

Ref. No.: AUSFB/SEC/2022-23/203

Date: 31st July, 2022

To,

National Stock Exchange of India Ltd. Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai 400051, Maharashtra. NSE Symbol: AUBANK	BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400001, Maharashtra. Scrip Code: 540611

Dear Sir/Madam,

Sub: Notice of 27th Annual General Meeting and Integrated Annual Report for FY 2021-22 of AU Small Finance Bank Limited

Pursuant to the Regulation 34(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), we wish to inform that the Twenty Seventh (27th) Annual General Meeting ("AGM") of the Members of the Bank will be held on **Tuesday, 23rd August, 2022 at 4:00 P.M. (IST)** through Video Conferencing ("VC")/Other Audio Visual Means ("OAVM") facility in compliance with the applicable provisions of the Companies Act, 2013, read with rules made thereunder, Listing Regulations and relevant Ministry of Corporate Affairs and SEBI Circulars.

We submit herewith a copy of the Integrated Annual Report for FY 2021-22 including Notice convening the 27th AGM of the Bank.

The Integrated Annual Report for FY 2021-22, Notice of the 27th AGM and Business Responsibility and Sustainability Report for the FY 2021-22 is also available on the website of the Bank www.aubank.in.

Notice of AGM and Integrated Annual Report FY2021-22 is being sent to the Members, who have registered their e-mail addresses with Depositories, through electronic mode on today i.e. 31st July, 2022.

This is for your information and record.

Thanking You,

Yours faithfully,

For AU SMALL FINANCE BANK LIMITED



Manmohan Parnami
Company Secretary and Compliance Officer
Membership No.: F9999
investorrelations@aubank.in

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**

452065

Eye on the horizon



Digital
banking



Scalable & sustainable
business model



Pan-India
footprint



Segmented
Urban-Core strategy



Strong
brand identity

Challenging the
status quo



Customer and
employee centric



Retail & granular



Secured credit,
strong collection



Detail-oriented with
strong ground connect



Ear to the ground

5 years of banking

Key Parameters	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
No. of States and UTs	11	12	12	17	20
No. of Touchpoints	474	558	647	744	919
No. of Employees	11,151	12,623	17,112	22,484	27,817
No. of Unique Customers (in lakh)	7.5	12.3	17.2	20.2	27.5
Disbursements (Funded: ₹ crore)	10,790	16,065	17,718	17,590	25,407
CD ratio %	168	117	103	96	88

Balance Sheet Statistics	₹ crore				
Total Assets	18,833	32,623	42,143	51,591	69,078
Advances	13,312	22,819	26,992	34,609	46,095
Investment	3,051	7,162	10,668	10,815	15,306
Shareholders' Fund	2,281	3,163	4,377	6,275	7,514
Deposits	7,923	19,422	26,164	35,979	52,585
Borrowings	7,639	8,613	10,335	7,030	5,991

Income Statement	₹ crore				
NII	940	1,343	1,909	2,365	3,234
Total Income (NII + Other income)	1,328	1,805	2,615	3,786	4,228
Operating Expenses	753	1,083	1,418	1,658	2,413
PPOP	575	722	1,197	2,128	1,815
Provisions	132	142	283	669	361
PBT	443	580	914	1,459	1,454
PAT	292	382	675	1,171	1,130
PAT (Excluding Profit from stake sale in Aavas)	292	382	596	600	1,130

KEY RATIOS					
Asset Quality					
Gross NPA %	2.0%	2.0%	1.7%	4.3%	2.0%
Net NPA %	1.3%	1.3%	0.8%	2.2%	0.5%
Provision coverage ratio	37%	37%	53%	50%	75%
Net Credit Loss (as % of average assets)	0.02%	0.01%	0.09%	0.27%	0.35%

Profitability					
NII as % of Average Assets	6.6%	5.2%	5.1%	5.0%	5.4%
Cost of Funds	8.4%	7.9%	7.7%	6.8%	5.9%
CASA Mix (as % of Deposits)	27%	18%	14%	23%	37%
Operating Expense (as % of Average Assets)	5.3%	4.2%	3.8%	3.5%	4.0%
ROA	2.0%	1.5%	1.8%	2.5%	1.9%
ROA (Excluding Profit from stake sale in Aavas)	2.0%	1.5%	1.6%	1.3%	1.9%
ROE	13.7%	14.0%	17.9%	23.4%	16.4%
ROE (Excluding Profit from stake sale in Aavas)	13.7%	14.0%	15.8%	12.0%	16.4%
EPS (₹)	10	13	23	38	36
BVPS (₹)	80	108	144	201	239

Capital Adequacy					
Average Asset/Average Shareholders' Funds	6.7	9.5	9.9	8.8	8.8
CRAR - Total	19.3%	19.3%	22.0%	23.4%	21.0%
CRAR - Tier I	18.4%	16.0%	18.4%	21.5%	19.7%

Eye on the horizon. Ear to the ground.

Founded by a first-generation entrepreneur, AU has always looked at the lending business based on first principles – lend in unserved and underserved markets, price the risk adequately, expand contiguously, and build solutions around customers' needs and limitations.

Underpinned by our 'ears to the ground' approach, we have built a Bank which has challenged the established practices to better customer experience such as crediting of monthly interest in savings accounts, offering true anywhere banking or doing away with deposit and withdrawal slips in our branches.

At the same time, we are mindful of the opportunities with our 'eye on the horizon' approach and taking several steps today to strengthen our tomorrow. Some of these are expanding our geographic footprint pan India, building our brand identity, and building a best-in-class and secure digital banking infrastructure. Our endeavour remains to build a sustainable business model which can provide generational banking to our customers and generational opportunities to our employees.





27 years of building trust

In the last 27 years as a financial institution and 5 years as a bank, we have made significant strides in our journey towards becoming a more and more sustainable tech-led and retail-focused Bank. Our presence in underserved retail segments along with our secured lending products have helped us grow our balance sheet sustainably.

We would like to express our gratitude to the Government of India, Reserve Bank of India and all other regulators for their support and guidance during these challenging times. We are immensely grateful to our customers, investors, employees and other stakeholders for their trust in AU Bank.

What's Inside

Corporate Overview	1-113
Theme introduction	1
About the report	4
Company Snapshot	
Who we are	6
Chairman's insight	18
MD & CEO's message	20
Executive Director's message	28
Financial review	32
Key highlights of FY 2021-22	36
Awards and accolades	42
Value Creation	
Business model	46
Stakeholder engagement	48
Materiality	50
Megatrends	52
Progressing on our Strategy	
Strategy	56
1 Scale retail-focused, sustainable liability franchise	58
2 Sustainable growth from existing asset products and segments	62
3 Build a tech-led ecosystem	66
4 Best-in-class Risk Management and Controls	72
5 Develop a highly empowered and capable team	76
6 Create strong brand identity	82
7 Strengthen our Environmental, Social and Governance (ESG) commitments	88
• Environment	90
• Social	94
• Governance	104
Board and Management	
Board of Directors	108
Leadership team	110
Statutory Reports	114-229
Management Discussion & Analysis	114
Board's Report	138
Annexures	156
Business Responsibility and Sustainability Report	204
Financial Statements	230-306
Independent Auditor's Report	230
Balance Sheet	238
Profit and Loss Account	239
Cash Flow Statement	240
Schedules	242
Notice of AGM	307-333



~27.5 Lakh
Customer base



10.5 Lakh
Digital customers



27,817
Employees



919
Touchpoints

As on 31st March 2022

About the report



This is the second integrated report of AU Small Finance Bank (AU SFB or AU or AU Bank), prepared in accordance with the International Integrated Reporting Framework of the Value Reporting Foundation (VRF). It provides our stakeholders a concise and fair assessment of our ability to use our experience and expertise to create sustainable value.

Reporting period

The Integrated Report 2021-22 covers the period between 1st April 2021 and 31st March 2022. This report provides material information relating to our strategy and business model, operating context, material risks, stakeholder interests, performance, prospects and governance.

Reporting boundary

This report covers our primary activities across all operating geographies, operations, business segments and key support functions.

Financial and non-financial reporting

This report provides details of both our financial and non-financial performance, strategic priorities, opportunities, risks and outcomes attributable to or associated with our key stakeholders, which have a significant impact on our ability to create value.

Materiality

Our material issues are most important to us and our stakeholders have an impact on our ability to create value. These topics are influenced by the economic, social and environmental context in which we operate. The information contained in this report has been identified and consolidated after a detailed review of the issues most material to us.

Targeted readers

This report is primarily intended to address the information requirements of our providers of financial capital i.e., investors (existing and prospective). It also covers information relevant to other key stakeholders, including our employees, customers, regulators, partners, the environment and society.

Framework, guidelines and standards

This report has been prepared in accordance with the following principles and guidelines: International Integrated Reporting Framework of the Value Reporting Foundation (VRF). The Companies Act, 2013 (and the rules made thereunder), Indian Accounting Standards, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 Secretarial Standards issued by the Institute of Company Secretaries of India.

Responsibility statement

Our management acknowledges the integrity of this report, which, in their opinion, addresses all the issues that are material to the Bank's ability to create value and fairly presents its integrated performance. The management has applied its mind collectively in the preparation and presentation of this report and confirms that it presents a balanced and transparent account of our value-creation story.

Our capitals

Our ability to create long-term value is fundamentally dependent on various forms of capitals available to us (inputs), how we use them (value-enhancing activities), and the value we deliver (outputs and outcomes).

→ Pg. 46



Financial capital

Our shareholders' equity, funding from depositors and lenders, and retained earnings used to drive our business and day-to-day operations.



Manufactured capital

Our wide branch network, digital assets and best-in-class IT infrastructure provide a solid platform for us to conduct business and create value.



Human capital

Our professional team brings together diverse skills, a range of experience and motivation to develop, improve and innovate processes, products and services through meritocracy, teamwork, leadership and collaboration.



Social and relationship capital

Our key stakeholders and how we engage with them, reflects our ability to create value and improve individual and collective well-being.



Intellectual capital

Our differentiated digital ecosystem across products and services, communication capabilities, applications, data analytics and cyber security helps us compete and be future ready.



Natural capital

Our resource consumption pattern and impact on natural resources through our operations and business activities. Steps taken to ensure effective usage of carbon, energy and waste management.

Our strategic priorities

→ Pg. 56



Scale retail focused sustainable Liability franchise



Sustainable growth from existing asset products and segments



Build a tech-led ecosystem



Best-in-class risk management and controls



Develop a highly empowered and capable team



Create strong brand identity



Strengthen our ESG commitments

Who we are

Banking with purpose

Since our inception in 1996 as an NBFC, we have evolved over the past 27 years to emerge as one of India's most credible Small Finance Banks, focused on serving the underbanked and unbanked population in India. Built on the values of समझदारी, ज़िम्मेदारी, ईमानदारी (prudence, responsibility and honesty), we are responsibly moving forward every day to deliver various financial and digital solutions that cater to our customers' diverse needs.

We endeavour to bring best-in-class product offerings to our customers while leveraging our digital capabilities. This, together with our brand outreach, local insights, balance sheet strength and pricing power to optimise the risk-return metrics, helps us generate positive outcomes for all our stakeholders.

AU SFB at a glance

₹ 69,078 Cr ₹ 47,831 Cr

Total Assets

📈 +34%

Loan Asset Under
Management (AUM)

📈 +27%

₹ 52,585 Cr ₹ 1,130 Cr

Deposits

📈 +46%

Net Profit

📈 +88%

16.4%

Return on Equity (RoE)

📈 +439 bps

₹ 7,514 Cr

Net Worth

📈 +20%

Credit Card launch at Jaipur





Our Purpose

Empowering India

Financially



Digitally



Socially



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 book size and a delighted client base of 10+ million

Who we are

Our business and approach are underpinned by AU Dharma

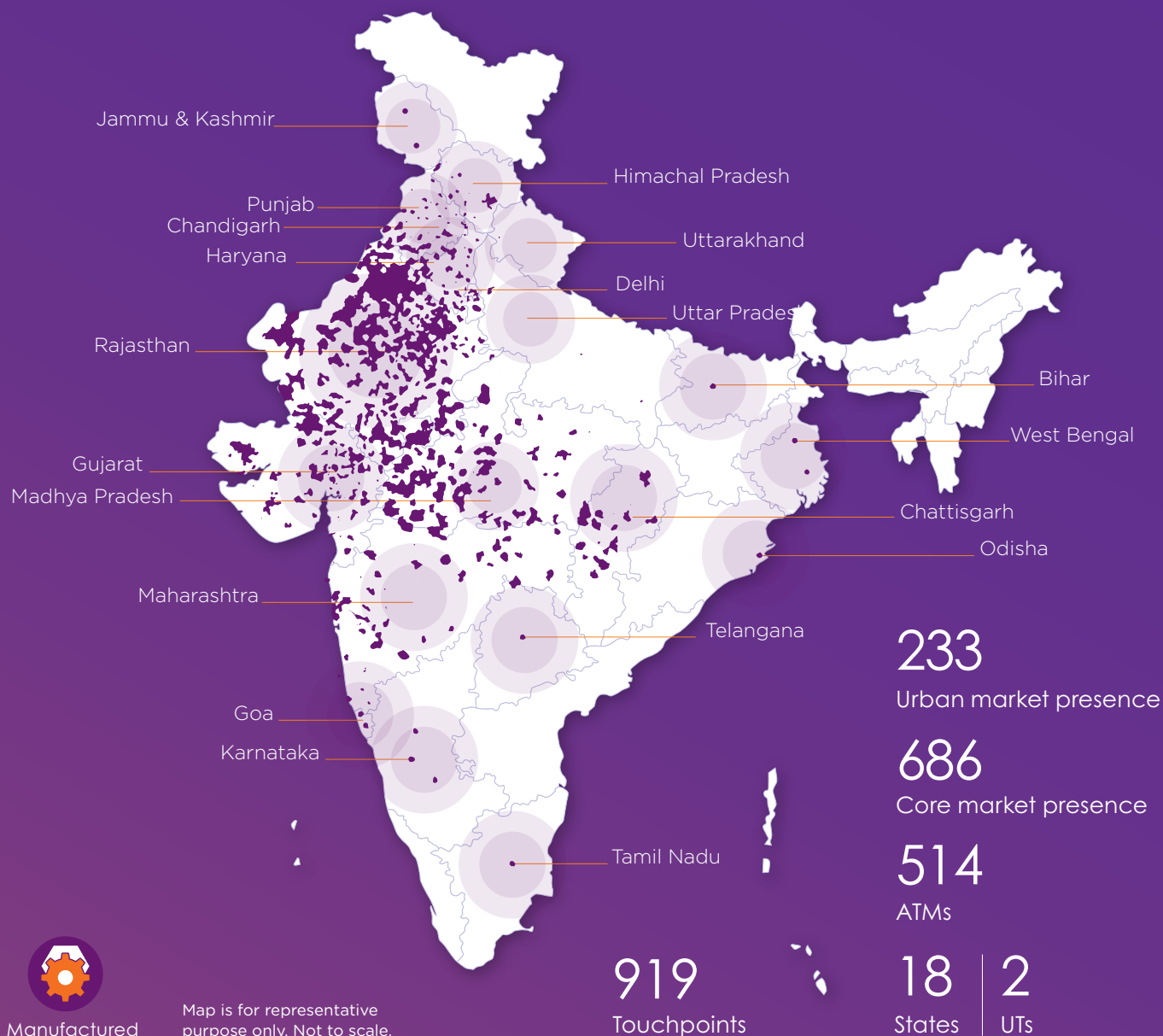
AU Dharma is the guiding light and a way of life for us at AU Bank. It defines our intrinsic character while fulfilling our duties and responsibilities as bankers. AU Dharma is upheld by the seven guiding pillars that provide the foundation and underpin our judgment, enabling us to consistently do the right thing, in the right way.



