicable Law. In the event of Change in Capital Structure or any Corporate Action to be carried out by the Bank before the Options granted under this plan are exercised, the Option Grantee shall be entitled to such number of Resultant Shares as appropriately adjusted considering that all outstanding Options (including granted but not vested/ vested but not exercised) have been exercised by him/ her before such Change in Capital Structure/ Corporate Action had taken place and his/ her rights for exercising of Options shall stand correspondingly adjusted. For any other corporate action not mentioned above, the treatment of options (including the options vested/ to be vested/ exercised/ to be exercised/ available for Grant and those available for re-issue) shall be decided by the Committee, subject to Applicable Law. The following shall, inter alia, be taken into consideration by the Committee before making any adjustments: (i) In case the provisions of the Applicable Law restrict/ prohibit the issue of the Resultant Shares at a discount, the Exercise Price shall not be less than the amount as prescribed under Applicable Law; (ii) The number of options and/ or Exercise Price and/ or number of Shares to be allotted shall be adjusted in a manner such that total value to the employee of the options remains as nearly as possible the same after the Change in Capital Structure/ Corporate Action; (iii) The vesting period and the life of the options shall be left unaltered as far as possible to protect the rights of the option holder(s); (iv) In case of bonus issue, Committee may adjust number of options and/ or Exercise Price and/ or allot such number of bonus shares at the time of issuing Shares against original Options, as part of adjustment to the number of original Options on account of bonus adjustments, that post allotment of such bonus shares the Option Grantee is at the same shareholding level as she/ he would have been at the time of issuance of Shares against her/ his original Options prior to the bonus issue. The Option Grantee will not be required to pay any additional



Section and Heading	Existing Section	Revised Section
	Options only, the Option Holder would be entitled to apply for and be allotted proportionately higher number of Options, exercisable on the same terms as of the original Options except the Exercise Price. The per Option Exercise Price of aggregate of original Options and bonus Options will be the aggregate Exercise Price of the number of Options eligible for Grant of bonus Options, divided by the aggregate number of original Options (eligible for bonus Options) and bonus Options. For the purpose of the Vesting Period and Exercise Period, the Bonus Options will be treated at par with the original Options on which the bonus Options have been issued.	consideration for such allotment of bonus shares on account of bonus adjustments.

RESOLVED FURTHER THAT revised ESOP Scheme 2018 covering amendment to Section 8 – Change in Capital Structure or Corporate Action as placed herein before the members be and is hereby approved and adopted by the members of the Bank.

RESOLVED FURTHER THAT it is hereby affirmed that the amendments to the ESOP Scheme 2018 are not prejudicial to the interests of the option holders.

RESOLVED FURTHER THAT the Compensation Committee i.e. Nomination and Remuneration Committee or any other committee of the Bank as constituted by the Board be and is hereby authorized to implement, administer/ superintend including issue and allotment of securities under the Employee Stock Option Scheme pursuant to the exercise of options by the eligible employees.

RESOLVED FURTHER THAT the Board of the Bank be and is hereby authorised, wherever required including the power to delegate the authority to any official (s) of the Bank to sign application, execute, submit any documents with Stock Exchange(s) i.e. BSE Limited and National Stock Exchange of India Limited, Securities and Exchange Board of India or any other authority(ies) as may be required, and to deliver on behalf of the Bank all deeds, documents, declarations, undertakings, clarification, submissions and other writings, as applicable to any authority and to do all such other acts, deeds, matters and things as may be required in this regard."

Item No. 10 : Raising of funds through issue of equity shares and/or any other instruments or securities representing either equity shares and/or convertible securities linked to equity shares including through Qualified Institutions Placement/ preferential allotment or such other permissible mode or combinations thereof.

To consider, and if thought fit to, pass the following Resolution, as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 23, 41, 42 and 62 (1) (c) and other applicable provisions, if any, of the Companies Act, 2013 and the applicable Rules made thereunder, including the Companies (Prospectus and Allotment of Securities) Rules, 2014 (including any statutory amendment(s), modification(s), variation(s) or re-enactment(s) thereto, for the time being in force) (the **"Act"**), the relevant provisions of the Banking Regulation Act, 1949, and the rules, guidelines and circulars issued by the Reserve Bank of India (the **"RBI"**) in this regard from time to time, the provisions of the Foreign Exchange Management Act, 1999 and rules and regulations framed thereunder, as amended, from time to time (the **"FEMA"**), the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, as amended, the current Consolidated FDI Policy issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India (the **"GOI"**) as amended, from time to time, the Master Directions – Issue and Pricing of Shares by Private Sector Banks, Directions, 2016, the Master Directions – Ownership in Private Sector Banks, Directions, 2016, the rules, the regulations, guidelines, notifications and circulars, if any, prescribed by the GOI, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (the **"SEBI ICDR Regulations"**), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, from time to time and subject to such other applicable rules, regulations, circulars, notifications, clarifications and guidelines issued thereon, from time to time, by the GOI, the Ministry of Corporate Affairs (the **"MCA"**), the RBI, the Securities and Exchange Board of India (the **"SEBI"**) and the Stock Exchanges where the Equity Shares of ₹ 10/- each of the Bank (**"Equity Shares"**) are listed and the enabling provisions of the Memorandum of Association and Articles of Association of the Bank and subject to the receipt of requisite approvals, consents, permissions and / or sanctions, if any, from any other appropriate statutory / regulatory authorities and subject to such other conditions and modifications as may be prescribed,

stipulated or imposed by any of the said statutory / regulatory authorities, while granting such approvals, consents, permissions, and / or sanctions, which may be agreed to by the Board of Directors of the Bank (the **"Board"**, which term shall be deemed to include any Committee(s) of Directors constituted/to be constituted by the Board, from time to time, to exercise its powers conferred herein) (the **"Committee"**), consent, authority and approval of the Members of the Bank be and is hereby accorded to the Board to create, offer, issue and allot (including with provisions for reservation on firm and/or on competitive basis, of such part of issue and for such categories of persons as may be permitted), such number of Equity Shares, and/ or Equity Shares through depository receipts, and/ or securities convertible into Equity Shares at the option of the Bank and/ or the holders of such securities, and/ or securities linked to Equity Shares, and/ or any other instrument or securities representing Equity Shares and/ or convertible securities linked to Equity Shares (all of which are hereinafter collectively referred to as **"Securities"**) or any combination of Securities, in one or more tranches, in the course of international and/ or domestic offering(s) in one or more foreign markets and/ or domestic market, of private offerings and/ or preferential allotment and/ or qualified institutions placement or any combination thereof, through issue of placement document or other permissible/requisite offer document to any eligible person, including Qualified Institutional Buyers, in accordance with Chapter VI of the SEBI ICDR Regulations, foreign/resident investors (whether institutions, incorporated bodies, mutual funds, individuals or otherwise), venture capital funds (foreign or Indian), alternate investment funds, foreign portfolio investors, qualified foreign investors, Indian and/ or multilateral financial institutions, mutual funds, non-resident Indians, pension funds and/ or any other categories of investors, whether they be holders of Equity Shares of the Bank or not (collectively called the **"Investors"**) as may be decided by the Board, in its sole and absolute discretion and permitted under applicable laws and regulations, in one or more tranches for an aggregate amount not exceeding ₹ 2,500 crore (Rupees Two Thousand Five Hundred Crore) or an equivalent amount thereof (inclusive of such premium as may be fixed on such Securities) (the **"Offering"**) by offering the Securities at such time or times, at such price or prices permitted under applicable laws in such manner and on such terms and conditions including security, rate of interest etc. as may be deemed appropriate by the Board in its sole and absolute discretion including the discretion, to determine the categories of Investors to whom the offer, issue and allotment shall be made to the exclusion of other categories of Investors at the time of such offer, issue and allotment of Equity Shares of ₹ 10/- each of the Bank considering the prevailing market conditions and other relevant factors and wherever necessary in consultation with lead manager(s) and/ or underwriter(s) and/ or other

advisor(s) as the Board in its sole and absolute discretion may deem fit and appropriate.