We believe that at the heart of great work culture is 'Communication'. Clear and consistent communication not only helps in building sharper perspectives but also plays a vital role in resolving conflicts and preventing potential ones from arising. Understanding its importance, our Bank has added '**Communicate**' as the 7th pillar of AU Dharma. Our new Dharma encourages AUites to communicate more effectively within the organisation.



Our presence



Approach to Environment, Social and Governance (ESG)

AU is a responsible corporate citizen and has sustainability at the core of its business model. One of our core purposes is to serve the community through financial inclusion. Mindful of our responsibilities towards the planet and people, we have embarked on our journey towards achieving ESG excellence. We are undertaking initiatives that help us preserve the environment and promote equitable social development while enabling access to financial services for all.

Who we are

Our offerings



Personal Banking

Branch Banking

Savings account
Term deposit
Lockers
Life & health insurance
General & fire insurance
Mutual funds
3-in-1 Trading

Loans & Advances

Vehicle loan
Home loan
Personal loan
Gold loan
Credit card



Commercial Banking

Transaction Banking

Current account
Trade & Forex
Overdraft facilities
Cash Management Services (CMS)
Non-fund based facilities

Loans & Advances

Secured Business Loan (SBL)
Business Banking – term loan, CC/OD
Agri Banking
NBFC lending
Real estate and construction finance

Serving: Millennials | Students | Homemakers | Children | Salaried Professionals
Trust/Associations/Societies/Clubs (TASC) | Senior Citizens | Farmers | NRIs
Small Businesses | Self-employed Corporates | Government Institutions



Digital Banking

Digital Products	Digital Channels	Payments & Services
Personal loan Credit card Insurance & investments Lending against digital merchant data	Mobile banking Net banking Corporate internet banking Video banking WhatsApp banking Auro chatbot Missed call banking AU Biz pay	Merchant payment (UPI QR & point of sale – POS) Debit card AEPS BHIM UPI Bharat Bill Payment Service (BBPS) NETC FASTag ASBA NACH/e-NACH Tax payment

Customised solutions: Family banking | Direct benefit transfer Virtual account solutions | Smart city applications | Fee collection solutions
 Customised collection and payments solutions using API Technology

Who we are

Our Strategic Business Units (SBUs)

During FY 2021-22, we organised ourselves into 10 SBUs with identified leadership. This will help us manage bandwidth and bring sharper focus on executing the Bank's growth strategy with greater agility and flexibility.



Branch Banking

Branch banking is a key pillar of our banking franchise. It is powered by the expansion of our branch network and growing retail contribution of the deposit portfolio, focus on optimised CASA mix and emphasis on building an engaged customer base.

"Branch banking continues to focus on GIST - Granular, Individuals, Small Businesses and Transacting customers. This is powered by expanding distribution in urban and metro markets with focus on raising high quality, low-cost, stable retail deposits enabled by a comprehensive product suite, well complemented by top-notch digital landscape and led by an excellent and stable Team managed via a rigorous sales management framework."

Mr. Rishi Dhariwal | Group Head Liability



Wheels

Vehicle loan has been one of our flagship products and the most seasoned book in our portfolio. 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 also provide loans for new and pre-owned vehicles across several categories.

"With the growing automobile sector, along with the emerging electric vehicles opportunity in India, there is huge potential in facilitating loans for wider adoption of EVs among the masses. As we enable this segment, we will also contribute to the government's vision of reaching their NDCs."

Mr. Bhaskar Vittal Karkera | Chief of Wheels

SBU
3

Secured Business Loans

SBL is one of our core offerings through which we cater to various business requirements of micro & small segments of the economy, majorly in the rural geographies, with primary focus over the potential and growth prospects of the customer, secured by way of underlying assets.

"With the government creating a favourable ecosystem for MSMEs (6.3 crore as of now), we are well equipped to offer customised offerings through our unique assessment model in Secured Business Loans, with a focus on micro and small businesses in rural & semi-urban geographies of the country."

As this franchise vintage is more than a decade and we've seen a good credit behaviour, even during the hardest times of the pandemic, we are confident that we will continue to serve the soul of the economy, MSMEs."

Mr. Amar Bahl | Head of Secured Business Loans

SBU
4

Home Loans

Our objective is to provide a comprehensive range of home loan products to accommodate every home buyer's loan needs (plot purchase plus construction, self-construction, purchase of flat/house, extension/renovation, and takeover/top-up), with a focus on the affordable housing segment.

"With the Government creating a favourable ecosystem for home buyers with a slew of measures including but not limited to affordable housing schemes, we foresee significant demand going forward. We are well equipped to offer our customers a suite of customised home loan offerings, supported with seamless digital onboarding of customers, from anywhere, anytime. At AU, we feel proud in saying that we help an individual make their first home for their family."

Mr. Ashish Gorecha | National Business Manager,
Home loan

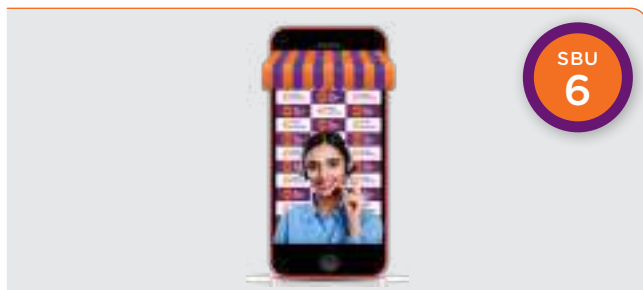
SBU
5

Commercial Banking

Our objective is to provide holistic and complete banking to MSMEs, NBFCs and real estate developers. We offer a broad suite of product offerings to meet both asset and liability needs of customers including Working Capital, Term Lending, Trade Finance, and Cash Management Solutions. We also offer complete ecosystem banking such as Staff Salary accounts, family banking, Insurance and investment to our customers.

"The Government's push for policy reforms, increased spend on infrastructure (PM Gati Shakti), Production Linked Incentive Scheme etc. have created favourable environment for private capex. We are witnessing increased activities and credit demand in sectors such as Logistics, Warehousing, Road, Urban Infrastructure, Housing, Manufacturing and Core Industry. We are constantly working not only on digitising our customer onboarding and servicing journeys but also on providing customers a full suite of API banking as well as other transaction banking solutions"

Mr. Vivek Tripathi | Head of Commercial Banking

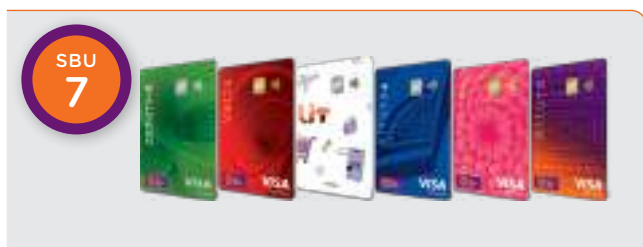


Digital Banking

We are promoting a culture of innovation by building agile capabilities and in-house technology talent with niche skills, driving our digital strategy across the Bank.

"In a span of one year, we have seen encouraging response from customers on our digital proposition with AU0101 app crossing 1 million registered users and more than 1 lakh Savings accounts getting acquired through video banking. We are continuously working on enriching the 0101 platform and adding more features for our users. We are also building similar offerings for our merchant and SME customers this year."

Mr. Ankur Tripathi | Chief Information Officer



Credit Card

It is our objective to make credit available to all. Our customers range from salaried employees to new to bank/ first time credit card holders. We have created segment focused products and multi-channel distribution like branch, direct sales teams, outbound calling centre and digital channel to support the credit card scale.

"At AU Bank, we have always believed in challenging the status quo by leveraging technology and innovation to bring the change that the banking industry needs. With our newly launched Credit Card portfolio, we take ahead this mission of Badlaav with customer centric products and a steadfast commitment to deliver best-in-class customer service."

Mr. Mayank Markanday | Head of Credit Card Business

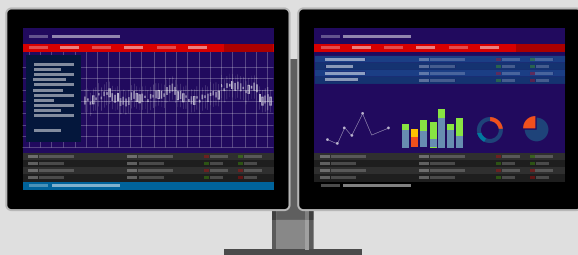


Merchant Solution Group

This SBU caters to all banking and financial needs of the merchant segment (MSMEs).

"Merchant and MSME segments have been very important and constitute significant numbers both in Liabilities and Assets at AU Bank, and to fulfil their financial needs and solutions around this, we are strengthening our value propositions including various payment solutions, digital applications and transaction-based lending. Also, we are acquiring new to bank customers through UPI QR codes. Towards our aspiration of becoming a wholesome Digital bank, we are also implementing OCEN framework and other such initiatives."

Mr. Manoj Tibrewal | Business Head - Merchant Solution Group


 SBU
9


Treasury, DCM and Wholesale Liability

The treasury at the Bank is primarily responsible for Asset Liability Management (ALM), effective fund planning and positioning, day-to-day liquidity and fund management, managing statutory reserves in adherence to statutory guidelines and judiciously handling investments and trading portfolio according to regulatory and internal policy frameworks.

"Treasury, DCM & Wholesale Liability will continue to play an important role as an SBU. Key monitorable area will be interest rate scenario this year and the endeavour will be to control overall cost of funds for the Bank with an optimal mix of deposits, especially sustainable retail deposits, along with prudent ALM management, as we have done in the last 5 years. The Bank will remain very prudent in liquidity management through SLR & Non SLR investments within the defined guidelines and risk framework."

Mr. Yogesh Jain | Chief of Staff


 SBU
10


Financial and Digital Inclusion

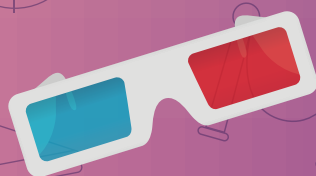
The vision of the Financial and Digital Inclusion SBU is to build a society where every individual is financially included in a way that enhances livelihoods and drives sustainable development.

The process of ensuring access to and usage of quality financial services at an affordable cost in a transparent manner is called financial inclusion. Digitisation has become the primary enabler for facilitating responsible delivery of services. The use of digital solutions to advance financial inclusion is called digital financial inclusion.

"For improving access, we have established 31% of our touchpoints in unbanked rural centres. For increasing usage, we offer a bouquet of financial services that include saving accounts, micro insurance, pension, and credit products tailored to the needs of financially vulnerable sections. For enhancing the quality of consumption of banking services, we conduct financial literacy camps through street plays in the local forums to focus on both concept and process literacy."

Ms. Sunanda Sharma | Lead, Financial and Digital Inclusion



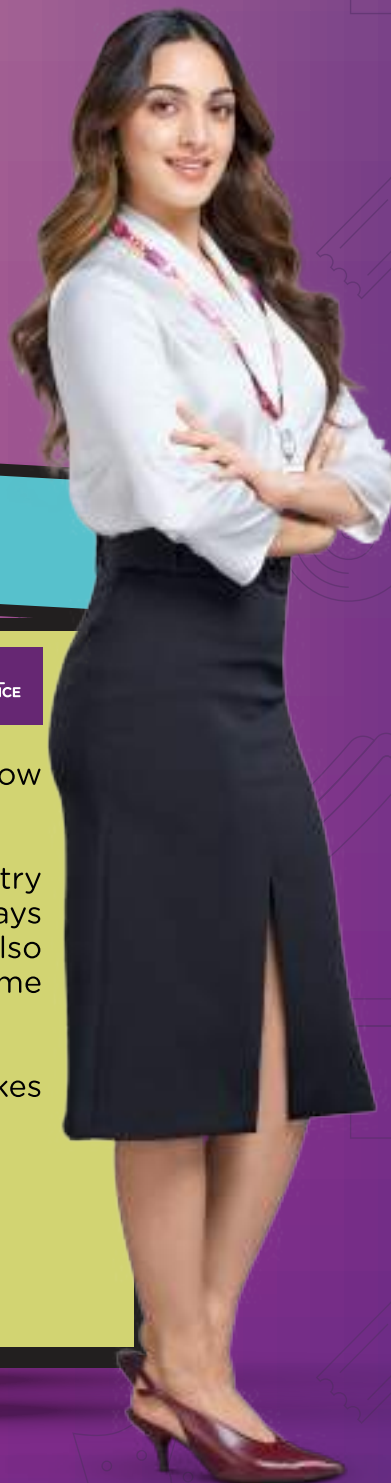


Some walk the path, few carve their journeys. Some follow rules, few challenge the status quo.

At AU, we take pride in asking questions. In an industry governed by formulas, we ask '**Aisa Kyu?**' We have always made efforts to make banking not just easier but also smarter. It is this ideology that has helped AU become India's Largest Small Finance Bank.

After all, when you take the road less travelled by, it makes all the difference!

**BADLAAV
HUMSE HAI**



Chairman's insight

Going beyond commitments to deliver the best

Dear Stakeholders,

It gives me immense pleasure and satisfaction to inform you that we have closed FY 2021-22 on a splendid note and robust numbers. We reaffirm and assure all our valued stakeholders that we are fully committed towards serving your interests and scaling up business through progressive growth on all parameters. We reiterate with pride and humility that at AU, we were able to deliver on all our stated commitments, goals and objectives while progressing on our strategic focus areas. We remain well capitalised, and are looking forward to growing dynamically and strategically. The year also marked the completion of the Bank's five years of journey as a Small Finance Bank, and I am proud to say that we have retained our reigning title as the largest small finance bank in India with our sound and dynamic policies, robust processes, risk mitigation framework and strong governance architecture.



A dynamic macroeconomic environment

Resilience and economic rebound defined FY 2021-22 for India. While the initial two quarters were impacted by the second wave of COVID-19, the rapid pace of vaccinations and resumption of commercial activity shored up the economy. The roll-out of infrastructure projects, together with important and supportive fiscal measures and release of pent-up demand aided the revival. At the end of the fiscal, India's growth rate stood at 8.7%, downside risks notwithstanding. India's Gross Value Added increased by 8.1% and Gross Fixed Capital Formation improved by 15.8%, a clear indicator of rising investments in the country.

India continues to be a market where credit absorption remains high, with significant headroom for growth. Across industries, credit growth is on the rise, with further scope for improvement. We, at AU Bank, recognise this as a significant opportunity to capture and expand.

Inflation weighs on full recovery

The Reserve Bank of India (RBI) had maintained an accommodative monetary policy stance for the most part of the pandemic years. However, towards the end of FY 2021-22, inflationary trends started to rise beyond the threshold, with the Consumer Price Index touching an 8-year high and Wholesale Price Index at a 30-year high of 15%, exacerbated by the Russia-Ukraine conflict. This has prompted the RBI to respond with expected consecutive policy rate cuts, including an off-cycle intervention. The policy repo rate now stands at 4.90%, post a 90 bps hike in May and June 2022, but still below the pre-pandemic position. Standing Deposit Facility (SDF) and Marginal Standing Facility (MSF) rates have also been raised by 50 bps, and now stand at 4.65% and 5.15%, respectively. Going forward, the RBI is expected to maintain a conservative stance, with a few more rate hikes likely in the immediate future, as inflation threatens to pull back economic recovery by straining household budgets.

A year of growth and delivery at AU

For us at AU, FY 2021-22 proved to be a year of opportunities, as we derived rich learnings from the pandemic that strengthened our organisation and got manifested in the numbers. We remained steadfast in our performance, with our robust risk management capabilities playing out well and steadying the ship in otherwise turbulent waters. At the close of the year, we recorded 46% deposit growth, 27% AUM growth, 88% PAT growth and maintained healthy capital adequacy ratios.

We continue to navigate the macro scenario well, even amid challenges such as inflation, policy tightening, oil crisis, supply chain disruptions and geopolitical tensions. We are well positioned to grow steadily, achieve sustainable growth and stability, underpinned by our scale, granularity, and most importantly, the quality of our books. We have garnered investments from marquee investors in the past one year and are further accessing global capital to facilitate our growth.

Looking back on an eventful journey

Our good outcomes and numbers during the year convey the story of yet another round of stellar performance. We are continuously enlarging our scope of service and inclusion through a slew of policies and measures aimed at serving the unserved and underserved population. Our goal is to serve the larger cause of financial inclusion and financial literacy, aligning ourselves with the government and RBI guidelines as part of our growth agenda. On all these counts and many more, we have had an immensely satisfying and gratifying journey through the past five years as a new-age bank, incorporated with the purpose of accelerating financial inclusion in India. We have expanded our reach and coverage to better serve priority sector customers and the market.

Looking back, we have stayed true to our purpose. We have been able to deliver and go beyond the commitments we made to various stakeholders, including the RBI, which reposed confidence in us and believed in our mission and capabilities. We have built on the legacy we created as an NBFC, and strengthened the franchise to diversify and grow the business based on our rich experience and capabilities. We have engaged fresh talent, built on the skills of our people, acquired new learnings from the market and the industry while quickly repositioning the Bank in its new avatar as an SFB. Despite being new to banking, our prior expertise as an NBFC has proved beneficial. We concentrated on execution from the onset, learning on the job and from established peers. We managed the dual priorities of credit and business growth with a focus on sustainability and stability. We established strong processes, a solid risk management framework, and the right pricing strategy. We built on our inherent strengths and market knowledge to continuously question the status quo, revisit traditionally accepted models, and designed our customer journeys to be convenient, simple and intuitive through learnings, innovation and right execution.

Growing responsibly

Responsible banking has been the cornerstone of our philosophy, policies and operations. We have accorded the highest level of focus on our governance mechanisms from the start to ensure that our systems and processes are truly best-in-class. We have designed products well aligned to our risk appetite, and technology has been a core enabler in our entire end-to-end journey. We are guided by the Central Bank in our endeavours and we are thankful to the RBI for its constant oversight, guidance and support. Going forward, we are committed to further improving our business and optimising our risk management processes along with our digital journey. We are happy to share with our stakeholders that we accord a high priority to Environment, Social and Governance (ESG) matters in our scheme of things. Accordingly, we are integrating ESG as a core priority area, aligned with the best global practices in this new and growing space.

A future of opportunities

While growing from strength to strength, we have remained committed to our Mission and objective of expanding the universe of our service with deeply embedded values across all our policies, programmes, products and processes. AU is at the cusp of phenomenal growth and expansion given the large, growing but competitive market. We recognise the market potential in the segments we serve, and outside these segments as well. AU is not just an SFB, but an institution that functions, delivers and grows to serve a bigger market with its Vision and execution capabilities. The unique strengths that enable us to continuously improve our performance are deep customer connect, digital-first approach and operations, strong and growing balance sheet, quality portfolio and strong governance mechanisms.

As we grow further, we will maintain a razor-sharp focus on scaling our business and on the quality of growth. Raising resources with sound policies around liabilities management, including further capital raise to match our growth aspirations, will always remain our important strategic direction as we move ahead. Retail will remain our primary focus, powering granularity of portfolio and cost-effective customer acquisition. We will draw meaningful insights using analytics to understand what works best for each of our customers. We firmly believe that our commitment, sense of purpose, passion and care towards our stakeholders will continue to hold us in good stead for the years to come.

Best regards,

Raj Vikash Verma
Chairman

MD & CEO's message

Looking at holistic growth while remaining humane and hopeful



Dear Stakeholders,
Namaskar!

“On the other side of a storm is the strength that comes from having navigated through it.”

Gregory S. Williams

I write to you with an overwhelming sense of gratitude, respect, humility, pride, and wonder. It is an amazing feeling to have completed five years as a Bank. And for us, the story has just begun.

In March 2017, we had 301 touchpoints in 10 states, which has grown to 919 touchpoints across 18 states and 2 Union Territories in 2022. From lending to 5.6 lakh borrowers, we are now serving 27.5 lakh+ customers. From a family of 8,500 people, we have grown into a winning team of 27,800+, and built a sound liabilities franchise, garnering a deposit base of 50,000+ crore. We have scaled our asset book from ₹ 10,700 crore to ₹ 47,000+ crore while remaining profitable throughout. At the same time, we have built an industry-leading tech architecture with a suite of digital products.



That we have been able to establish the banking franchise and achieve these milestones in the backdrop of multiple macro-headwinds is a testament to our 27 years of institutional legacy and our tenacious approach to execution. The last two years of surviving a global pandemic were a test by fire, which has only polished the gold further.

I express my sincere gratitude to all our shareholders for their support in this difficult but exciting journey. I am particularly thankful to the Board for agreeing to the management's request for reciprocating the support shown by our shareholders, especially the retail shareholders of the Bank, by according its approval to the issuance of bonus shares in the ratio of 1:1. The Board has also approved a dividend of ₹ 1 per share pre-bonus for FY 2021-22, which is subject to shareholders' approval.

We have reached the five-year milestone with a lot of hard work, dedication and passion, and this is reflected in our theme of this report - 'Eye on the horizon. Ear to the ground'.

Historically, what has set us apart is our 'Ear to the ground' approach – our strong connect on the field, first principles-based approach to problem-solving, going into every detail to keep improving customer experience, self-belief, execution ability, and a strong emphasis on inculcating ownership at every level of AU.

At the same time, we have kept our 'Eye on the horizon', prepped ourselves and adjusted our strategy to benefit from various emerging macro opportunities – tailwinds from accelerated digital adoption, mapping out a pan-India presence while focusing on the local, having multiple products to anchor growth, forming Strategic Business Units (SBUs) to manage bandwidth and accommodate dynamic/diverse aspirations, structural changes to our provisioning policy to grow the right way, expanding and strengthening our Board and oversight, and getting the Bank's system architecture ready for migration to cloud, supported with data warehouse and high-end analytics capabilities.

I would like to express my feelings on our journey so far and the upcoming opportunities through the 3Hs - Holistic, Humane, and Hopeful.

Holistic growth and development

As I look back on FY 2021-22, which can best be described as a rollercoaster ride, I can't help but admire human courage. While the second wave of the pandemic was devastating, I was also surprised by the pace at which India bounced

back. While all of us came together to support each other, show compassion and mourn the loss of our near and dear ones, we were also back to business within a short span of 6-8 weeks, showing the enormous resilience of our society and economy.

We, at AU, focused our energies on:

- Preserving our asset quality, which required some honest conversation with our customers
- Making our liability more granular and retail
- Strengthening our digital character
- Building our brand identity
- Enhancing our employee value proposition
- Focusing on our ESG initiatives
- Strengthening our Board and risk controls

In this year's report, you will read on each of these aspects in detail. However, I would like to highlight some of the key initiatives.

An honest and fair conversation with our customers

During the difficult times of the first wave and the lockdown (FY 2020-21) and the second wave (Q1 FY22), we stood by our customers with a solution-focused approach and provided them necessary support after understanding their individual requirements. Wherever required and basis their request, we provided our customers solutions like moratorium, ECLGS, restructuring etc.

Beginning Q2 FY22, 15 months after the onset of the pandemic, our focus was on preserving the asset quality, and this required a sincere and honest feedback loop involving the management, on-field employees and customers who had encountered problems with payment. We are happy that most of the recovery during FY 2021-22 has come from willing repayment from these customers as opposed to security enforcement. This is really heartening as it reaffirms our confidence in our chosen customer segments and markets.

We appreciate customers' intention to pay with the return of normalcy. I would like to emphasise that we have utmost regard for our customers and we are totally focused on taking our customer's experience and our customer service to the next level. We have a robust mechanism for redressal of customer grievances and we continue to stay committed to delivering our customers a delightful banking experience.

10 SBUs and 'AU Insights'

Last year, we took a progressive step towards strengthening our business model by introducing 10 SBUs, each with its own vertical structure supported by a common horizontal support architecture like MD's Office, Control functions, Finance etc. The SBU structure will sharpen our focus towards each business, enhance ownership and accountability, support senior personnel in bandwidth management and lead to the development of newer leadership for the Bank.

AU Insights is a forum where the leadership of each of these SBUs presents their thoughts and strategies. Presentations from five SBUs are hosted on our website and I strongly encourage you to go through the same to better understand the proposition. The remaining five SBUs will make their presentations during FY 2022-23.

Digital First

"There are decades where nothing happens; and there are weeks where decades happen," said Vladimir Lenin. During the pandemic, we launched AU 0101, credit cards, Video Banking, UPI QR Codes with sound box and worked towards sales force digitalisation. It seems like decades happened within weeks in the digital banking ecosystem.

Welcoming our new Directors

I take this opportunity to welcome Shri H.R. Khan, ex-RBI Deputy Governor, and Shri Kamlesh Vikamsey on our Bank's Board as Independent Directors. I believe that the Bank will immensely benefit from the wide regulatory experience of Khan Sir and the rich audit experience of Kamlesh Sir, and I personally look forward to their mentorship. With their induction, the overall Board strength has now risen to 10 Directors, 8 among them being Independent Directors.

Brand campaign

We believe that strong brand equity can be a significant enabler for the Bank in achieving its long-term objectives as it enhances awareness about the Bank, its visibility, increases customer loyalty, and helps in attracting and retaining talent.

As you know, we have onboarded 'Mr. Perfectionist' Aamir Khan and the promising actor Ms. Kiara Advani as our brand ambassadors. Thanks to their brand appeal and the uniqueness of our products, our brand campaign 'Badlaav Humse Hai' helped AU Bank brand awareness to grow by 2 times*. We have also been witnessing extraordinary response for our digital bank in terms of increase in ETB and NTB registrations on the AU 0101 app.

*As per Brand track study conducted by Kantar

Our HR approach

Attracting, developing, and retaining talented people across teams and leadership positions are crucial in order to execute our strategy. While attrition in the banking industry is worrisome and the pandemic has further worsened the situation, we have been continually investing in our employees to be an employer of choice. I am happy to share with you that we have successfully bagged the 'Great Place to Work' certification for the second time in a row and featured amongst the top 30 organisations in the BFSI space. The senior management's (top 350 employees in the Bank by hierarchy) attrition rate was at an acceptable 11% for FY 2021-22. We have also hired 100+ senior employees, each with ~20 years of industry experience across digital, data, products, governance and businesses in the last two years.

We launched the Education Assistance Programme recently based on employees' feedback. Many employees are already



Badlaav Fest at Lonavla in November 2021

benefiting from it. Criteria for employee benefit facilities such as home loan, vehicle loan and personal loan have also been relaxed to cover a wider set of employees.

Formation of the Diversity and Inclusion Committee

While we have been working to promote financial inclusion for the last 25+ years in rural and semi-urban markets, we also recognise that as one of India's large employers, AU needs to become a more inclusive workplace. The formation of the Diversity and Inclusion Committee is a step in this direction. We have adopted a progressive approach towards accepting diversities of all kinds – demographic, experiential and cognitive, and the Committee's mandate is to make AU a more inclusive workplace. With respect to gender diversity, we have improved 1.5 % than the previous year. I know there is still a long way to go, but would like to ensure that we are taking focused steps in this direction.

- Total employees: 27,800+
- Women employees: 1,900+
- Young talent (Millennials): 66%
- Local recruits (posted in hometown): 33%

Focus on effective communication

In my last year's message to you all, I had acknowledged that we need to work on our communication. Few incidents last year clearly highlighted the importance of effective and prompt communication. We have taken the learnings from these events and are focused to ensure a lot clearer, effective, and transparent communication in a prompt and upfront manner.

We have now introduced 'Communicate' as the 7th AU Bank Dharma – our value enablers which guide us. We will encourage clear and consistent communication across the organisation, which should lead to a holistic perspective and improved solutions.

Humane – our sustainable approach

Inclusive banking

The very foundation of AU Bank was laid for empowering the economically weaker sections by providing them better access to credit. We are working towards building a society where every individual has access to financial services, irrespective of his/her socio-economic background.