RESOLVED FURTHER THAT in case of issuance of Securities by way of a Qualified Institutions Placements (**"QIP"**), under Chapter VI of SEBI ICDR Regulations (the **"Eligible Securities"**):

- a. the price of the Eligible Securities shall not be less than the price as may be determined, in accordance with the pricing formula prescribed under Chapter VI of the SEBI ICDR Regulations.
- b. the Board may at its sole and absolute discretion, issue Eligible Securities at a discount of not more than five per cent (5%) or such other discount as may be permitted to the 'floor price' as may be determined in accordance with the pricing formula prescribed under Chapter VI of the SEBI ICDR Regulations.
- c. the Relevant Date for determination of the price of the Equity Shares shall be the date of the meeting at which the Board (which term shall be deemed to include any Committee), decides to open the proposed QIP in terms of the provisions of the Act, the SEBI ICDR Regulations and other applicable laws, rules, regulations.
- d. in case convertible securities are issued to Qualified Institutional Buyers (**"QIB"**) under Chapter VI of the SEBI ICDR Regulations, the Relevant Date for the purpose of pricing of such securities shall be either the date of the meeting at which the Board decides to open the proposed QIP of such convertible securities or the date on which the holders of such convertible securities become entitled to apply for the equity shares, in terms of the provisions of the Act, the SEBI ICDR Regulations and other applicable laws, rules, regulations.
- e. the allotment of Equity Shares to each QIB in the proposed QIP issue shall not exceed five percent (5%) of the post issued and paid up capital of the Bank or such other limit(s) as may be prescribed under applicable laws or as approved by Reserve Bank of India.
- f. the allotment of Eligible Securities or any combination of Eligible Securities as may be decided by the Board to the each QIBs shall be fully paid-up and the allotment of such Eligible Securities shall be completed within a period of 365 days, from the date of passing of this Special Resolution by the Members of the Bank and that all such Equity Shares shall rank pari-passu inter se and with the then existing Equity Shares of the Bank, in all respects, including dividend and shall be subject to the provisions of the Memorandum of Association and Articles of Association of the Bank.

- g. the Eligible Securities shall not be sold for a period of one (1) year from the date of its allotment, except on the floor of recognised Stock Exchange(s).

RESOLVED FURTHER THAT without prejudice to the generality of the above, subject to applicable laws and receipt of requisite approvals, consents, permissions and / or sanctions, if any, from any other appropriate statutory / regulatory authorities and subject to such other conditions and modifications as may be prescribed, stipulated or imposed by any of the said statutory / regulatory authorities, the aforesaid issue of Securities may have all or any terms or combination of terms, in accordance with prevalent market practices or as the Board may in its sole and absolute discretion deem fit, including but not limited to the terms and conditions, relating to premium on redemption at the option of the Bank and/or holders of any securities, or variation of the price or period of conversion of Securities into equity shares or issue of equity shares during the period of the Securities or terms pertaining to voting rights or option(s) for early redemption of Securities.

RESOLVED FURTHER THAT for the purpose of giving effect to the resolutions described above the Board or a duly authorised Committee thereof be and is hereby authorised for and on behalf of the Bank to do all such acts, deeds, matters and things including but not limited to finalisation and approval of the relevant offering documents, determining the form and manner of the issue, the nature and number of Securities to be allotted, timing of the issuance /Offering, determination of person(s) to whom the Securities will be offered and allotted, in accordance with applicable law, issue price, face value, discounts permitted under applicable law (now or hereafter), premium amount on issue / conversion of the Securities, if any, rate of interest, execution of various agreements, deeds, instruments and other documents, as it may in its sole and absolute discretion deem fit, necessary, proper or appropriate, and to give instructions or directions and to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of Securities (including in relation to issue of such Securities in one or more tranches from time to time) and utilisation of the issue proceeds and to accept and to give effect to such modifications, changes, variations, alterations, deletions, additions as regards the terms and conditions as may be required by the SEBI, the Registrar of Companies, the book running lead manager(s), or other authorities or agencies involved in or concerned with the issue of Securities and as the Board or a duly authorised committee thereof may in its sole and absolute discretion deem fit and appropriate in the best interest of the Bank, without being required to seek any further consent or approval of the Members or otherwise, and that all or any of the powers conferred on the Bank and the Board pursuant to this resolution may be exercised by the Board or a duly authorised committee

thereof as the Board has constituted or may constitute in this behalf, to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this Special Resolution, and all actions taken by the Board or any a duly authorised Committee thereof, to exercise its powers, in connection with any matter(s) referred to or contemplated in any of the foregoing resolutions be and are hereby approved, ratified and confirmed, in all respects.

RESOLVED FURTHER THAT the Board or a duly authorised Committee thereof be and is hereby authorised to engage / appoint Book Running Lead Managers, Underwriters, Depositories, Custodians, Registrars, Trustees, Bankers, Lawyers, Advisors and all such agencies as may be involved or concerned in such offerings of Securities and to remunerate them by way of commission, brokerage, fees or the like and also to reimburse them out of pocket expenses and also to enter into and execute all such arrangements, agreements, memoranda, documents etc. with such agencies and to seek the listing of the Securities on the Stock Exchanges.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions, the Board or a duly authorised Committee thereof be and is hereby authorized for and on behalf of the Bank to negotiate, modify, sign, execute, register, deliver including sign any declarations or Notice required in connection with the private placement offer letter, information memorandum, the draft offer document, offer letter, offer document, offer circular or placement document for issue of the Securities, term sheet, issue agreement, registrar agreement, escrow agreement, underwriting agreement, placement agreement, consortium agreement, trustee agreement, trust deed, subscription agreement, purchase agreement, agency agreement, agreements with the depositories, security documents, and other necessary agreements, memorandum of understanding, deeds, general undertaking / indemnity, certificates, consents, communications, affidavits, applications (including those to be filed with the Regulatory Authorities, if any) (the **"Transaction Documents"**) (whether before or after execution of the Transaction Documents) together with all other documents, agreements, instruments, letters and writings required in connection with, or ancillary to, the Transaction Documents (the **"Ancillary Documents"**) as may be necessary or required for the aforesaid purpose including to sign and/or dispatch all forms, filings, documents and notices to be signed, submitted and/or dispatched by it under or in connection with the documents to which it is a party as well as to accept and execute any amendments to the Transaction Documents and the Ancillary Documents and further to do all such other acts, deeds, matters and things, mentioned herein as they may deem necessary in connection with the issue

of the Securities in one or more tranches from time to time and matters connected therewith.

RESOLVED FURTHER THAT in respect of the Offering, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its sole and absolute discretion consider necessary, desirable or appropriate, including submitting the relevant application to the Stock Exchange(s) for obtaining in-principle approval, listing of Equity Shares, filing of requisite documents/making declarations with the MCA, RBI, SEBI and any other Statutory / Regulatory Authority(ies), including filing of form FC-GPR, and any other deed(s), document(s), declaration(s) as may be required under the applicable laws.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of the Board, inter alia, power to determine the form, terms and timing of the issue(s)/ offering(s), issue price (including discount, if any), the quantum of Securities to be issued, including selection of Investors to whom Securities are proposed to be offered, issued and allotted and matters related thereto, as it may, in its sole and absolute discretion, deem fit and appropriate.

RESOLVED FURTHER THAT the Board or a duly authorised Committee thereof be and is hereby authorised to delegate all or any of the powers herein conferred to any Director(s) or Officer(s) of the Bank and to generally do all such acts, deeds, matters and things as may be required in connection with the aforesaid resolutions, including making necessary filings with the Stock Exchange(s) and Statutory / Regulatory Authorities and execution of any deeds and documents for and on behalf of the Bank and to represent the Bank before any Governmental Authorities, to give effect to this resolution.