In our quest to fulfil our mandate of being a differentiated bank, we have evolved a somewhat unique business model whereby we garner 77% of our deposits from urban markets and 64% of our loan book in the core markets (semi-urban and rural India). In this process, we continue to exceed the requirements of key licensing guidelines –

87%

loans to the priority sector against a requirement of 75%

63%

of loans are with ticket size less than ₹ 25 lakh against a requirement of 50%

31%

of the touchpoints are in unbanked rural areas against a requirement of 25%

Steps towards ESG

We remain steadfast in our commitment to promoting digital and financial inclusiveness. We have been able to make a good impact on the environment by reducing our carbon footprint thanks to our efforts in digitalisation and digitisation. The use of paper and fuel has decreased as a result of our digital customer onboarding processes. We have concentrated on financing EVs and other automobiles that use alternative fuels.

We had recognised environment as our key stakeholder last year. In that spirit, we supported the Save Soil international campaign, augmenting global efforts towards replenishing soil quality, which is essential to sustain food and life.

Fostering livelihoods post COVID

This year, as part of our social responsibility, we took urgent steps to operationalise our long-term programmes aimed at meeting the livelihood needs of youth and women. We initiated 'AU Ignite – Unlocking You', a flagship programme on skill development, to train 25,000 youth by 2025.

Children were among the most impacted segment during COVID-19, being caged for almost two years. This year, we initiated a sports programme titled 'Bano Champion' – aimed at promoting sports in semi-urban and rural areas.

Besides revitalising our programmes across our core focus areas, we contributed significantly on fighting COVID-19 this year as well, focusing majorly on addressing the oxygen shortage during the second wave, strengthening the delivery system, providing safety equipment and trainings, community vaccinations etc.

Good governance

Strong governance is the backbone of our business, and this has been validated time and again by markets, regulators, and rating agencies. I am happy to share that CRISIL Ratings, CARE Ratings and India Ratings have upgraded the Bank's long-term rating to AA/Stable and retained our short-term rating at A1+*. This is a strong validation of our banking franchise and asset quality despite the pandemic-induced challenges.

Apart from expanding our Board in FY 2021-22, we also welcomed Deloitte Touche Tohmatsu Limited (popularly known as Deloitte) and G. M. Kapadia as our new statutory auditors. They have audited and signed on FY 2021-22 financials, marking their first full year as a joint Statutory Auditors for the Bank.

We received wholehearted support from the Government and the regulators in terms of relief, reforms, and packages and I thank them for their patronage and support. Last year, the Ministry of MSME reinstated the PSL status of the Trader segment. This will ensure continuous flow of credit to the segment at competitive pricing.

Hopeful for a brighter tomorrow

Learnings from FY 2021-22

In the journey of building an institution that lasts for centuries to come, learning will be a continuous process. Here is our share of some key learnings from the year gone by.

We trust our customers

My belief that people in India have an innate integrity got validated during the pandemic. They are driven by their high moral values, and it was heart-warming to see our customers' credit discipline during the trying times of the pandemic. We trusted our asset customers and were happily surprised to see their continuity in repayment even though legally they had the option to defer their payment. Our liability customers trusted us and continued to maintain their deposit balance. So, our customers acted rationally. It gave us the confidence that it is possible to handle the forever customer journey.

Mistakes are an integral part of learning

I would request your support in our journey of learnings, which is likely to include several mistakes. We realised that compliances are ever-evolving on the banking platform and their precise interpretation can also be challenging at times.

We have made many mistakes in the past and might make some in the future too. We are committed to learning from them and growing into a prudent organisation by not repeating the same mistakes.

*CRISIL and India Ratings upgrades are effective June and July 2022 respectively

Heat refines gold

To operate at scale, one needs to accept the imperfections of this world, which I have now come to terms with. We are now balancing our bias for action with being patient for results. The first five years of AU Bank have provided us with the necessary environment to strengthen our foundations.

CRISIL Ratings, CARE Ratings and India Ratings have upgraded the Bank's long-term rating to AA/Stable and retained our short-term rating at A1+*. This is a strong validation of our banking franchise and asset quality despite the pandemic-induced challenges.

Banking opportunity

Bank deposits grew at 11% CAGR in the last decade. New private banks in terms of SA are capturing market share at an accelerated pace, and in terms of CA, market share has improved over the last 10 years.

Policies on EVs and scrappage policies will act as catalysts for a greener and circular economy. The Government's vision of 'Housing for all' is expected to create lucrative opportunities for market growth.

The JAM trinity (Jan Dhan Yojana, Aadhaar and mobile number) has laid the foundation of digital financial inclusion. Demonetisation and the pandemic have further accelerated digital adoption. India is the world leader in real time digital payments. With India Stack, 5G and Tech Capital, we are amidst a digital revolution.

As per our analysis, there are likely to be 15 crore digital first families in the next 10 years, and for them, banking needs to be digital too. Banking is all about trust, and in the coming times, trust will be defined by convenience, availability, speed, security, flexibility and being customer obsessed. These are the founding values on which we have designed our digital bank and phygital bank.

The India opportunity

India is emerging as the knowledge capital of the world. Indian leaders are doing a great job in creating an impact with the power of knowledge combined with effective action. The start-up ecosystem is also evolving under an able leadership.

The power of democracy, the acceptance of diversity and the geo-political advantages are India's greatest assets. Public money is being effectively used for public good due to the strengthened compliance structure and encouragement of healthy competition. The widespread adoption of social media is further creating and upholding the compliance culture. Technology is nudging us to be compliant not only as businesses but also as humans. I believe that Tech along with Compliance are great equalisers.

I am very passionate about the potential of our country – one of the world's fastest-growing economies with the largest youth population in the world, with its global competitiveness, rising economic influence, and strong Central Bank policies. If things go well, India can elevate itself to a middle-income economic powerhouse, something it has always aspired to be. This decade can lay the foundation which will propel India to the next trajectory of exponential growth.

Having said that, in this world of imperfections, challenges will always be there in the form of continuing effects of the pandemic, inflation, or geopolitical conflicts. We are readying ourselves to brace for that, as we have a long way to go.

Way forward

With the support of our Board, we have identified and articulated strategic priorities for the Bank, and we are focused on executing them. We have a sustainable and scalable business model which is clearly demonstrated in our differentiated approach of garnering deposits from the urban market and lending to the core markets.

Our deposit franchise is on the right track; we are keeping a balance between growth and cost. Our CASA ratio, CD ratio, cost of money and ALM are going in the right trajectory, and we have a lot of confidence that we will continue to grow as a deposit franchise balancing all factors.

Our Assets strategy looks quite settled. We are focusing on 4 SBUs – Wheels, SBL, Home Loan and Commercial Banking and have identified our products and market segment. The entire team is well stitched and has good vintage. Whenever the market settles, we will work on taking our performance to the next level by deepening our penetration and garnering market share in each of the segments. Most importantly, our asset quality has remained resilient since the beginning, and we are committed to maintaining pristine asset quality even at the cost of growth.

Our digital strategy is focusing on building digital for retail customers, digital for merchants and digital for employees. We continue to work towards scaling up the applications we launched in FY 2021-22, on our digitisation efforts and

on building our Merchant app. We have commissioned a multi-year data warehouse and analytics capability build-out project. Cyber security remains an area of key focus. We have a comprehensive security framework to ensure that customer data remains safe and secure, and this framework is constantly reviewed and supplemented with new tools and technologies as required.

We understand that being the largest SFB of the country puts us in a position of great responsibility. We are always mindful of our duties as credible Bankers. As mentioned previously, customer experience and service along with grievance redressal are paramount for us and we are focused on improving our practices in this area. We promise you our top management's full commitment towards adopting the best practices in risk management, governance, compliance, and integrity.

We remain indebted to the regulator, the Government, key stakeholders, and the Board for their handholding and for keeping us on the right path. I express my sincere thanks to all the present and past Board members for their immense contributions to our journey.

It has been a wonderful five years; however, we are still new in the journey of building a forever bank. It generally takes about a decade to understand every dimension of the banking platform. I deeply believe that AU Bank is well positioned to make the best use of the opportunities this country and the banking platform have to offer and we have the ability to foresee what tomorrow holds for us and plan and work towards it.

I believe in the India story. I believe in AU. I believe in all of us maximising our potential.

I would like to leave you with the words of Shri Manoj Muntashir from the biography of my favourite cricketer Captain MS Dhoni.

"चले चले तो क्या चले हम
उड़े अगर तो बात है...
जीये जीये तो क्या जीये हम
लड़े अगर तो बात है"

Regards,

Sanjay Agarwal
MD & CEO

One credit card. Many possibilities. All in your control.

Presenting

AU Bank LIT Credit Card

India's 1st customisable card that enables you to choose benefits and build your card as per your wish.



Live It Today



Scan
to know
more



AU 0101

Download





Select
benefits as per
your lifestyle



Choose
pricing as per
your need



Manage & track
benefits and maximise
your savings



Switch on/off
benefits as & when
you wish



Executive Director's message

Bringing change in harmony with the ground realities



Dear Stakeholders,
Namaskar!

I write this message with immense pride, happiness and positivity. As we complete five years of banking, we stand strong in our resolve to continuously create value for our customers and other stakeholders. With a digital first approach and innovation at the core of our products and services, we look forward to serving India with best-in-class banking experience.



Change amid challenges

Since our foundational days in 1996, our aim was to support small businesses in rural and semi-urban India with much-needed funds using a 'Robinhood model' that ploughed capital from HNIs. We continued to scale up our reach and distribution of credit to needy individuals and small businesses. However, we were always consistent in our beliefs and values for providing security, building trust, compliance-orientation and strong governance ecosystems. So, when we received our licence to operate as an SFB from the RBI, we were geared to establish not just another bank, but an institution that would stand the test of time and create a massive positive impact in the lives of all our stakeholders. The banking licence enabled us to sense the real needs of people and become custodians of their wealth and trust at an even more extensive scale. Armed with our core values, we were able to build a digitally enabled, retail-focused bank that simplified banking for the common man while delivering rewarding experiences. We built a strong, empowered team and ensured that good governance was a way of life. Importantly, we did all this profitably while we built and expanded presence in underserved retail segments with our secured offerings.

At the start of our journey as a Bank, we had targeted and committed specific goals that would define our immediate five years. I'm humbled to say that empowered by a committed team and the support of all stakeholders, we were able to not only meet these targets, but also go far beyond them. We could achieve this by dynamically learning on the job, questioning the status quo, and building trust. We could do this with transformative measures such as integrating processes, focusing on customers, prioritising quality of book over quantity, and by following distinct approaches to tap the urban and rural markets.

I'm particularly proud of how we put up a stellar performance amid unprecedented economic and social events. Owing to our consistent focus on small ticket sizes, secured and risk-based pricing, and lending for income generation, we have stayed resilient in turbulent times.

A year of demonstrated growth

At the end of FY 2021-22, our deposits stood at ₹ 52,585 crore (46%+ YoY), fund-based disbursements at ₹ 25,407 crore (44%+ YoY) and AUM at ₹ 47,831 crore (27%+ YoY). Our cost of funds narrowed to 5.9%, an 88 bps reduction compared to year-ago levels. We spent actively on business growth and capacity building and invested in digital initiatives.

Our net interest income and total income rose by 37% and 21%, to reach ₹ 3,234 crore and ₹ 6,915 crore, respectively. Our net profit (excluding gains from stake sale in Aavas) soared by 88% YoY to touch ₹ 1,130 crore, which is significant considering the investments we are making in people, technology, branding, products and distribution.

Stronger and granular portfolio

In FY 2021-22, we continued to strengthen our portfolio and improved our granularity, driven by increasing brand awareness, branch expansion and improved digital offerings. Our total balance sheet size grew by 34% to touch ₹ 69,078 crore, with the proportion of deposits increasing to 90% of our total external funding. Our CASA ratio now stands at 37%, from 23% a year ago. The CASA addition primarily drove our increase in deposits during the year.

Our motto of 'Quality over Quantity' continues to drive our asset quality. During the year, we could remarkably reduce our non-performing assets as a percentage of our portfolio. We cut our GNPA% by more than half (1.98% in FY 2021-22 vs 4.25% in FY 2020-21) and our NNPA% by 168 bps (0.50% in FY 2021-22 vs 2.18% in FY 2020-21). We also increased our provision coverage to 75% vs 50%. Further, we created floating provisions of ₹ 41 crore, which further adds to our balance sheet strength, acting as a counter cyclical buffer.

Our capital adequacy remains robust, with overall CRAR at 21% and Tier-1 CRAR at 19.7%. Overall returns, during the year, continued to be steadfast with the Bank recording 1.9% RoA and an improved 16.4% RoE.

We have also opened 1 lakh+ video banking accounts, which constitute ~41% of all new savings bank accounts opened.

Digital offerings powering growth

Our focus on being a digital-first bank has been instrumental in faster customer growth and in diversifying our customer base at a notably lower cost of acquisition. In FY 2021-22, our pace of customer acquisition through digital channels gained substantial momentum. We are also seeing strong activation and robust adoption, with 97% of financial and 87% of non-financial transactions executed digitally. Our video banking facility has helped us diversify our retail customer base across demography (~70% of new customers acquired are between 19-32 years of age), profession (47% salaried employees) and geography (80% urban customers).

AU 0101, our all-in-one banking 'super-app,' is a success story in its own merit. It assures safety, convenience, and availability for our customers, and the traction we have seen in its adoption is extraordinary. Till March 2022, AU 0101 had clocked over 1 million registrations and over 5.9 lakh monthly active users.

The offtake we have seen in our credit cards offerings has been nothing short of phenomenal. We realised the scope of credit cards in an underserved market such as India and added the layer of digital enablement to accelerate rollout, execution and management. About 70% of the cards we issued have been without manual underwriting. By the end of FY 2021-22, we had disbursed 1.7 lakh+ credit cards, with nearly half of all customers availing their first-ever credit card with us. We consider this as a testimony to the trust our customers have in us.

We have also opened 1 lakh+ video banking accounts, which constitute ~41% of all new savings bank accounts opened. Cumulatively, our video banking deposits amount to ~₹ 400 crore. Through our QR code offering, we onboarded 1.2+ lakh new to bank customers in FY 2021-22, contributing to a cumulative installation of 4.8+ lakh QR codes at merchant sites.

From an operations standpoint, we are increasingly deploying technology solutions to become a digitally native organisation. We are making a transition to the cloud, fortifying our cybersecurity measures, and are drawing insights from AI/ML-based analytics.