**By the order of The Board of Directors
For AU SMALL FINANCE BANK LIMITED**

Sd/-
Manmohan Parnami
Company Secretary
Membership No.: F9999

Place: Jaipur
Date: 30th May, 2020
Registered Office: 19-A, Dhuleshwar Garden,
Ajmer Road, Jaipur - 302001, Rajasthan
Website: www.aubank.in
Tel: +91 141 4110060
Fax: +91 141 4110090
E-mail: investorrelations@aubank.in

NOTES:

1. An Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 relating to the Special Business to be transacted at the Annual General Meeting ("AGM") is annexed hereto. The Board of Directors of the Bank at its meeting held on 30th May 2020 considered that the special business under Item Nos. 3 to 10, being considered unavoidable, be transacted at the 25th AGM of the Bank.
2. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (as amended), and the Circulars issued by the Ministry of Corporate Affairs dated 8th April, 2020, 13th April, 2020 and 5th May, 2020, the Bank is conducting its AGM through VC which does not require physical presence of members at a common venue and providing facility of remote e-voting to its Members in respect of the business to be transacted at the AGM. For this purpose, the Bank has entered into an arrangement with National Securities Depository Limited (NSDL) for conducting AGM through VC and facilitating voting through electronic means, as the authorized agency. The facility of casting votes by a member using remote e-voting system as well as online voting on the date of the AGM will be provided by NSDL.
3. In line with the Ministry of Corporate Affairs (MCA) Circular No. 17/2020 dated 13th April, 2020 and SEBI Circulars issued in this regard, the Notice calling the AGM has been uploaded on the website of the Bank at www.aubank.in. The Notice can also be accessed from the websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively and the AGM Notice is also available on the website of NSDL (agency for providing the facility of conducting AGM through VC and Remote e-Voting facility) i.e. www.evoting.nsdl.com.
4. The Notice is being electronically sent to all the members of the Bank, whose name appear on the Register of Members/List of Beneficial Owners, as received from National Security Depository Limited (NSDL) / Central Depository Services (India) Limited (CDSL) on Friday, 19th June, 2020 and who have registered their e-mail addresses with the Bank and/or with the Depositories. It is however, clarified that all the persons who are members of the Bank as on Tuesday, 14th July, 2020 (including those members who may not have received this Notice due to non-

registration of their e-mail IDs with the Bank or the Depositories) shall be entitled to vote in relation to the resolutions specified in this Notice.

5. Members may join the 25th AGM through VC Facility by following the procedure as mentioned below which shall be kept open for the Members from 3:00 p.m. IST i.e. 30 minutes before the time scheduled to start the 25th AGM and the Bank may close the window for joining the VC Facility, 30 minutes after the scheduled time to start the 25th AGM. However, the participation of members holding 2% or more is not restricted on first come first serve basis. Attendance of members will be counted as the members who have successfully logged in through VC or OAVM and shall be counted for the purpose of reckoning of the quorum under section 103 of the Companies Act, 2013.
6. Only those members, who are present in the meeting through VC or OAVM facility and have not cast their vote on resolutions through remote e-voting and are otherwise not barred from doing so, shall be allowed to vote through e-voting system.
7. Since AGM will be held through VC, there would be no requirement of appointing proxy in accordance with the MCA circular. Accordingly, appointment of proxies by the member will not be applicable.
8. There is no record date for the purpose of Dividend as the same is not recommended by the Board of Directors for FY 2019-20 pursuant to guidelines issued by RBI.
9. Members wishing to claim unclaimed dividends are requested to correspond with the Registrar and Share Transfer Agent (RTA) of the Bank i.e. Link Intime India Pvt. Ltd. or the Company Secretary of the Bank. The Bank has uploaded the details of unclaimed dividend amounts lying with the Bank on the website of the Bank at www.aubank.in/investor-grievance

Members are requested to note that dividends, which are not claimed within seven years from the date of transfer to the Bank's Unpaid Dividend Account, will as per the provisions of Section 124 of the Companies Act, 2013 and rules made thereunder, be transferred to the Investor Education and Protection Fund. Further, pursuant to the provisions of Section 124(6) of the Act read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended (the IEPF Rules), all shares in respect of which dividend has not been paid or claimed for seven consecutive years shall be transferred to the demat account of

the Investor Education and Protection Fund authority (IEPF Authority).

10. With a view to using natural resources responsibly, we request shareholders to update their contact details including e-mail address, mandates, nominations, power of attorney, bank details covering name of the bank and branch details, bank account number, MICR code, IFSC code, etc. with their depository participants to enable the Bank to send all the communications electronically including Annual Report, Notices, Circulars, etc.
11. On account of the threat posed by COVID-19 and in terms of the MCA Circulars, the Bank will send the Annual report and AGM notice in electronic form only. The hard copy of Annual Report and AGM notice along with annexures will not be sent to the members in accordance with the requirements specified under the MCA Circulars.
12. Members may also note that the Notice of 25th AGM and the Annual Report for the financial year 2019-20 of the Bank is posted on the Bank's website i.e. www.aubank.in and at the website of the NSDL at www.evoting.nsdl.com. The physical copies of the documents will also be available at the Bank's registered office for inspection during the normal business hours between 10:00 AM to 5:00 PM on working days up to the date of the AGM. Members having any queries, may please write to us at investorrelations@aubank.in. Further, During the 25th AGM, Members may access the required documents upon Log-in to NSDL e-Voting system at www.evoting.nsdl.com.
13. Brief profile and other additional information pursuant to Regulation 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard on General Meetings (SS-2) issued by The Institute of Company Secretaries of India, in respect of the Directors seeking appointment at the AGM, is furnished as annexure to the Notice.
14. The Securities Exchange Board of India has mandated the submission of the Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Bank.

15. Members are requested to:

- a) notify the change in address if any, with Pin Code numbers immediately to the Bank.
- b) quote their Regd. Folio Number/DP and Client ID Nos. in all their correspondence with the Bank or its RTA i.e. Link Intime India Pvt. Ltd., C 101, 247 Park, L B S Marg, Vikhroli West, Mumbai 400 083 Tel No: +91 22- 49186000 Fax: +91 22 49186060, Website: www.linkintime.co.in

16. Non-Resident Indian Members are requested to inform RTA of the Bank any change in their residential status on return to India for permanent settlement, particulars of their bank account maintained in India with complete name, branch account type, account number and address of Bank with pin code number, if not furnished earlier. Members holding shares in electronic form may contact their respective Depository Participants for availing this facility.

17. Members can submit questions in advance with regard to the financial statements or any other matter to be placed at the 25th AGM, from their registered email address, mentioning their name, DP ID and Client ID / folio number and mobile number, to reach the Bank's email address at investorrelations@aubank.in from July 15, 2020 to July 17, 2020. Such questions by the Members shall be taken up during the meeting and replied by the Bank suitably.

Further, Members, who would like to ask questions during the 25th AGM with regard to the financial statements or any other matter to be placed at the 25th AGM, need to register themselves as a speaker by sending their request from their registered email address mentioning their name, DP ID and Client ID / folio number and mobile number, to reach the Bank's email address at investorrelations@aubank.in from July 15, 2020 to July 17, 2020.

Those Members who have registered themselves as a speaker shall be allowed to ask questions during the 25th AGM, depending upon the availability of time.

18. Voting option

Voting through Electronic Means

Pursuant to provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended), Regulation 44 of Securities and Exchange Board of India (Listing Obligations and Disclosure

Requirements) Regulations 2015 and Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of India, the Bank is pleased to provide to the members facility to exercise their right to vote at the AGM by electronic means and the business may be transacted through e-Voting Services.

The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM (remote e-voting) will be provided by National Securities Depository Limited (NSDL).

In this regard, your Demat Account/Folio Number will be enrolled by the Bank for your participation in remote e-voting on resolutions placed by the Bank on remote e-Voting system.

19. The remote e-voting period commences on Friday, 17th July, 2020 (9:00 A.M. IST) and ends on Monday, 20th July, 2020 (5:00 P.M. IST). During this period, members of the Bank, holding shares either in physical form or in dematerialised form, as on the cut-off date of Tuesday, 14th July, 2020, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.

20. The voting rights of members shall be in proportion to their shares of the paid-up equity share capital of the Bank as on the cut-off date i.e. Tuesday, 14th July, 2020.

21. The Board of Directors have appointed CS Manoj Maheshwari, Practicing Company Secretary (Membership No. FCS: 3355) and failing him CS Vikas Mehta (Membership No. FCS: 9985), as the Scrutiniser to scrutinise the polling and remote e-Voting process in a fair and transparent manner.

Instructions for E-voting are as under:

How do I vote electronically using NSDL e-Voting system?

The way to vote electronically on NSDL e-Voting system consists of "Two Steps" which are mentioned below:

Step 1: Log-in to NSDL e-Voting system at <https://www.evoting.nsdl.com/>

Step 2: Cast your vote electronically on NSDL e-Voting system.



Details on Step 1 is mentioned below:

How to Log-in to NSDL e-Voting website?

- i. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a Personal Computer or on a mobile.
- ii. Once the home page of e-Voting system is launched, click on the icon “Login” which is available under ‘Shareholders’ section.
- iii. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen.

Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.

iv. Your User ID details are given below:

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example, if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example, if your Beneficiary ID is 12***** then your user ID is 12*****.
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company For example, if folio number is 001*** and EVEN is 101456 then user ID is 101456001***.

v. Your password details are given below:

- a) If you are already registered for e-Voting, then you can user your existing password to login and cast your vote.
- b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the ‘initial password’ which was communicated to you. Once you retrieve your ‘initial password’, you need to enter the ‘initial password’ and the system will force you to change your password.

- c) How to retrieve your ‘initial password’?
 - (i) If your e-mail ID is registered in your demat account or with the company, your ‘initial password’ is communicated to you on your e-mail ID. Trace the e-mail sent to you from NSDL from your mailbox. Open the e-mail and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8-digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your ‘User ID’ and your ‘initial password’.
 - (ii) If your e-mail ID is not registered, please follow steps mentioned below in process for those shareholders whose e-mail ids are not registered
- vi. If you are unable to retrieve or have not received the “Initial password” or have forgotten your password:
 - a) Click on “Forgot User Details/Password?” (If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.
 - b) Physical User Reset Password?” (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.
 - c) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/ folio number, your PAN, your name and your registered address.
 - d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.
- vii. After entering your password, tick on Agree to “Terms and Conditions” by selecting on the check box.
- viii. Now, you will have to click on “Login” button.
- ix. After you click on the “Login” button, Home page of e-Voting will open.

Details on Step 2 is given below:

How to cast your vote electronically on NSDL e-Voting system?

- i. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.

- ii. After click on Active Voting Cycles, you will be able to see all the companies “EVEN” in which you are holding shares and whose voting cycle is in active status.
- iii. Select “EVEN 112968” of company for which you wish to cast your vote.
- iv. Now you are ready for e-Voting as the Voting page opens.
- v. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on “Submit” and also “Confirm” when prompted.
- vi. Upon confirmation, the message “Vote cast successfully” will be displayed.
- vii. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
- viii. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

General Guidelines for shareholders

- i. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the “Forgot User Details/Password?” or “Physical User Reset Password?” option available on www.evoting.nsdl.com to reset the password.
- ii. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-Voting user manual for shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990 or contact Ms. Pallavi Mhatre, Manager / Mr. Amit Vishal, Senior Manager, National Securities Depository Ltd., Trade World, ‘A’ Wing, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013, at the designated e-mail address: pallavid@nsdl.co.in / amitv@nsdl.co.in / evoting@nsdl.co.in or at telephone no. +91 22 24994545 / 022-24994360 who will also address the grievances connected with the voting by electronic means or who need assistance before or during the AGM. Members may also write to the Company Secretary at the e-mail address: investorrelations@aubank.in or contact at telephone no. 0141-4110060/61.

Process for those shareholders whose e-mail id’s are not registered with the depositories and for procuring user id, password & registration of e-mail ids for e-voting for the resolutions set out in this notice:

i) For Temporary Registration for Demat shareholders:

The Members of the Company holding Equity Shares of the Company in Demat Form and who have not registered their e-mail addresses may temporarily get their e-mail addresses registered with Link Intime India Pvt Ltd by clicking the link: https://linkintime.co.in/emailreg/email_register.html at the Investor Services tab by choosing the E mail Registration heading and follow the registration process as guided therein. The members are requested to provide details such as Name, DPID, Client ID/ PAN, mobile number and e-mail id. In case of any query, a member may send an e-mail to RTA at rnt.helpdesk@linkintime.co.in

On submission of the shareholders details an OTP will be received by the shareholder which needs to be entered in the link for verification.

ii. For Permanent Registration for Demat shareholders:

It is clarified that for permanent registration of e-mail address, the Members are requested to register their e-mail address, in respect of demat holdings with the respective Depository Participant (DP) by following the procedure prescribed by the Depository Participant.

iii. Registration of Bank Details

Please Contact your Depository Participant (DP) and register your email address and Bank account details in your demat account, as per the process advised by your DP.

INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:

- i. Member will be provided with a facility to attend the AGM through VC by the NSDL e-Voting system. Members may access the same at <https://www.evoting.nsdl.com> under shareholders/ members login by using the remote e-voting credentials. The link for VC will be available in shareholder/members login where the EVEN of Company will be displayed. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush. Further members can also use the OTP based login for logging into the e-Voting system of NSDL.

- ii. Members are encouraged to join the meeting through Laptops for better experience.
- iii. Please note that participants connecting from mobile devices or tablets or through laptop, connecting via mobile hotspot may experience audio/video loss due to fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.
- iv. Members can raise questions during the meeting or in advance at investorrelations@aubank.in. However, it is requested to raise the queries precisely and in short at the time of meeting to enable to answer the same. Those Members who have registered themselves as a speaker will be given preference to express their views/ask questions during the meeting.
- 24. The results of voting will be declared and the same along with the Scrutiniser's Report will be published on the website of the Bank (www.aubank.in) and the website of NSDL (www.nsdl.com) immediately after the declaration of result by the Chairman and the same will also be communicated to BSE Limited and the National Stock Exchange of India Limited within 48 hours from the conclusion of the AGM.
- 25. **Other information:**
 - i. Any person, who acquires shares of the Bank and becomes member of the Bank after dispatch of the notice and holding shares as on the cut-off date i.e. Tuesday, 14th July, 2020, may obtain the login ID and password by sending a request at evoting@nsdl.co.in or contact Bank's RTA.

THE INSTRUCTIONS FOR MEMBERS FOR E-VOTING ON THE DAY OF THE AGM ARE AS UNDER:

- i. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-Voting.
- ii. Only those Members, who will be present in the AGM through VC/OAVM facility and have not casted their vote on the resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the AGM.
- iii. Members who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.
- iv. The details of the person who may be contacted for any grievances connected with the facility for e-Voting on the day of the AGM shall be the same person mentioned for Remote e-voting.
- ii. Institutional / Corporate shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send a scanned copy (PDF/JPG Format) of the relevant Board Resolution/Authority letter etc., with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote/attend the AGM, to the Scrutinizer by email at cs.vmanda@gmail.com
- iii. Since the AGM will be held through VC/OAVM Facility, the Route Map is not annexed with this Notice.

**By the order of The Board of Directors
For AU SMALL FINANCE BANK LIMITED**

Sd/-
Manmohan Parnami
Company Secretary
Membership No.: F9999

Place: Jaipur
Date: 30th May, 2020

Registered Office: 19-A, Dhuleshwar Garden,
Ajmer Road, Jaipur - 302001, Rajasthan
Website: www.aubank.in
Tel: +91 0141 4110060
Fax: +91 0141 4110090
E-mail: investorrelations@aubank.in

Explanatory Statement pursuant to the provisions of Section 102(1) of Companies Act, 2013

The following statement sets out all material facts relating to the Special Business mentioned in the above Notice:

ITEM NO. 3, 4 & 5

Mr. M S Sriram (DIN: 00588922), Mr. Pushpinder Singh (DIN:08496066) and Mr. V G Kannan (DIN: 03443982) on the recommendation of Nomination and Remuneration Committee ("NRC"), were respectively appointed as Additional Directors by the Board of Directors ("Board") pursuant to the provisions of Section 161 of the Companies Act, 2013 ("Act") and holds office upto the date of this Annual General Meeting of the Bank.

The NRC has carried fit and proper assessment & performance evaluation of Mr. M S Sriram, Mr. Pushpinder Singh and Mr. V G Kannan respectively and the Board on the recommendation of NRC has considered their profile suitable to be appointed for a period of 3 years each and has accordingly recommended the same to the members.

The Bank has also received declarations from Mr. M S Sriram, Mr. Pushpinder Singh & Mr. V G Kannan that they meet the criteria for being appointed as Independent Director as provided under Section 149(6) of the Act and Regulation 16 (1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in respect of their appointment a notice of candidature under section 160 of the Act has been received. The Board has reviewed and affirmed the veracity of the declaration of independence as provided by them and considering their experience in the banking industry, expertise on subject matter in Financial inclusion, Information Technology and banking & finance, credit risk management, treasury and other related fields respectively, are of the opinion that their appointment would be beneficial for the Bank.

They are not disqualified/debarred from being appointed as Independent Directors in terms of Section 164 of the Act, or by any order of Securities and Exchange Board of India and have given their consent to act as Director of the Bank. In the opinion of the Board, they fulfil the conditions for their appointment as prescribed under the relevant provisions of the Act and rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Banking Regulation Act, 1949 and other guidelines issued by the RBI, from time to time and are independent of the management.

Save and except Mr. M S Sriram, Mr. Pushpinder Singh and Mr. V G Kannan being appointees, none of the other Directors/Key Managerial Personnel (KMP) of the Bank or their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at item nos. 3, 4 & 5 of the notice.