Building a retail-led liability franchise

We are operating in a market which has an unprecedented opportunity for banking solutions and deposit growth. At the end of FY 2021-22, the total bank deposits in the country stood at ~₹ 165 lakh crore, a 10% CAGR from FY 2017-18 levels. Small finance banks hold ~0.7% of these deposits, and AU Bank alone accounts for 0.3% of all deposits. The headroom for growth is unparalleled, and we consider growing our urban CASA customer base as a key priority. To enable this, we are practising customer segmentation, accelerating acquisitions, and deepening our engagements with both individual customers and merchants.

We expect to grow in select new geographies and deepen our presence in existing geographies. We are using phygital means to ensure higher conversions. We are also increasing

the radius of our catchment area to increase our coverage in metros while avoiding additional capex. Our salesforce has deep understanding of regional nuances and is also empowered with digital tools and CRM solutions that increase their efficiency.

We have consistently granularised our liabilities portfolio, with 66% of our deposits belonging to the retail segment. Between FY 2019-20 and FY 2021-22, we have nearly doubled the number of our urban branches and deepened our customer engagement.



AU Bank House at Jaipur

Relooking our operating structure

In Q3 FY22, we restructured and formalised our business through 10 Strategic Business Units (SBUs) to drive future growth. Each of our 10 SBUs have their own vertical structure, supported by shared central support services and functions. They will also have their own individual revenue and cost tracking and will be managed by a dedicated leadership.

ESG as a way of life

At AU Bank, we believe that we are an institution dedicated to bringing social change and economic enablement to millions of Indians. Social sustainability, inclusive banking and creating positive impact come naturally to us. Our ESG approach recognises the environment as a stakeholder; addresses occupational, residential, and social vulnerabilities; and fosters good governance as the cornerstone to building stakeholder trust.

In FY 2021-22, we undertook initiatives demonstrating our consistent ESG commitments, such as funding solar projects and EV vehicles, welcoming diverse and differently abled employees into our family, creating lasting impact through CSR initiatives. We have also formally inducted new Independent Directors on our Board, whose experience and wisdom will add value to the way we conduct our business and chart our growth trajectory.

Geared for the next

The pandemic affected the very benchmarks against which the Bank pitted its goals and measured the value of every resource. During that critical period, it was our people who stood strong in our branches and went door-to-door to ease banking in the hinterlands. They became the face of our robust banking system and inspired us to be resilient in tough times. Over the years, the exemplary passion, grit, out-of-the-



Tree plantation at Jobner (Raj.) in July 2022

box thinking and resourcefulness shown by the entire team, have empowered the Bank in supporting its valued customers and partners. Our employees, who have imbibed these values, and worked with a single-minded focus and a deep passion to serve, have become the most important asset in our banking journey. Their collective purpose to serve customers with unparalleled service and experiences is paramount, and every AUite is committed to delivering the same.

Now, as we ready ourselves for the next leap, we are consciously capitalising on the mega scale of opportunities in the Indian market. The tailwinds of a young population, rising smartphone penetration and substantial government support for inclusive growth programmes, further set us up in a sweet spot.

The past five years have been eventful, full of learning and challenges that have tempered us. I thank every stakeholder, including our investors, regulators and the RBI, customers, employees, mentors and others who continue to be a part of our eventful journey. As we take new strides, I'm positive that your continued support and confidence will help us reach greater heights and set new benchmarks in Indian banking.

Best regards,

Uttam Tibrewal

Executive Director



Solar power plant installation at Akshaypatra, Jaipur in September 2021

Financial review

Five years of consistent growth

Fiscal 2022 once again affirmed our ability to deliver sustainable performance amid challenges. On the back of stable asset quality and spreads, our balance sheet grew 34% YoY. We recorded a 20% YoY increase of shareholders' fund. The granularity of deposits was reflected in the improvement of the CASA ratio to 37%, which helped bring down the cost of funds by 88 bps YoY to 5.9% from 6.8% last year.



MD & CEO addressing the IT team at Tech Conclave in Jaipur

Our financial strengths



Granular, sticky liability franchise that continues to grow and provide cost of funds advantage



Sustainable growth in secured, retail loan book with ability to price the risk



Well capitalised with CRAR ratio of 21.0%



Underwriting expertise ensuring strong asset quality across cycles



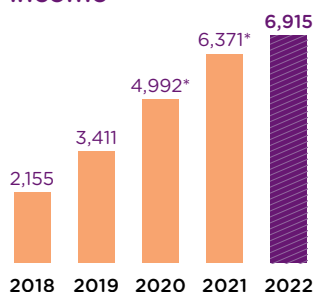
Consistently improving operating leverage in both assets and branch banking



Profitable franchise delivering consistent returns

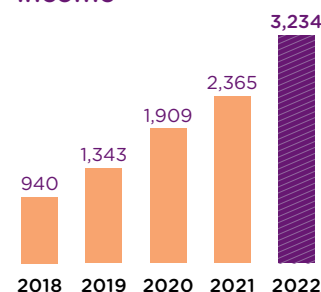
Profit and loss metrics

Total income (₹ in crore)

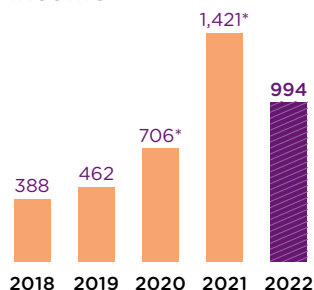


*Includes profit of ₹ 86 crore and ₹ 651 crore in FY 2019-20 and FY 2020-21 respectively from sale of shares of Aavas Financiers Limited

Net interest income (₹ in crore)

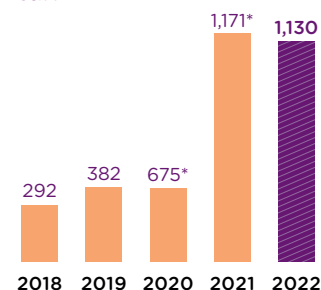


Other income (₹ in crore)



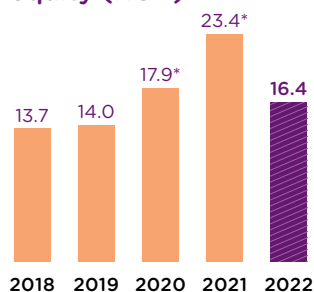
*Includes profit of ₹ 86 crore and ₹ 651 crore in FY 2019-20 and FY 2020-21 respectively from sale of shares of Aavas Financiers Limited

Profit after tax (₹ in crore)



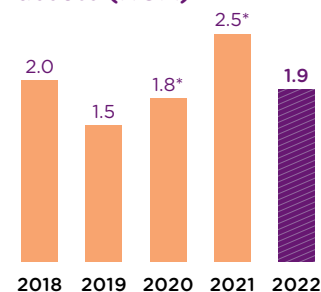
*Includes profit earned (net of tax) on sale of investment in Aavas Financiers Limited of ₹ 79 crore for FY 2019-20 and ₹ 570 crore for FY 2020-21

Return on equity (ROE) (%)



2021 number calculated after subtracting ₹ 625.5 crore raised in March 2021 from Net Worth. (*Includes profit from sale of shares of Aavas Financiers Limited)

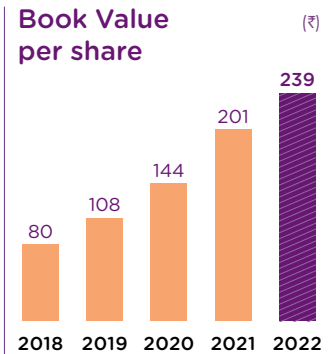
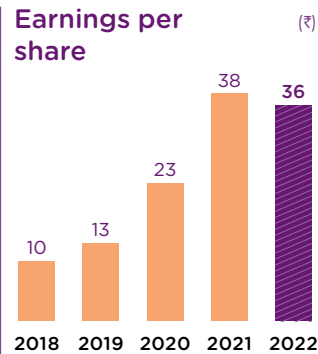
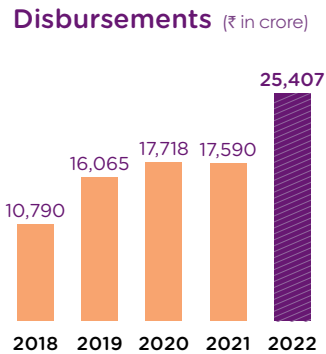
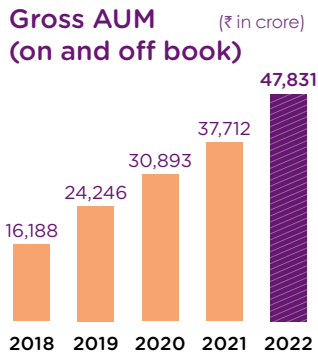
Return on assets (ROA) (%)



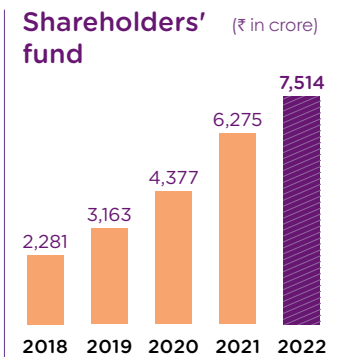
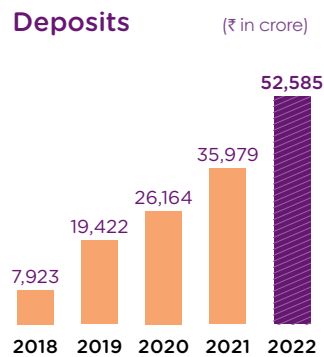
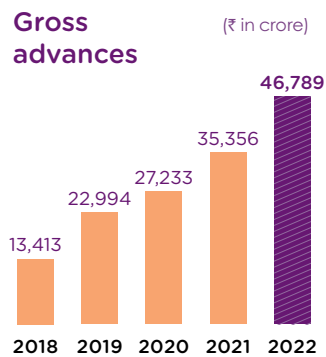
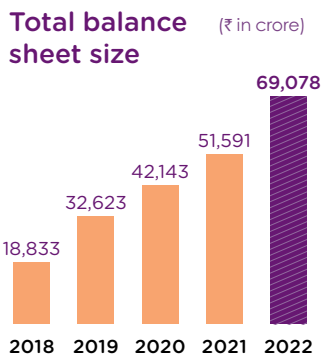
*Including profit from sale of shares of Aavas Financiers Limited