The Board recommends passing of Ordinary Resolutions set out at Item No. 3, 4 & 5 of the Notice for approval by the members.

ITEM NO. 6

Pursuant to provisions of Section 42 of the Companies Act, 2013 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 provides that Bank can issue securities including non-convertible debentures (NCDs)/Bonds on a private placement basis subject to the condition that the proposed offer of debt securities or invitation to subscribe to debt securities has been previously approved by the Shareholders of the Bank, by means of a special resolution, for each of the offers or invitations. In case of an offer or invitation for NCDs, it shall be sufficient if the company passes a special resolution only once in a year for all offer(s) or invitation(s) for issue of such NCDs on a private placement basis, during the period of one year from the date of passing of the special resolution.

Considering the above, the Board of Directors of the Bank at its meeting held on 2nd May 2020 has proposed to obtain the consent of the Shareholders of the Bank for borrowing/ raising of funds in Indian currency/ foreign currency by issue of debt securities/other securities in domestic and/ or overseas market, in one or more tranches as per the structure and within the limits permitted by the Reserve Bank of India and other regulatory authorities to eligible investors of an amount not exceeding ₹ 12,000 crore (Rupees Twelve Thousand Crore), on a private placement basis during a period of one year from the date of passing of the special resolution. The said securities would be issued by the Bank in accordance with the applicable statutory guidelines, for cash either at par or premium to face value depending upon the prevailing market conditions.

None of the Director or and Key Managerial Personnel of the Bank or their relatives are, directly or indirectly, financially or otherwise, concerned or interested in the Resolution set out at Item No. 6.



The Board of Directors recommends the passing of the Special Resolution at Item No. 6 of the Notice to the members of the Bank.

ITEM NO. 7 TO 9

Currently Bank has implemented following ESOP Schemes collectively referred as (“ESOP Schemes”):

- Employee Stock Option Scheme 2015 – Plan A & B
- Employee Stock Option Scheme 2016
- Employee Stock Option Scheme 2018

As per the provisions of ESOP Schemes, in case of Corporate Action/Change in Capital Structure appropriate adjustments shall be made either to the number of Options or the Exercise Price of Options granted, to reflect such change without in any way affecting the rights of the Option Grantee holding such Options and also preventing any dilution or enlargement of benefits of the ESOP Schemes.

The Board of Directors recommends the passing of the Special Resolution at Item No. 7 to 9 of the Notice to the members of the Bank.

Sr. No.	Particulars	Description for ESOP Scheme 2015 Plan A & Plan B	Description for ESOP Scheme 2016	Description for ESOP Scheme 2018
1	Brief description of the scheme(s)	Total number of options under the ESOP Scheme 2015 Plan A was 38,36,058 and Plan B was 49,33,194 out of which Bank granted 37,96,633 options under Plan A and 47,72,951 options under Plan B and 2.00 lakh options are available for grant under ESOP Scheme 2015	Total number of options under the ESOP Scheme 2016 was 21,00,000 out of which Bank granted 11,40,401 options and 9.60 lakh options are available for grant under ESOP Scheme 2016	Total number of options under the ESOP Scheme 2018 was 49,33,200 out of which Bank granted 44,99,433 options and 4.34 lakh options are available for grant under ESOP Scheme 2018
2	Total number of options, SARs, shares or benefits, as the case may be to be granted	2.00 lakh options shall be available for grant under ESOP Scheme 2015 excluding the Options that will be available for re-issue from total ESOP Pool.	9.60 lakh options shall be available for grant under ESOP Scheme 2016 excluding the Options that will be available for re-issue from total ESOP Pool.	4.34 lakh options shall be available for grant under ESOP Scheme 2018 excluding the Options that will be available for re-issue from total ESOP Pool.
3	Identification of classes of employees entitled to participate and be beneficiaries in the scheme(s)	Scheme shall extend to eligible employees of the Bank as determined by the Nomination and Remuneration Committee(“NRC”). The scheme shall also be extended to new recruits of the Bank, as may be determined by NRC from time to time.	Scheme shall extend to eligible employees of the Bank as determined by the Nomination and Remuneration Committee (“NRC”). The scheme shall also be extended to new recruits of the Bank, as may be determined by NRC from time to time.	Scheme shall extend to eligible employees of the Bank as determined by the Nomination and Remuneration Committee (“NRC”). The scheme shall also be extended to new recruits of the Bank, as may be determined by NRC from time to time.

The amendment in the scheme is being proposed with an intent to streamline the section 8 of all the schemes to cover the adjustments to number of options and/ or Exercise Price across all ESOP schemes. Therefore, Bank is hereby proposing to rephrase the section 8 i.e. “Change in Capital Structure or Corporate Action” of ESOP Schemes. Through this amendment, we are proposing to authorise the Nomination and Remuneration Committee (“Compensation Committee”) for making appropriate adjustments to number of options and/ or to Exercise Price and/ or to allot such number of shares arising out of of such Corporate Action/Change in Capital Structure by the Bank.

None of the Director or and Key Managerial Personnel of the Bank or their relatives are, directly or indirectly, financially or otherwise, concerned or interested in the Resolution set out at Item No. 7 to 9 except to the extent of their shareholding and to the extent of ESOPs that may be granted under the respective ESOP schemes.

Sr. No.	Particulars	Description for ESOP Scheme 2015 Plan A & Plan B	Description for ESOP Scheme 2016	Description for ESOP Scheme 2018										
4	Requirements of vesting and period of vesting	The continuity of employee in the services of the Bank shall be the primary requirement of the vesting. Vesting period is as below: <table><thead><tr><th>Vesting Date</th><th>Vesting of the Options</th></tr></thead><tbody><tr><td>One (1) year from the date of grant</td><td>Vesting of 20% Options ("1st Vesting")</td></tr><tr><td>On expiry of One (1) year from 1st Vesting</td><td>Vesting of 30% Options ("2nd Vesting")</td></tr><tr><td>On expiry of Two (2) years from 1st Vesting</td><td>Vesting of Remaining 50% Options ("3rd Vesting")</td></tr><tr><td>Total</td><td>100%</td></tr></tbody></table>	Vesting Date	Vesting of the Options	One (1) year from the date of grant	Vesting of 20% Options ("1 st Vesting")	On expiry of One (1) year from 1 st Vesting	Vesting of 30% Options ("2 nd Vesting")	On expiry of Two (2) years from 1 st Vesting	Vesting of Remaining 50% Options ("3 rd Vesting")	Total	100%	The continuity of employee in the services of the Bank shall be the primary requirement of the vesting. Options granted under this scheme would vest after one year but not later than six years from the date of Grant of such options.	The continuity of employee in the services of the Bank shall be the primary requirement of the vesting. Options granted under this scheme would vest after one year but not later than six years from the date of Grant of such options.
Vesting Date	Vesting of the Options													
One (1) year from the date of grant	Vesting of 20% Options ("1 st Vesting")													
On expiry of One (1) year from 1 st Vesting	Vesting of 30% Options ("2 nd Vesting")													
On expiry of Two (2) years from 1 st Vesting	Vesting of Remaining 50% Options ("3 rd Vesting")													
Total	100%													
5	Maximum period (subject to regulation 18(1) and 24(1) of the regulations, as the case may be) within which the options / SARs / benefit shall be vested	Options granted under this scheme would vest after one year but not later than four years from the date of Grant of such options.	Options granted under this scheme would vest after one year but not later than six years from the date of Grant of such options.	Options granted under this scheme would vest after one year but not later than six years from the date of Grant of such options.										
6	Exercise price, SAR price, purchase price or pricing formula	• ESOP Scheme 2015 Plan A -₹ 10.11/- • ESOP Scheme 2015 Plan B -₹ 33.37/-	Exercise price of options shall be determined as average of weekly high and low of volume weighted average price (VWAP) of AU Small Finance Bank Equity Shares on the stock exchange having higher trading volume during the last twenty-six weeks from the day preceding the date of grant.	Exercise Price means the price per Share payable by the Option Grantee in order to exercise the Options granted to him as set out in his Letter of Grant.										
7	Exercise period and process of exercise	The exercise period shall be within 4 years from the date of 1st Vesting date and employees shall be required to submit their exercise notice electronically/ physical form to the Bank for exercising their options and accompanied by the Exercise Price payable for such Shares.	The exercise period shall be within Six (6) years from the 1st Vesting date of the Options under the ESOP 2016 and employees shall be required to submit their exercise notice electronically/physical form to the Bank for exercising their options and accompanied by the Exercise Price payable for such Shares.	The exercise period shall be within Six (6) years from the 1st Vesting date of the Options under the ESOP 2018 and employees shall be required to submit their exercise notice electronically/physical form to the Bank for exercising their options and accompanied by the Exercise Price payable for such Shares.										



Sr. No.	Particulars	Description for ESOP Scheme 2015 Plan A & Plan B	Description for ESOP Scheme 2016	Description for ESOP Scheme 2018
8	The appraisal process for determining the eligibility of employees for the scheme(s)	The criteria for determining the nos. of Options to be granted to employees is decided on the basis of rating, objective assessment of the performance of employees, tenure of service, their contribution and proposed role in the Bank.	The criteria for determining the nos. of Options to be granted to employees decided on the basis of rating, objective assessment of the performance of employees, tenure of service, their contribution and proposed role in the Bank. The specific Employees to whom the Options will be granted and their eligibility criteria, shall be determined by the NRC Committee	The criteria for determining the nos. of Options to be granted to employees decided on the basis of rating, objective assessment of the performance of employees, tenure of service, their contribution and proposed role in the Bank. The specific Employees to whom the Options will be granted and their eligibility criteria, shall be determined by the NRC Committee
9	Maximum number of options, SARs, shares, as the case may be to be issued per employee and in aggregate	2.00 lakh options shall be available for grant under ESOP Scheme 2015, which is to be granted by NRC to employees excluding the Options that will be available for re-issue from total ESOP Pool.	9.60 lakh options shall be available for grant under ESOP Scheme 2016, which is to be granted by NRC to employees excluding the Options that will be available for re-issue from total ESOP Pool.	4.34 lakh options shall be available for grant under ESOP Scheme 2018, which is to be granted by NRC to employees excluding the Options that will be available for re-issue from total ESOP Pool.
10	Maximum quantum of benefits to be provided per employee under a scheme(s)	As may be decided by Nomination and Remuneration committee.	As may be decided by Nomination and Remuneration committee.	As may be decided by Nomination and Remuneration committee.
11	Whether the scheme(s) is to be implemented and administered directly by the company or through a trust	The Scheme is administered through a Trust, except corporate action in this regard including allotment of securities which is to be carried out by the Bank.	The Scheme is administered through a Trust, except corporate action in this regard including allotment of securities which is to be carried out by the Bank.	The Scheme is administered through a Trust, except corporate action in this regard including allotment of securities which is to be carried out by the Bank.
12	Whether the scheme(s) involves new issue of shares by the company or secondary acquisition by the trust or both	Both i.e. New issue of shares by Bank and secondary acquisition by the Trust	Both i.e. New issue of shares by Bank and secondary acquisition by the Trust	Both i.e. New issue of shares by Bank and secondary acquisition by the Trust
13	Amount of loan to be provided for implementation of the scheme(s) by the company to the trust, its tenure, utilization, repayment terms, etc.	As may be decided by Nomination and Remuneration committee of the Board	As may be decided by Nomination and Remuneration committee of the Board	As may be decided by Nomination and Remuneration committee of the Board
14	Maximum percentage of secondary acquisition (subject to limits specified under the regulations) that can be made by the trust for the purposes of the scheme(s);	As may be decided by Nomination and Remuneration committee of the Board	As may be decided by Nomination and Remuneration committee of the Board	As may be decided by Nomination and Remuneration committee of the Board
15	Company shall confirm to the accounting policies specified in regulation 15	The Bank confirm to the applicable Accounting Standards, Companies Act, 2013 and SEBI guidelines as may be applicable including the disclosure and accounting policies as specified in the SEBI guidelines and such other guidelines applicable from time to time shall be complied by the Bank.	The Bank confirm to the applicable Accounting Standards, Companies Act, 2013 and SEBI guidelines as may be applicable including the disclosure and accounting policies as specified in the SEBI guidelines and such other guidelines applicable from time to time shall be complied by the Bank.	The Bank confirm to the applicable Accounting Standards, Companies Act, 2013 and SEBI guidelines as may be applicable including the disclosure and accounting policies as specified in the SEBI guidelines and such other guidelines applicable from time to time shall be complied by the Bank.

Sr. No.	Particulars	Description for ESOP Scheme 2015 Plan A & Plan B	Description for ESOP Scheme 2016	Description for ESOP Scheme 2018
16	Method which the company shall use to value its options or SARs	The Bank to use one of the applicable methods to value its options and difference in value of shares and grant price if any shall be amortized and it shall be disclosed in the Board's Report. Also, the impact of this difference on profits and on Earnings Per Share (EPS) of the Bank shall be disclosed in the Board's Report	The Bank to use one of the applicable methods to value its options and difference in value of shares and grant price if any shall be amortized and it shall be disclosed in the Board's Report. Also, the impact of this difference on profits and on Earnings Per Share (EPS) of the Bank shall be disclosed in the Board's Report	The Bank to use one of the applicable methods to value its options and difference in value of shares and grant price if any shall be amortized and it shall be disclosed in the Board's Report. Also, the impact of this difference on profits and on Earnings Per Share (EPS) of the Bank shall be disclosed in the Board's Report
17	In case the company opts for expensing of share based employee benefits using the intrinsic value, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value, shall be disclosed in the Directors' report and the impact of this difference on profits and on earnings per share ("EPS") of the company shall also be disclosed in the Directors' report.'	It is hereby confirmed that the details as required herein will be disclosed in the Board's Report.	It is hereby confirmed that the details as required herein will be disclosed in the Board's Report	It is hereby confirmed that the details as required herein will be disclosed in the Board's Report.
18.	Reference of 'AU Financiers (India) Limited' wherever used in the Employee Stock Option Scheme 2015 – Plan A & B has been replaced with 'AU Small Finance Bank Limited' (" Bank ") pursuant to obtaining of banking license and on becoming Scheduled Commercial Bank.	Employee Stock Option Scheme 2015 – Plan A & B has been replaced with 'AU Small Finance Bank Limited' (" Bank ") pursuant to obtaining of banking license and on becoming Scheduled Commercial Bank.		
19.	The reference of "Company" wherever prescribed in the schemes to be construed and read as " Bank "	The reference of "Company" wherever prescribed in the schemes to be construed and read as " Bank "		
20.	Exercise form for exercising option has been revised in accordance with format available in online software.	Exercise form for exercising option has been revised in accordance with format available in online software.		
21	The reference of Plan wherever prescribed is to be construed and read as Scheme or vice-versa.	The reference of Plan wherever prescribed is to be construed and read as Scheme or vice-versa.		

ITEM NO. 10

The Bank has been growing well and been consistently performing on all counts in the last 3 years, since it commenced operations as a Small Finance Bank. For the period of FY17-20, the bank grew its AUM at a CAGR of 42%, Reported PAT at a CAGR of 30%. During this period, despite holding sufficient capital buffers, the bank raised ₹ 1,000 crore of Equity Capital in 2018 from a marquee investor Temasek, a global investment company headquartered in Singapore. This was driven mainly by the Bank's long-term strategy wherein Bank has always ensured that it remains well capitalized while delivering consistent growth in Balance Sheet and delivering healthy profitability.

Purpose / objects of the fund raise

As on 31st March 2020, our Bank's Capital to Risk Weighted Asset Ratio ("CRAR") and Tier I ratio stood at 22.0% and 18.4% respectively. This is significantly above the minimum

requirement of 15%, which reflects our Bank's internal policy to keep our leverage in check by maintaining our CRAR above ~17-18% levels.

Despite near term uncertainties around growth, lending opportunities in the banking sector for our Bank remain quite strong, and our relative competitive positioning in the sector continues to flourish, with significant opportunities in retail and MSME financing.

As a matter of prudence in the wake of challenging macro environment, and to also be better prepared for future, it would be important that Bank maintains stronger buffers of liquidity and capital adequacy.

In view of above, Bank is planning to raise capital additional equity capital upto ₹ 2,500 crore (Rupees



Two Thousand Five Hundred Crore only) in one or more tranches for supporting the Bank's long-term growth aligned to its internal risk appetite and to maintain sufficient headroom over and above the regulatory capital adequacy requirements.

The Special Resolution as set out in Item No. 10 of this Notice is an enabling resolution to raise capital by way of a private placement, including by way of a Qualified Institutions Placement ("QIP") in accordance with Chapter VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (the "SEBI ICDR Regulations") and therefore the proposal seeks to confer upon the Board or a duly authorised Committee thereof, the sole and absolute discretion to determine the terms and conditions of the said issue of securities, including the exact price, proportion and timing of such issue, mode of offer based on an analysis of market conditions and the specific requirements in accordance with the applicable laws.