Financial review

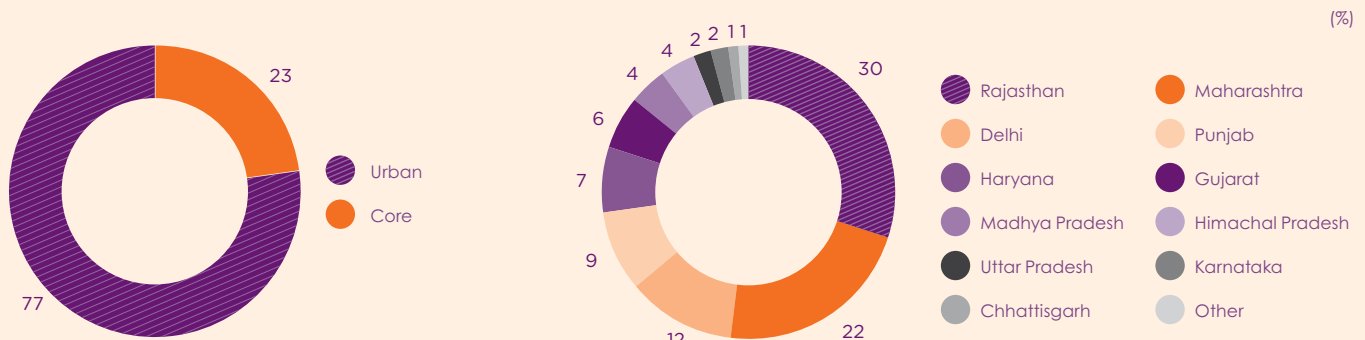
Growth metrics



Balance sheet metrics

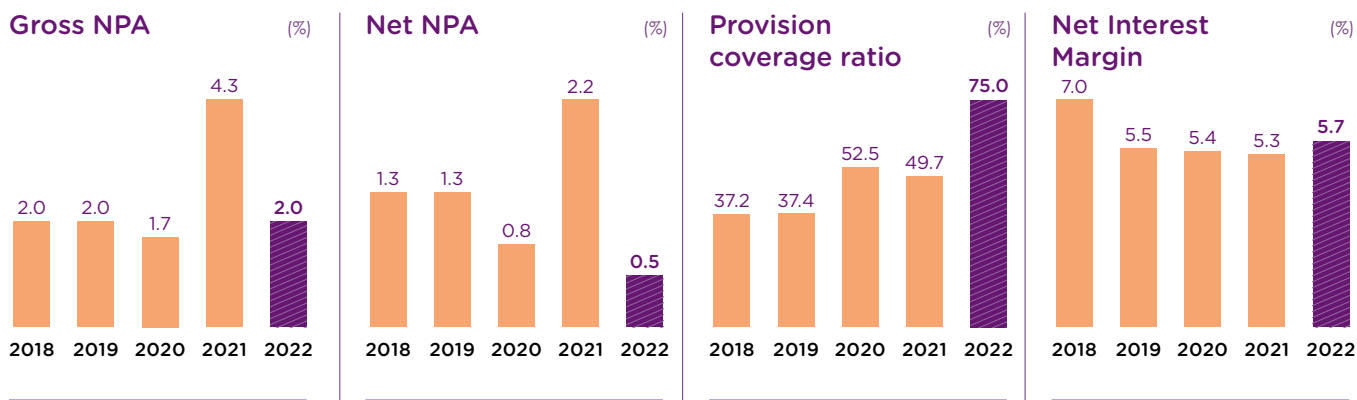


Geographic split - deposits*

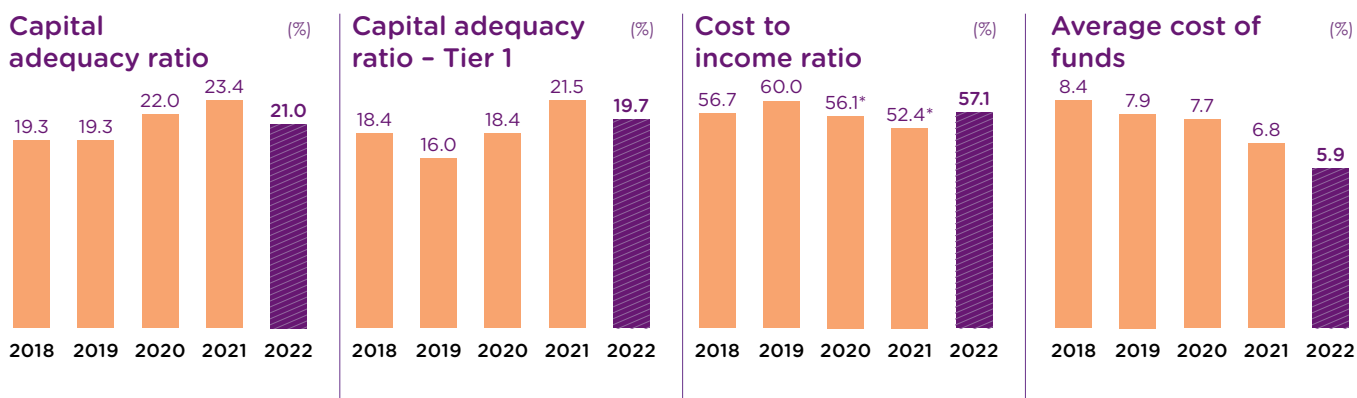


*The data is excluding CD

Asset quality

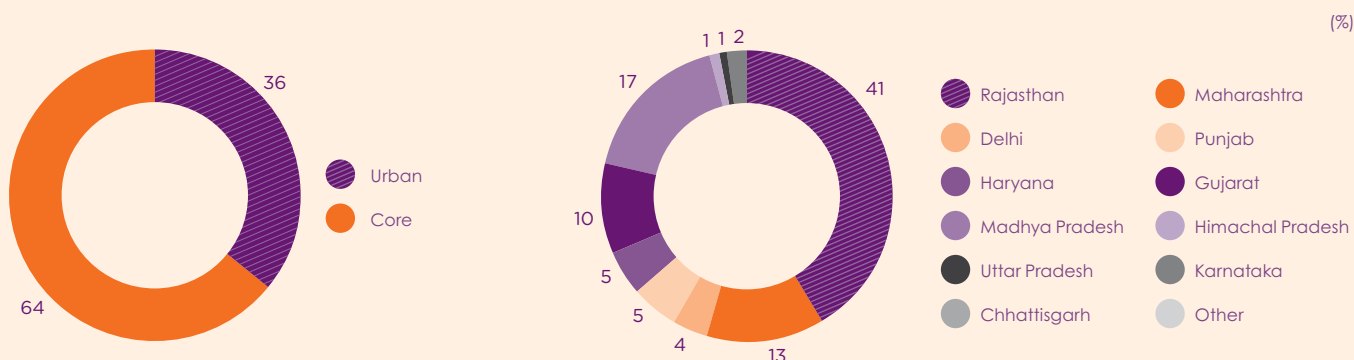


Key ratios



*Excluding profit on sale of investment in Aavas Financiers Limited

Geographic split - AUM



Key highlights of FY 2021-22

Expanding our horizons

FY 2021-22 was full of new beginnings and developments. We launched several new offerings, undertook structural changes as an organisation and received industry recognition for the changes we are ringing in.

Strengthening governance



MD & CEO welcomes Mr. H.R. Khan in March 2022 at Mumbai



Mr. H.R. Khan welcoming Shri Kamlesh Vikamsey in April 2022 at Jaipur

Board expansion

The year saw us strengthen governance with an expansion of the Board to a 10-member Board, eight of them being Independent Directors. The year saw the induction of Mr. H.R. Khan,

former RBI Deputy Governor, as Independent Director and the appointment of Mr. Kamlesh S. Vikamsey as an Independent Director.



Formulation of the Strategic Business Units and AU Insights

We enhanced our organisation structure and formulated 10 SBUs, each with its own verticals, with the objective of streamlining our banking operations and giving our customers an even more seamless experience. The SBU strategy, operations, initiatives and key highlights have been provided to our stakeholders in the form of AU Insights, which is available in the public domain.

Provisioning policy tightened further and PCR increased

During the year, we carried out some structural changes and adopted a more conservative stance in our provisioning policy with the objective of strengthen the balance sheet on an ongoing basis. Through this, we have strengthened our provisioning policy and created a floating provision, resulting in a PCR of 75% as of 31st March 2022 as compared to 50% in the previous year.



Upgradation in credit ratings

Our credit ratings improved during the year

- CRISIL Ratings* upgraded our long-term rating to 'AA/Stable', upgraded our fixed deposit programme to 'AA+/Stable' and reaffirmed rating of Certificate of Deposits at the highest level of A1+
- CARE Ratings and India Ratings* also upgraded our long-term rating to AA/Stable while reaffirming rating of Certificate of Deposits at A1+

*CRISIL and India Ratings upgrades are effective June and July 2022 respectively

Digital progress



AU0101 app launch at Jaipur

Launch of AU 0101 app

We launched our AU 0101 app in FY 2021-22. The app is built using contemporary and state-of-the-art technology with a customer centric approach and intuitive design. It offers a comprehensive suite of banking and lifestyle services. Till date, we have over 10.5 lakh cumulative app registrations, with the monthly active users in March 2022 at 5.9 lakh.



LIT Credit Card launch at Mumbai

Launch of credit cards

We approach each of our segment offerings differently in order to give our customers best-in-class experiences. We have scaled up our credit card offerings through multi-channel distribution, direct sales teams and outbound calling centres supported with digital channels. As on 31st March 2022, we had issued 1,70,000+ credit cards, out of which 49% of the cards were issued to New to Credit Card (NTCC) customers.



AU Bank's video banking center at Mumbai

Video banking @ AU

We launched video banking in 2021 and are among the few banks in the country to have launched a wide range of services/ use cases via video banking. Through AU Video Banking, we are offering a unique, convenient, face-to-face and secure digital banking channel that is changing the way banking services are delivered in the country. Our video banking channel radically enhances the customer experience of getting a service done through the Bank without having to visit the Bank physically. One can connect to an AU Bank video banking officer from anywhere in India, at any time between 8 AM to 8 PM on any day of the week. We have cumulatively opened 1 lakh+ video KYC accounts in FY 2021-22, with 2,000+ calls managed in a day.

People and Brand



Launch of 'Badlaav Humse hai' campaign at Mumbai in August 2021

Badlaav Humse Hai

The year saw us launch our biggest ever brand campaign with a brand new tagline - Badlaav Humse Hai. Through this campaign, we showcased our approach (since becoming a bank) of questioning the status quo and going the extra mile to create a simpler and more

customer friendly bank through initiatives such as monthly interest payout, anywhere banking, video banking, UPI QR Code with Sound Box and new age credit cards to bring alive the proposition of Badlaav through tangible offerings.



Great Place to Work and Best Places in BFSI

We received the Great Place to Work certificate along with Best Places to Work in the Banking and Financial Industry (BFSI) for the second year in a row.

Establishing a Diversity and Inclusion (D&I) Committee

We have established a new Diversity & Inclusion Committee with the objective of building a diverse and inclusive organisation. The committee comprises women employees from all management levels and is spearheaded by our MD & CEO. The agenda of the committee is directed primarily at three intervention areas – gender diversity, qualification-based diversity and differently abled diversity.

BANKING MADE EASY WITH AU BANK'S VIDEO BANKING

Bank from
anywhere
with AU Bank's
Video Banking
Services



Scan to Download



WHATEVER YOUR BANKING NEEDS
WE ARE JUST
A VIDEO CALL AWAY!

*Terms & Conditions Apply

Awards and accolades

Standing out in a crowd



Listed among **Top 30 BFSI Brands:**
by Great Place To Work in 2021



Digital Banking Initiative of the Year: at Asian Banking & Finance Awards 2021



Best Financial Inclusion Initiatives of the Year: at ETBFSI Excellence Awards 2021



Great Place to Work™:
for Dec 2021 to Dec 2022



India's Best Small Finance Bank:
Annual Business Today-KPMG Survey



Best Small Finance Bank:
FE Best Banks Awards 2020-21



Best Practice in Digital Transformation: at DX Awards 2021



Business Transformation of the Year: Elets 6th BFSI Leadership Summit



Most Effective Bank-Fintech Partnership: IBS Intelligence Global FinTech Innovation Awards 2021



Listed in Most Trusted Brands 2022: in Brand Trust Report of 1,000 brands by TRA



Listed in ET Best BFSI Brands 2022: by The Economic Times

**Let your
payments do
the talking,
with AU
QR Speaker**





AU Bank becomes the first Small Finance Bank to introduce its AU QR Speaker that confirms the payment instantly via an audio alert, making multitasking easier for merchants.



Business model

Designed to deliver consistent growth

Inputs



Financial capital

- Deposits
- Equity
- Loans and investments

➔ **Pg. 32**



Intellectual capital

- Digital initiatives and systems
- Brand reputation (social)
- Internal policies
- Innovation in newer business models
- Automation of processes
- AU 0101 app

➔ **Pg. 66**



Manufactured capital

- Regional offices
- No. of ATMs, deposit centres, etc.
- Financial products (Loans, investment services, etc.)

➔ **Pg. 9**



Human capital

- Employees
- Women employees
- Training hours
- Investment in training
- Gender diversity

➔ **Pg. 76**



Natural capital

- Water consumed
- Energy consumed
- Investment in renewables

➔ **Pg. 90**



Social and Relationship capital

- CSR expenditure
- No. of CSR projects undertaken
- CASA as % of deposits
- No. of business partners

➔ **Pg. 94**

Value-creation approach

Vision | Mission | AU Dharma

➔ **Pg. 7**

Comprehensive product suite

➔ **Pg. 10**

External environment

- Government guidelines
- Macro economy
- Pandemic
- Customer expectations
- Technological evolution

Strategic objectives



Build a credible, trustworthy and sustainable bank that inspires generations to come



Act as a responsible catalyst to serve financial needs of the unserved and unreached



Bring efficiency in intermediation between savers and borrowers



Unlock human potential

Our business model has proven its resilience amid the challenging environment, thus enabling us to deliver with agility on our business goals, meet stakeholder expectations and create sustained value for all.

Output KPIs

Outcome

Value enablers

Strong culture – responsibly entrepreneurial, integrity and governance

Strong execution capability

Deep knowledge and understanding – segments, customers and markets

Empowered Team



Extensive direct distribution in core markets

Growing Deposit franchise

Comprehensive digital solutions

Access to growth capital



New accounts opened



- Revenue
- ROE
- Earnings per share
- Dividend
- NIM
- NII



New customers onboarded



- New products/services
- Digital footprint
- Processes automation
- Digital inclusion



Credit cards sold



- Amount lent for various projects by category (Loans, mortgages, etc.)
- ATMs/ branches
- Digitised services available



Vehicle loans disbursed



- Change in gender diversity (New D&I committee)
- Employee engagement score
- Attrition rate



Houses financed



- Water consumed
- Energy consumed
- Investment in Renewables



MSMEs financed



- CSR expenditure
- No. of CSR projects undertaken
- CASA as % of deposits
- No. of business partners

Stakeholder engagement

Effectively engaging with our stakeholders

We hold regular dialogues with our stakeholders to identify and analyse their expectations and concerns, as well as understand new market developments and challenges. The continuous flow of communication helps us address issues that concern our business, manage our risks while maintaining a relationship of trust with our stakeholders.

By assessing the significance and impact of their interest on our business, we have identified seven key stakeholder groups.



Community outreach programme on national senior citizen's day

Stakeholders	Stakeholder expectations	Mode of engagement and communication
Customers We cater to a wide cross section of customers through our diverse offerings delivered via a robust and effective phygital ecosystem	• Access to secure, non-discriminatory and responsible banking services with transparent and competitive rates • Products and services aligned to needs • Seamless transactions across different platforms aligned to customer needs • Anytime, anywhere banking (channel of choice), increasingly through digital channels	• Over the counter – Branch and offices, ATMs, BOs and BCs • Tele Banking – Phone banking, IVR, customer care • Digital channels – Mobile banking, Netbanking, WhatsApp, social media platform, Auro chatbot and Video banking • Customer satisfaction surveys and feedback • Written and verbal communication
Employees Our employees are our biggest asset; we aim to drive innovation and productivity and promote a sense of ownership	• Health, safety and well-being • A culture that encourages ethical practices, promotes meritocracy and rewards high performance • Professional development by nurturing and providing growth opportunities • Diverse and inclusive workplace where all employees are treated equally	• Internal meetings and town halls • Performance discussions and periodic reviews • Training and development workshops • Learning initiatives like AU Excellence Academy and knowledge series • Workplace safety, health and engagement initiatives • Employee connect initiatives such as AU Idol, Rang Takshri etc. • Feedback and surveys

Stakeholders	Stakeholder expectations	Mode of engagement and communication
Regulators and Government We engage with national and local governments and regulators to understand their priorities and align our focus areas and strategies	- Facilitating financial and digital inclusion - Implementation of various social security schemes - Compliance with all relevant laws and regulations - Responsiveness towards regulatory changes - Customer privacy and data security - Contribution to government development plans and national priorities	- Regular meetings – onsite and offsites - Policy updates, circulars, guidelines and directives - Mandatory filings of information – regulatory and ad hoc - Various government schemes and policies
Partners and Associates Our success requires us to collaborate with various business partners, vendors, suppliers and associates across the value chain	- Effective communication for quality and efficient service - High governance standards with policies around corruption, child labour, human rights etc. - Transparency in all the disclosures and interactions - Resolution mechanisms and frameworks for handling of differences and disputes	- Regular online and offline meetings - Phone calls, surveys - Workshops, conferences - Training sessions
Society We embrace our role as an active contributor building a thriving society with engaged communities that have aligned values	- Contribution towards various causes/ programmes for skill development, financial and digital literacy, safe and clean drinking water, education, healthcare etc. - Responsible approach to employment and tax - Responsible banking that impacts the economy and society positively through lending and transactional products - The financial assistance and support the Bank is providing to customers, clients and communities during COVID-19 - Proactive involvement in community development and upliftment of unbanked rural regions	- CSR initiatives at multiple locations directly or through implementing agencies - Social activities through AU Foundation - Social media communication - Regular meetings and interventions - Financial Literacy Programme - Project monitoring and reviews
Environment Our environmental footprint have a direct impact on our future well-being and has the ability to impact our business outcomes	- Integration of ESG factors into business decisions - To use our resources to promote social and environmental issues as well as other common agendas to build a thriving society - Build an operating ecosystem to track and measure energy consumption - Ensure end use of products offered by the Bank is in consonance with environment policies	- Social media - Internal and town hall meetings - Campaigns and promotions - Reports and publications - National and International forums
Investors and Shareholders We strive to maintain strong credit quality, good governance, transparent and timely communication so that we can generate long-term value for our investors	- Sound risk management and compliance - Sustainable shareholder value - Strong governance and transparency - Responsible business practices - Effective and timely communication	- Quarterly financial updates - Investor meetings and presentation - Public disclosures - Annual General Meetings - Analyst meets - Annual Report

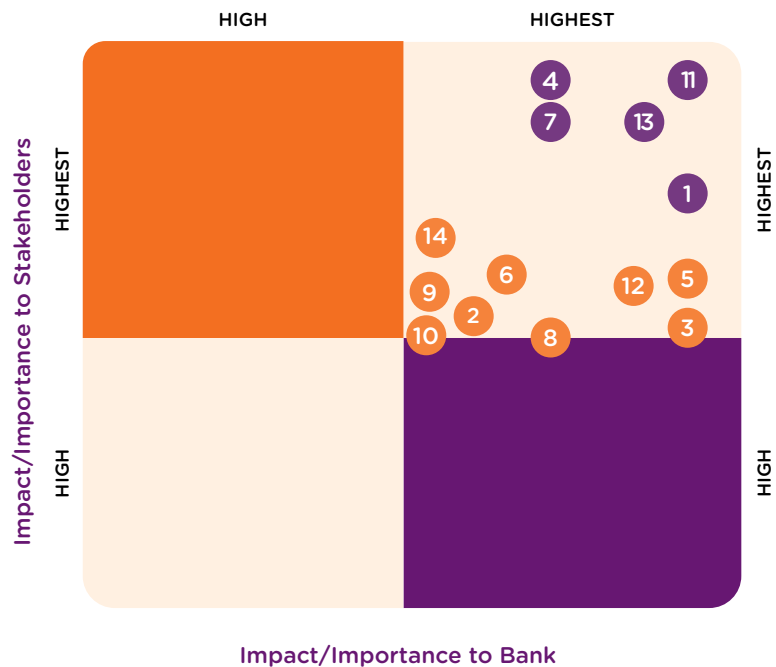
Materiality

Focusing on our priorities

Our material topics are those matters that have the potential to have a significant impact on our business either in a positive or negative manner. The materiality assessment is carried out to identify these topics, so that we can strengthen and sustain our ability to create value in the short, medium and the long term for our stakeholders.