None of the Director or and Key Managerial Personnel of the Bank or their relatives are, directly or indirectly, financially or otherwise, concerned or interested in the

Resolution set out at Item No. 10 of this Notice except to the extent of their shareholding.

The Board recommends passing of the Special Resolution as set out in Item No. 10 of this Notice, for the approval of the Members.

By the order of The Board of Directors
For AU SMALL FINANCE BANK LIMITED

Sd/-
Manmohan Parnami
Company Secretary
Membership No.: F9999

Place: Jaipur
Date: 30th May, 2020

Registered Office: 19-A, Dhuleshwar Garden,
Ajmer Road, Jaipur - 302001, Rajasthan
Website: www.aubank.in
Tel: +91 141 4110060
Fax: +91 141 4110090
E-mail: investorrelations@aubank.in

BRIEF PROFILE AND OTHER INFORMATION OF DIRECTORS BEING APPOINTED / RE-APPOINTED / WHOSE REMUNERATION IS BEING REVISED, AS SET OUT IN THIS NOTICE, IN TERMS OF THE REGULATION 36 (3) OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 AND THE SECRETARIAL STANDARD ON GENERAL MEETINGS (SS-2) ISSUED BY THE INSTITUTE OF THE COMPANY SECRETARIES OF INDIA.

Particulars	Item No. 2 for Mr. Sanjay Agarwal	Item No. 3 for Mr. M S Sriram	Item No. 4 for Mr. Pushpinder Singh	Item No. 5 for Mr. V G Kannan
Age	50 Years	57 Years	67 Years	63 Years
Date of first appointment on Board	22 nd January 2003	21 st October 2019	21 st October 2019	22 nd January 2020
Qualification	Chartered Accountant	- Fellow, Indian Institute of Management, Bangalore - Post Graduate Diploma in Rural Management (PGDRM) from Institute of Rural Management, Anand (IRMA)	- B.SC - CAIIB	- University of Madras - (M.B.A.) - (1977 - 1980) - Madurai Kamaraj University - (B.B.A.) (1974 - 1977) - University of Pennsylvania - Organizational Leadership Executive program
Brief Resume including experience	Mr. Sanjay Agarwal is promoter and Managing Director & CEO of the Bank and has 25 years of strategic executive experience. He has extensive experience in Retail Finance, Accountancy, Agriculture & Rural Economy, Banking, Human Resource Management, Credit Risk and Business Management. He spearheads several initiatives that helped to create a nimble and agile organisation. He is credited with creating a culture of business excellence and delivering superior benchmark performance through his vision and execution-oriented approach. He has led Bank's evolution to the highest standards of corporate governance with enhanced disclosures and high level engagement with key stakeholders. He has received many awards and recognition including EY Entrepreneur of the Year 2018, Innovative Leader of the Year by ET Now, Business Leader of the Year award by ICAI, Personality of the year (Finance Category) at Rajasthan Entrepreneur Excellence Award and ET Gamechanger of India - 2019.	Mr. M S Sriram joined the Board the Bank in October 2019. He has more than 30 years of experience in Financial Inclusion & Microfinance, Rural Economy, Co-operatives, and Agriculture Finance. Presently, He is Chairperson of the Centre for Public Policy & Faculty member at IIM Bangalore (IIMB). He is also a Distinguished Fellow at the Institute for Development of Research and Innovation, Hyderabad. Prior to this, he was Professor of Finance and Accounting and the ICICI Bank Lalita D Gupta Chair Professor of Microfinance at the Indian Institute of Management, Ahmedabad. He is a Director on Board of IDMC, NDDB Dairy Services and other institutions. He also held position as a shareholder director on the Board of Union Bank of India for a period of 6 years. He has authored many books including annual 'Inclusive Finance India Report' for the years 2015, 2016 and 2017.	Mr. Pushpinder Singh joined the Board of the Bank in October 2019. He is a Banking Technology career banker with over 38 years of expert with over 35 years of rich experience in the Banking & Financial Services Space and has held several leadership positions in the Sector. Mr. Kannan has significant experience in Banking & Financial Sector, especially in credit & risk management, Insurance, Capital markets and Treasury & Fund Management. Mr. Kannan is acknowledged as an authority in Credit, Treasury, Risk and Investment Management in the Banking sector. He handled several leadership positions with State Bank of India (SBI), its subsidiaries & group companies as Managing Director of SBI. Thereafter, Mr. Kannan was Chief Executive of Indian Bank's Association (IBA) where he led the development of sound and progressive banking principles and working closely with all banks to find resolutions to various systemic & operational issues by introducing new systems or services in the Banking industry. He was on the governing council of Indian Institute of Banking & Finance (IIBF). He was also Chairman of an RBI appointed committee to examine interchange in ATM services and served as a member of another RBI committee on secondary market for corporate loans.	Mr. V G Kannan joined the Board of the Bank in January 2020. He is a Banking Technology career banker with over 38 years of expert with over 35 years of rich experience in the Banking & Financial Services Space and has held several leadership positions in the Sector. Mr. Kannan has significant experience in Banking & Financial Sector, especially in credit & risk management, Insurance, Capital markets and Treasury & Fund Management. Mr. Kannan is acknowledged as an authority in Credit, Treasury, Risk and Investment Management in the Banking sector. He handled several leadership positions with State Bank of India (SBI), its subsidiaries & group companies as Managing Director of SBI. Thereafter, Mr. Kannan was Chief Executive of Indian Bank's Association (IBA) where he led the development of sound and progressive banking principles and working closely with all banks to find resolutions to various systemic & operational issues by introducing new systems or services in the Banking industry. He was on the governing council of Indian Institute of Banking & Finance (IIBF). He was also Chairman of an RBI appointed committee to examine interchange in ATM services and served as a member of another RBI committee on secondary market for corporate loans.



Particulars	Item No. 2 for Mr. Sanjay Agarwal	Item No. 3 for Mr. M S Sriram	Item No. 4 for Mr. Pushpinder Singh	Item No. 5 for Mr. V G Kannan
Nature of his expertise in specific functional areas	• Banking • Accountancy • Agriculture and Rural Economy • Economics • Finance • Small Scale Industry • Human Resource • Risk Management • Business Management	• Banking • Financial Inclusion • Agriculture and Rural Economy • Economics • Financial Inclusion	• Information Technology & Payment Settlement • Banking • Risk Management	• Banking • Finance • Credit Risk Management • Insurance • Capital markets • Treasury & Fund Management.
Other Directorship	None	• NDDB dairy services • IDMC limited • People research on India's consumer economy	Vectorcalideo India LLP	None
Chairmanship / Memberships in Committees in other companies in which position of Director's held	None	IDMC Limited – Member Audit Committee	None	None
Relationship with other Directors, Managers and other Key Managerial Personnel of the Company	None	None	None	None
No. of equity shares held in the Company	5,67,66,359	Nil	100	5
Performance Evaluation Summary	The evaluation of Mr. Sanjay Agarwal was carried out by Nomination and Remuneration Committee and Board of Directors in the prescribed format and after assessing the fit and proper of Directors opined that his re-appointment would be beneficial for the Bank.	The evaluation of Mr. M S Sriram was carried out by Nomination and Remuneration Committee and Board of Directors in the prescribed format and after assessing the fit and proper assessment and other factors, Board of Directors opined that his appointment would be beneficial for the Bank.	The evaluation of Mr. Pushpinder Singh was carried out by Nomination and Remuneration Committee and Board of Directors in the prescribed format and after assessing the fit and proper assessment and other factors, Board of Directors opined that his appointment would be beneficial for the Bank.	The evaluation of Mr. V G Kannan was carried out by Nomination and Remuneration Committee and Board of Directors in the prescribed format and after assessing the fit and proper assessment and other factors, Board of Directors opined that his appointment would be beneficial for the Bank.
No. of Board meetings attended during the year	7	3	4	2
Terms and conditions of appointment	Executive Director liable to retire by rotation and other terms and conditions as stipulated by RBI	Appointment as Independent Director for a period of 3 years	Appointment as Independent Director for a period of 3 years	Appointment as Independent Director for a period of 3 years
Remuneration last drawn	₹ 185.95 lakh inclusive of basic salary, allowances and other perquisites as approved by RBI. (In FY 19-20, on receipt of RBI approval, ₹ 45 lakh were released to Mr. Sanjay Agarwal as Bonus for FY 2017-18 which is not included herein above.)	1. ₹ 4.45 lakh in accordance with RBI guidelines on compensation to Non- Executive Director (₹ 10 lakh Per annum being maximum in accordance with guidelines) 2. Sitting fees details are as follows: • ₹ 75,000 /- for Board meeting • ₹ 30,000/- for each committee meeting	1. ₹ 4.45 lakh in accordance with RBI guidelines on compensation to Non- Executive Director (₹ 10 lakh Per annum being maximum in accordance with guidelines) 2. Sitting fees details are as follows: • ₹ 75,000/- for Board meeting • ₹ 30,000/- for each committee meeting	1. ₹ 1.91 lakh in accordance with RBI guidelines on compensation to Non- Executive Director (₹ 10 lakh Per annum being maximum in accordance with guidelines) 2. Sitting fees details are as follows: • ₹ 75,000/- for Board meeting • ₹ 30,000/- for each committee meeting
Remuneration sought to be paid	No revision in remuneration sought to be paid is proposed.	Compensation to be paid in accordance with RBI guidelines and sitting fees as may be approved by Board of Directors from time to time.	Compensation is to be paid in accordance with RBI guidelines and sitting fees as may be approved by Board of Directors from time to time.	Compensation to be paid in accordance with RBI guidelines and sitting fees as may be approved by Board of Directors from time to time.