Materiality matrix

We constantly engage in open and detailed discussions with our stakeholders to understand their specific issues, concerns, and expectations. We undertook a detailed peer benchmarking process in FY 2020-21 and identified issues which we thereafter discussed with the senior management and various committees of the Board. Following this exercise, we developed a materiality matrix that showcases issues that are of highest importance to us and our stakeholders.



1.	Economic Performance
2.	Product Innovation
3.	Digitisation
4.	Customer centricity
5.	Community Development and Social Responsibility

6.	Empathy
7.	Financial and Digital Inclusion
8.	Human Capital Management
9.	Government initiatives and agendas
10.	Stakeholder Engagement

11.	Governance, Compliance and Ethics
12.	Responsible Lending
13.	Cyber Security and Data Privacy
14.	Environment

We have identified five topics that are ‘most critical’ and material to our value-creation journey

Economic performance

A stable and sustainable economic performance allows us to attract investors and the best talent which can amplify our efforts to serve various segments of society. It also helps us build credibility, trust and generate confidence in our offerings.

Customer centricity

Customer focus is one of the seven pillars of AU Dharma – the core philosophy of AU as an institution. We serve a wide spectrum of customers, ranging from the urban millennial to residents in the hinterlands of India, i.e. Tier V and Tier VI cities. Customers are at the centre of everything we do. With our curated phygital ecosystem, we aim to provide convenience to them through simple, affordable offerings that match their needs.



AU's go-to-market approach in action

Governance, compliance and ethics

We have a robust governance structure and compliance is part of our DNA. Control groups and business units are the first layer of defence supplemented by our Risk and Compliance function, which acts as the second layer. Internal Audit acts as the third layer of defence, providing independent review and objective assurance on the quality and effectiveness of our internal control systems. Along with these layers, we have an independent Board of Directors that keeps a check on the functioning of the Bank via various Board committees and Board-delegated committees.



Cyber security and data privacy

We have continuously strengthened our cyber security and data privacy policies, systems and processes. We have a cyber security operation centre, which monitors real time cyber security threats. We are accredited with ISO 27001:2013 certification for our robust cyber security capabilities.

Financial and digital inclusion

Financial and digital inclusion is not just a material issue for us but an integral part of our business model. As a Small Finance Bank we have, by design, been working at the grassroots level to generate financial and digital awareness and inclusion. We aim to intervene through various vernacular digital and financial literacy camps across various states along with our CSR activities. We are also helping the government implement various programmes and schemes in these regions, such as the Pradhan Mantri Jeevan Jyoti Bima Yojana, Atal Pension Yojna etc.

Megatrends

Progressing with the new era of banking

As systemic challenges, market turmoil and unforetold crises over the past five years have shown, Small Finance Banks like us have to tread carefully to remain sustainable and yet address the vast opportunity unfolding around us. This is a daunting responsibility, and yet technology, enterprise and broad market trends are converging to create a challenging yet exciting operating environment.

Accelerated digital adoption

Across the globe, banks have been racing to embrace digitalisation, improve their ways of working and streamline processes to provide enhanced customer services and greater convenience. In fact, digital banking has completely changed the banking experience. More and more users are opting for virtual banking and bankers are using digital technology to provide customers simplified financial solutions together with their greater accessibility and ease of use. Today, the use of artificial intelligence (AI) and other cognitive technologies are helping bankers mitigate risks, understand customer needs and predict customer concerns, thereby addressing expectations and delivering a smooth banking experience.

Our response

Tech remains an area of top focus for us. We are focused on growing our deposit franchise through best-in-class digital experience for our customers. For both of our key customer segments – retail and merchants, we offer a digital banking proposition. We launched AU 0101, our digital bank for retail customers in FY 2021-22. AU 0101 offers a comprehensive suite of digital banking services with best-in-class customer onboarding journeys and a simple user-friendly interface. For merchants, we currently have the UPI QR app as a key proposition and we are working on an integrated digital banking proposition for merchants.

We have been building digital channels to augment our distribution capabilities. Our industry leading Video Banking proposition is scaling up as a significant channel of digital banking and other digital service channels such as Auro Chatbot, WhatsApp Banking etc. offer a 24*7 banking experience to all our customers.

We are the first and only Small Finance Bank till date to offer its own range of Credit Cards. With 1.7+ lakh credit cards issued till March 2022, our credit card proposition has gained traction and is scaling up well.

With the launch of AU 0101, Video Banking, Credit Cards and AU UPI QR, we are now at par with leading banks in India and have set a foundation to further build upon.

Additionally, we have been focused on driving automation and operating efficiency through digitisation and more than 90% of our sales team is now digitised, with our sales force being equipped with mobile application-based customer onboarding journeys, digital sales kit, and real time performance tracking tools.



CIO sharing details of AU Bank's digital capabilities at launch of AU 0101 app in Jaipur

Data-driven personalisation

Today, focus is shifting towards providing each customer with individual, tailor-made offerings and experience. Through their regular customer interactions, virtually or otherwise, banks gain a lot of data and insights into customer behaviour and preferences, which enable them to personalise their offerings. Several banking products are overlooked because of the perception of these being 'difficult to understand' or 'unaffordable'. Supported by advanced technology and data analytics, banks can reach out directly to customers with products that suit their needs and convenience. This trend is pushing banks to move from a product centric business model to a more customer centric business model.

Our response

We are leveraging data and analytics to offer customised products and services to our customers. This includes designing delightful new products, extending pre-approved offers and sending personalised communication. We recently launched LiT credit card, which is India's first customisable credit card, which gives customers the freedom to build their card the way they like. We also have a pre-approved offers programme where we have extended over 2 million pre-approved offers across various lending products to ~1 million customers.

To further strengthen our data and analytics capabilities, we are building a cloud data platform. This will enable us to achieve data completeness and consistency to facilitate real time business decisioning.



MD & CEO highlighting the importance of digitalisation during launch of AU 0101 app in Jaipur

Open banking

'Open Banking' envisages allowing consumers to share their financial data securely and easily with trusted parties such as banks, fintechs, or potentially with technology giants. Customers also expect more convenience and flexible access to services, driven by broader digital experience and emerging technology. In the Indian context, open banking is being driven by the Account Aggregator (AA) framework wherein a customer can give access to relevant data to any financial services provider from their other financial services providers. The emphasis of the regulatory framework for account aggregators in India is based on explicit customer consent for data sharing.

Open banking is a potential disruptor in the financial system and may transform the way banking/financial services are being delivered currently. It is reshaping financial services as regulators and governments seek to increase competition among financial services providers and the choice for the customers.

Our response

We are live on the Account Aggregator ecosystem both as an FIP and as an FIU and we are among the first 10 banks in the country to do so. This adds to our capabilities of building amazing customer centric products basis rich data from the AA ecosystem. One of the areas where we are working to utilise the power of open banking is 'Personal Finance Management' (PFM) solution which would enable our customers to view and manage all their financial investments/insurances at one place and to better track their financial goals.

Embedded finance

Embedded finance essentially refers to the seamless joining of a service provider, such as financial services provider, with services offered by a non-financial services provider such as an online merchant or an education services company. Over the last few years, non-bank service providers have been integrating financial services into a variety of marketplaces and services. This enables customers to access financial services at the point of purchase instead of directly seeking these from banks or other financial services providers. Some examples are Buy-Now-Pay-Later options at ecommerce portals' checkout pages, car financing options at OEM's such as Maruti platforms and so on. These examples highlight the most crucial benefit embedded finance provides to customers: having access to the required financial services while in the journey of purchasing a desired product.

Our response

The opportunity presented by embedded finance is undoubtedly promising and we have been working to build capabilities to keep ourselves ready to tap it.

With a formidable API stack which allows us a plug-and-play functionality, we are in a position to integrate our services to platforms offering embedded finance options.

We are also implementing the OCEN (Open Credit Enablement Network) protocol for democratised access to formal credit. With its implementation, we would be able to integrate with marketplaces which embed loans in their platforms.

Sustainability & ESG Integration

With the growing focus on sustainability, all sectors including banks across the world are stepping up their efforts to incorporate ESG and aligning their business goals accordingly. Banks are making efforts to educate customers to shift their decisions towards sustainable product choice. Banking operations are becoming more and more sustainable and are now designed for creating a positive ecological impact.

Our response

At AU, sustainability is our strategic priority and key responsibility. We believe that sustainability is not an initiative but way of life. We are cognizant of the fact that we cannot defer our response to climate change and are therefore acting now.

We are strengthening our base lining and firming up strategic areas. With inclusive stakeholder consultation, robust governance structure, setting up of aspirational targets and strong review mechanism to achieve those targets, we are set to accelerate our sustainability journey.

Strategy

Planning to drive the next phase of growth

We are well positioned to capture the significant opportunities ahead of us in our identified markets and customer segments. With a differentiated strategy for core and urban markets, we are looking at growing our market share and delivering sustainable value to our stakeholders. Built around our four long-term objectives, seven strategic priorities have been formalised by the Board for execution.

Strategy formulation process

Our Strategy document gives us guidance and direction so that we can progress in a calibrated and sustainable manner to achieve our objectives.

The preparation of our Strategy document started with detailed discussion with the Heads of the 10 SBUs and control functions, who analysed the competitive landscape, present position of the Bank, SBU strengths, challenges, product lines and human capital. On the basis of these cumulative inputs, we framed the Risk Controls framework, with the required risk mitigants and governance strategy. The Strategy document was discussed and deliberated with the Board in a

two day workshop held at Mumbai in March 2022. The Board of Directors also finalised seven strategic priorities which shall help the Bank achieve its objectives over the medium term.

Our Strategy document is closely aligned with the SFB licensing guidelines, their implementation and monitoring. The document recognises and emphasises on critical areas and support functions such as 'Sustainability of Business Model', 'Asset quality', 'Cyber security', 'Customer focus' and 'Governance'.



Strategy Meet in March 2022 at Mumbai

Our long-term objectives



Build a credible, trustworthy and sustainable bank that inspires generations to come



Act as a responsible catalyst to serve the financial needs of the unserved and unreached



Bring efficiency in intermediation between savers and borrowers



Unlock human potential

Our strategic priorities

1

Scale retail focused, sustainable liability franchise

2

Sustainable growth from existing asset products and segments

3

Build a tech-led ecosystem

4

Best-in-class risk management and controls

5

Develop a highly empowered and capable team

6

Create strong brand identity

7

Strengthen our ESG commitments



Capital linkages



Financial



Manufactured



Intellectual



Social and
relationship

Scale retail-focused, sustainable liability franchise

Branch banking continues to focus on GIST - Granular, Individuals, Small Businesses and Transacting customers. This is powered by expanding distribution in urban and metro markets with focus on high quality, low cost, stable retail deposits, enabled by a comprehensive product suite, well complemented by a top-notch Digital landscape and led by a well-stitched, passionate and stable team, managed via a customer aligned sales management framework.

Material issues

Economic Performance | Product Innovation | Digitisation | Customer centricity
Stakeholder Engagement | Financial and Digital Inclusion

Our evolving charter

Our Liabilities franchise has evolved from raising deposits (5 years ago) to building a customer centric franchise that addresses the need for convenience, transparency, and service through comprehensive banking solutions.

Today, we cater to the family banking requirements of mass affluent and affluent SA customers and

requirements of small businesses on the back of a superior and comprehensive product suite, top-notch Digital proposition, and growing acceptability of the brand, primarily in urban/metro markets.

Growing liability customer base with increased engagement levels

Individuals

	FY 2018-19	Growth	FY 2021-22
Transacting customers	3,36,000+	2.3x	7,81,000+
Transacting customers as % of total customers	38%	17%+	55%
Avg. monthly transactions / transacting customer	4.6	5.6x	25.8

Product per Savings Account (SA) customer has increased from 1.37 (FY 2020-21) to 1.52 (FY 2021-22)

Small Businesses

	FY 2018-19	Growth	FY 2021-22
Transacting customers	28,000+	3.5x	97,000+
Transacting customers as % of total customers	56%	14%+	70%
Avg. monthly transactions / transacting customer	24.0	2.7x	65.0

Product per Current Account (CA) customer has increased from 1.34 (FY 2020-21) to 1.90 (FY 2021-22)

Transaction and PPC figures exclude dormant accounts

Distribution

Presently, branch banking operates out of 184 urban branches, 229 core branches and 65 liabilities branches in unbanked areas. Urban branches, which are 3+ years old, have a book size of ₹ 190 crore average. In comparison, core branches, which are 3+ years old, have a book size of ₹ 45 crore on average. To rapidly scale up our deposits, our incremental penetration has been majorly focused towards expanding our branch network in deposit-rich urban/metro markets.