AU Small Finance Bank Limited

SHAREHOLDER DETAILS UPDATION FORM

Updation of E-mail ID & Bank Account Details

* **Updation of contact details:** Kindly update your e-mail id and contact details in the below mentioned block.

E-mail ID:	
Tel.No./ Mobile No.	

Updation of Bank Details

Name of First/Sole shareholder	
Name of the Bank in Full & Branch	
Bank A/C No. as appearing on the Cheque leaf	
IFSC Code	
MICR Code	
PAN	

I/We hereby declare that the particulars given above are correct and complete. If the transaction is delayed because of incomplete or incorrect information, I/we would not hold the Registrars and Transfer Agents responsible. I/We undertake to inform any subsequent changes in the above particulars before the cut-off date.

Place:

Date:

Signature of Sole/First Holder

Please attach the photocopy of a Cheque or a blank cancelled Cheque issued by your Bank relating to your above bank account for verifying the accuracy of the 9 Digit MICR code number/IFSC Code.

Shareholders holding shares in Physical Mode, please send these details to: Link Intime India Pvt. Ltd. C-101, 247 Parks, L.B.S. Marg, Vikhroli (west) Mumbai 400083	Shareholders holding shares in Dematerialised form, please send these details to: The Depository Participant with whom your Demat Account is maintained
--	---

Enclosures:

1. Self-attested copy of PAN Card
2. Self-attested copy of Residence Proof (Anyone – Voter ID/Passport/Driving License/ AADHAAR Card)
3. Cancelled Blank Cheque leaf.
4. Signature attestation by Manager of Scheduled Commercial Bank/ AU Small Finance Bank Limited

Notes



Shareholder's Satisfaction Survey

We at AU Small Finance Bank Limited have always strived to provide the best services to our investors and customers while maintaining the highest level of Corporate Governance in the practices followed by the Bank. As a part of our constant endeavour to improve shareholder service standards, we seek your valuable feedback by filling the questionnaire by scanning the QR code or by clicking on this link <https://bit.ly/3cVeStU>.

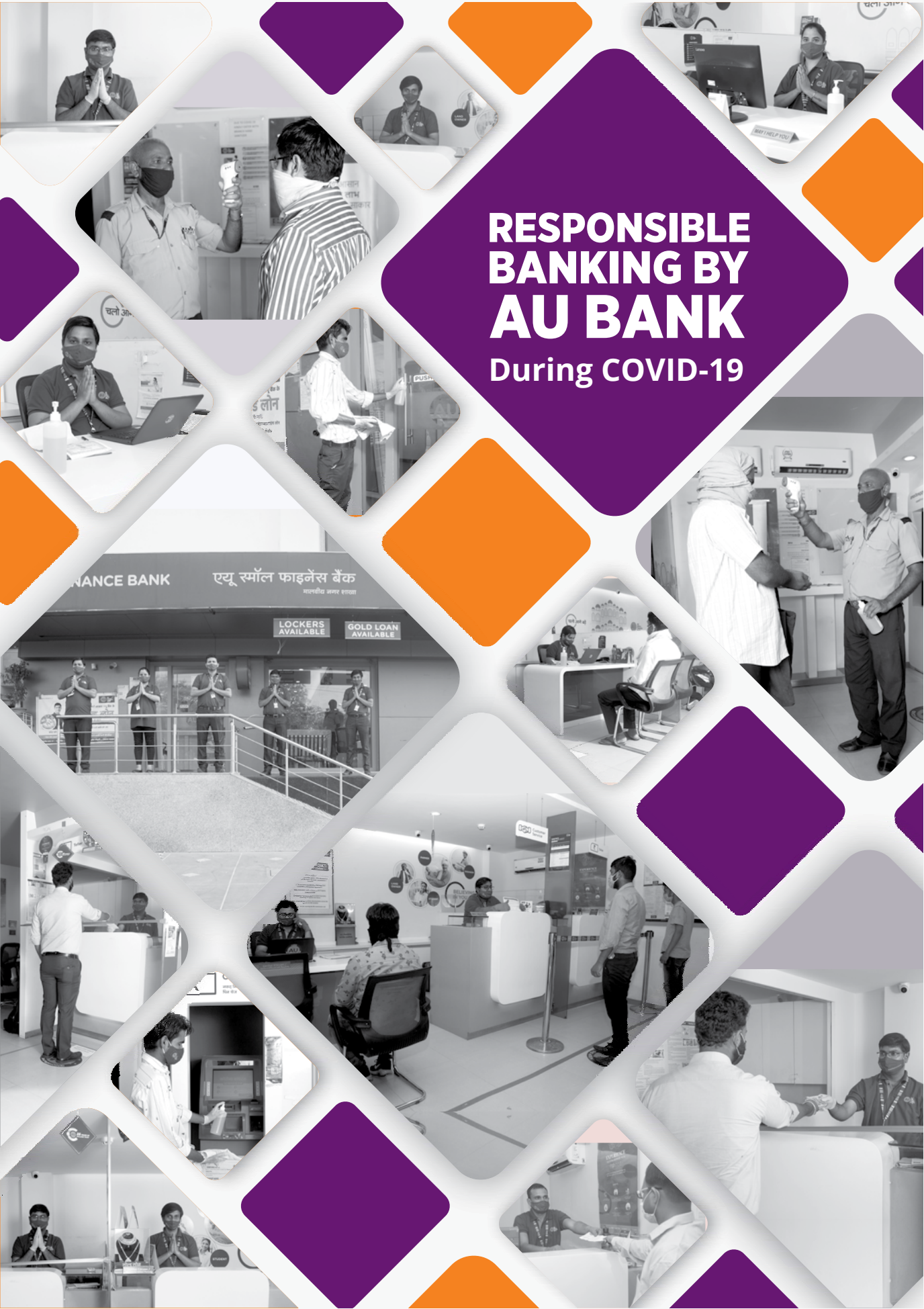
QR Code

Safe Harbor

This Annual Report contains forward looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements – written and oral – that we periodically make contain forward looking statements that set out anticipated results based on the management’s plans and assumptions. We have tried wherever possible to identify such statements by using words such as ‘anticipate’, ‘estimate’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’, and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

Disclaimer

It must be distinctly understood, that the Reserve Bank of India does not undertake any responsibility for the financial soundness of the Bank or for the correctness of any of the statements made or opinion expressed in this connection.





AU SMALL FINANCE BANK LIMITED

HEAD OFFICE

BANK HOUSE, MILE 0, AJMER ROAD,
JAIPUR - 302001, RAJASTHAN

CORPORATE OFFICE

5TH FLOOR, E-WING, KANAKIA ZILLION,
JUNCTION OF CST ROAD & LBS MARG, KURLA (WEST),
MUMBAI - 400070, MAHARASHTRA

REGISTERED OFFICE

19-A, DHULESHWAR GARDEN, AJMER ROAD,
JAIPUR - 302001, RAJASTHAN

Website: www.aubank.in | Email id: investorrelations@aubank.in | Phone: 0141 4110060/61/6660666
CIN: L36911RJ1996PLC011381