Out of all the Bank's branches that were opened in the last two years, ~90% branches were opened in urban/metro markets.

Our initial foray into newer territories such as Uttar Pradesh, southern and eastern India has received encouraging response from retail customers, giving us the confidence to further penetrate our branch network across major urban centres of the country. While we expand to newer geographies in alignment with our aim to become a pan-India Bank, we continue to strengthen our branch network across northern, western, and central India.

We have also invested in setting up dedicated channels for CA, NR, TASC, ES (Enterprise Salary) segment along with a dedicated KAM (Key Accounts Manager) channel to cater to HNI customers.

Product

Using a segmental approach, we strive to deliver a superior product experience based on the specific needs of each customer segment. We have strengthened our product suite over the last three years, keeping in mind the family banking requirements of the urban mass-affluent and affluent SA customers and requirements of small businesses, where we aim to provide the right product at the right pricing (in line with ingress marketing strategy) in a convenient manner. At the same time, we are delivering on our promise to make banking easy and convenient for our customers across the board.

To rapidly scale up our deposits from high-quality retail customers, our incremental penetration is majorly focused on expanding our branch network in urban markets.

Right product at the right price

Account variant	Minimum balance requirement	AMB/Customer
Royale SA	₹ 1 lakh	₹ 13 lakh
Platinum SA	₹ 25,000	~₹ 2 lakh

We have strategically priced our SA deposits so that we can continue to offer industry-leading peak SA rate of 7% while reducing the cost of SA deposits from 6% (FY 2019-20) to 5.5% (FY 2021-22).

People

We have strengthened our Liabilities team from ~4,000 employees in March 2020 to ~6,000 employees in March 2022. Given our growing liabilities franchise and greater brand awareness and affinity, we have been able to attract talent and experience from the industry across geographies. Our leadership team (across channels) has grown from 120 in March 2020 to 250+ in March 2022.

We have been prudent in staffing our branches based on the potential of each geography, thereby optimising our frontline sales team. As a result, our high-quality acquisition

(Royale, Platinum, Current Accounts – RPC accounts) per sales resource has gone up from 3.5 RPC in June 2021 to 6+ RPC in March 2022.

We focus extensively on hiring the right people and training them adequately for the job. We have a balanced scorecard for every employee, capsulised targets (with built-in gamification) to drive behaviour, and well-defined KPIs that are tracked diligently and communicated effectively with intuitive and actionable insights.



MD at Video Banking centre in October 2021 at Mumbai

Execution principles for branch banking

- Family banking
- Effective sales and resource management
- Clear customer and market segmentation
- First-principles solutioning for customers
- Digital-first

Digital

In our endeavour to build a tech-led bank, we are building a complete suite of digital offerings (digital channels, digital products, and digital engagement) to serve the needs of our urban mass-affluent and affluent liabilities customers.

Innovations such as Video Banking and our super app, AU 0101, have been critical in enhancing customer experience and convenience. Our investments in AU 0101 and Video Banking, which enable us to bring the branch to the customer's home or workplace, have allowed us to address a long list of service requests without customers having to visit a branch.

Over the last year or so, with the launch of digital products (such as credit card, QR, personal loan etc.), we have been able to deepen our relationship with existing customers, which has resulted in our Product Per Customer (PPC) metric going up from 1.37 to 1.52 on the SA side and 1.34 to 1.90 on the CA side.

Transaction and PPC figures exclude dormant accounts



We have also made significant investments in digital campaigns and allied offers to engage with our digitally native customers. We have best-in-class offers on our Debit Cards/Credit Cards across leading travel/entertainment/food delivery/e-com/ grocery and other platforms. This has helped us significantly increase our transaction base from 46% in (FY 2020-21) to 55% (FY 2021-22) on SA and from 65% (FY 2020-21) to 70% (FY 2021-22) on CA.

Awareness

The mass appeal of our brand ambassadors and our messaging – making banking convenient for customers – has been well accepted and appreciated by the market. The Badlaav campaign had a significant role to play in enhancing AU's brand acceptability and gaining customer mindshare, thereby helping our acquisition of quality customers.



Badlaav campaign launch in August 2021 at Mumbai

Significant runway for growth

The deposit market in India is growing at a remarkable pace, giving us massive room for growth. In 2017, total bank deposits were ~₹ 111 trillion, which grew to ₹ 155 trillion in 2021. Over the past four years, the banking industry has grown its deposits book by ~9% CAGR.

Out of this, AU has a market share of 0.3%. We will be leveraging the market opportunity to grow our deposits base through customer centric initiatives and unique offerings.



Capital linkages



Financial



Manufactured



Intellectual



Social and
relationship

Sustainable growth from existing asset products and segments

We are deepening our presence in our identified customer segments and markets where we already have 25+ years of experience, customer know-how and understanding of local nuances. We remain focused on strengthening our franchise by growing our core retail loan products of Wheels, Secured Business Loan (SBL) and home loan, as well as Business and Agri banking within commercial banking by leveraging our expertise, reach and Bank platform.

Material issues

Economic performance | Product innovation | Financial and digital inclusion
Responsible lending

Among our existing products and services, Wheels, SBL, Home loan, Business Banking and Agri Banking are our key focus areas in terms of growth in the medium term. We have gauged the market over the years and built robust and scalable underwriting/credit/collections systems to lend to under-banked customers. We have always put strong emphasis on governance and sustainable growth. Our first principles-based approach to assets over the past 26 years i.e. loans with small ticket size, secured with appropriate risk-pricing, accompanied with

strong focus on credit and collections is what has helped our asset quality remain resilient over the years, even during the once in a century pandemic. Our performance in challenging times at various points in the last 26 years and especially during the pandemic has strengthened our confidence in our chosen business model, customer segment, and geographies. Since conversion to a Bank five years ago, we have aimed to lower lending cost in our core markets by garnering stable, low-cost deposits from urban markets.

Our lending strategy

Small and secured	Risk-based pricing	Productive priority sector loans (PSL)
Small ticket and secured loans, which lower the risk of over-leveraging of the borrower and mitigate our loss in the event of default ~₹ 4 lakh avg. loan ticket size ~₹ 15,000 avg. EMI ~93% Secured loan book	Disciplined approach to ensure pricing the risk sufficiently, given the risks associated with the customer segment and the geographies we serve in 13.7% Portfolio yield ¹	Large share of loans towards employment and income generation in priority sectors, which help in the economic progress of the borrower and in maintaining our asset quality ~82% Loans for employment and income generation ² ~87% Priority sector achievement against 75% requirement ³
Customer service is our forte	Pristine asset quality	
Deep understanding of core market customers and their requirements, and tailoring our products around their needs	Backed by vintage, underwriting and collection capabilities built over two decades and secured lending discipline 2.0% / 0.5% GNPA / NNPA	

Notes: All figures as of Mar-22

1. AUM yield excludes OD FD, and is calculated as the weighted average of the respective month yield on outstanding AUM in the respective period
2. ~82% of the loan portfolio in vehicle loans and small business loan segments (together ~70% of total loan portfolio) put to business or agricultural use
3. PSL achievement is the average achievement for the four quarters of FY 2021-22

Focused offerings Pg. 127

	Business Unit ⁽¹⁾	Vintage	AUM (March 2022) (in ₹ crore)	Yield	GNPA (as % of Gross Advances)	Contribution from core markets ⁽²⁾	% Retail book	AUM Average ticket size (₹ lakh)
Commercial banking	Vehicle Loans	1996	17,300	14.3%	2.5%	74%	~100%	2.7
	Secured Business Loans	2007	16,524	15.0%	2.6%	75%	~100%	8.4
	Home Loans	2017	2,654	11.7%	0.4%	67%	~100%	9.7
	Business Banking	2017	2,885	9.5%	0.2%	45%	~64%	49.5
	Agri Banking	2018	2,248	9.8%	0.7%	51%	~72%	49.7
	NBFC Lending	2014	2,035	10.0%	0.1%	5%	~4%	678.3
	Real Estate Group	2013	783	14.6%	2.2%	6%	~27%	250.0

Notes: All figures as of Mar-22

1. Excludes Other loans, that includes OD, FD, gold loans, personal loans, credit cards, etc.

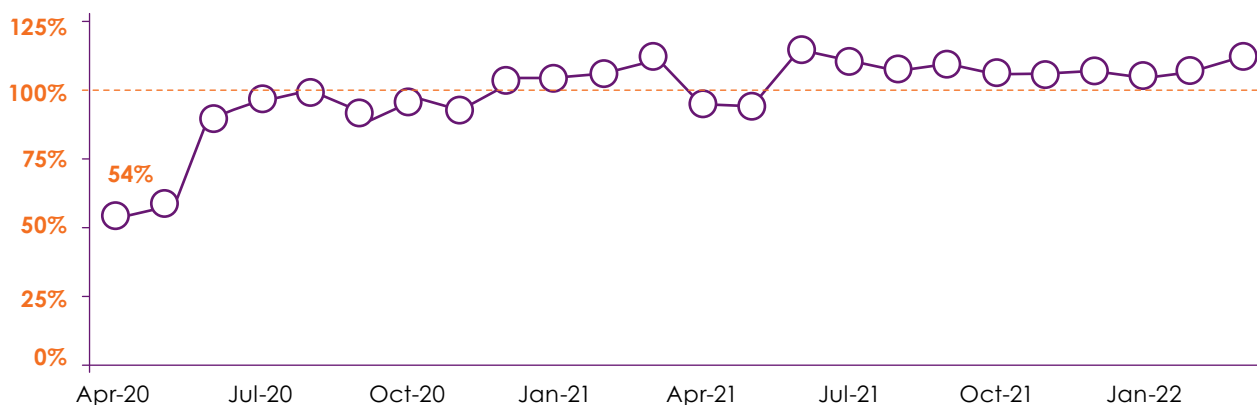
2. Core markets are smaller centres in rural/semi-urban India which typically have a local economy built around agriculture and small businesses, and which have been our traditional markets for lending

Resilient asset quality and collections

Presence of decentralised in-house credit underwriting, field investigation, legal and technical teams at branch levels provides strong control over the quality of loans. The behaviour of our borrower and the strength of our business model were strongly validated during the two years of the pandemic and this has significantly enhanced our belief

in our approach and in the customer segment. We believe our base products and offerings will help us penetrate the market further across our identified customer segments. During FY 2021-22, we witnessed a sharp recovery of our collection efficiencies.

Collections pick up



Collections played a crucial role in aiding our asset quality performance during the pandemic. Some key features that helped us retain and improve our collection efficiency are depicted below.

What drives our collection efficiency



Product-specific collection teams



Data analytics-driven decision-making



Protection through insurance against collection defaults



Specialised functional teams for every aspect



Real-time tracking dashboard

98%

Collection efficiency in FY 2019-20

92%

Collection efficiency in FY 2020-21

106%

Collection efficiency in FY 2021-22

We are introducing new, unsecured products such as instant personal loans and BNPL based on digital-led customer insights through data analytics which will be targeted primarily at the existing to bank (ETB) customer base and scaled in a calibrated manner going forward.

Credit growth and the unfolding opportunity

According to studies by CRIF and RBI, India has a large and growing credit opportunity, with the total credit market valued at ₹ 157 lakh crore in FY 2020-21. Furthermore, there is a significant unmet demand for MSME lending.

Credit availability in India for certain underserved segments of the population has always been scarce and is mostly informal. With our vintage and proven lending model, strong ground connect, deep understanding of customer needs and ability to reach the unbanked amid the high demand for credit, we at AU are well prepared to capitalise on these trends.



Capital linkages



Intellectual



Social and
relationship

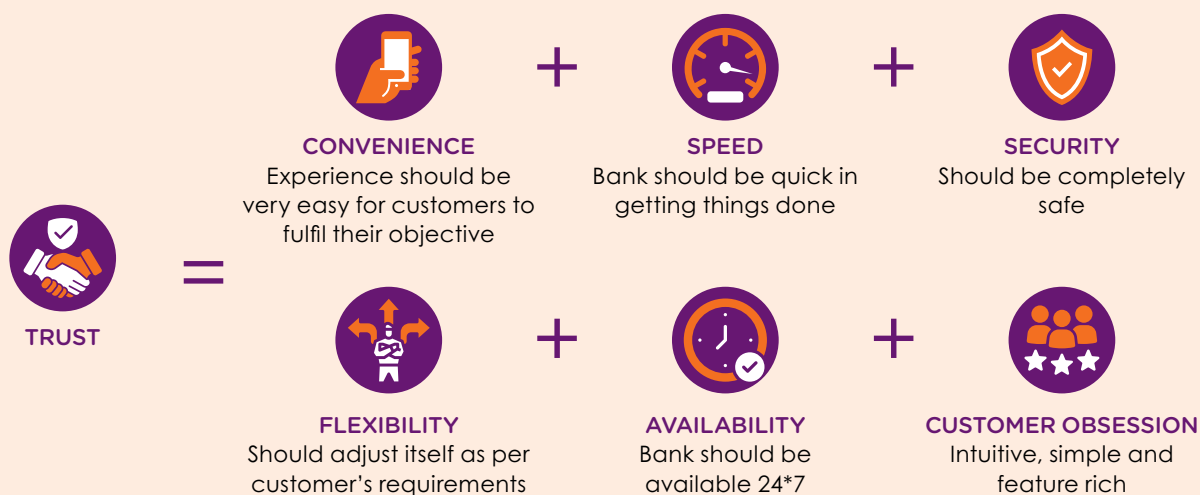
Build a tech-led ecosystem

Going digital is a key imperative for the banking sector, and the pandemic has only hastened this trend. With internet and smartphones penetrating every nook and corner of India, we realise the huge potential of digital banking to bring more people under the umbrella of formal banking and improve customer experience. With sustained investments in technology and expertise, we are building AU's tech-led ecosystem.

Material issues

Product innovation | Digitisation | Cyber security and data privacy

Defining trust in digital banking



India offers a massive growth opportunity, with one of the highest GDP growth rates in the next few years, its favourable demographics and a large working-age population. We believe that technology will continue to play a key role in unlocking these opportunities. As a result, technology remains a top focus area for us.

Our recent tech-based launches include AU 0101, Video Banking, Credit Cards, and UPI QR.

We are at par with India's leading banks and have set a strong foundation for further growth. Banking as a business depends on trust, and trust in this digital age is determined by banks' performance on parameters such as convenience, speed, security, flexibility, availability and customer obsession. We are building tech-enabled capabilities and executing a clearly defined set of priorities.

Our technology enablers allow us to:

Grow a retail-focused, stable, low-cost deposit franchise

Technology lies at the heart of our efforts to build amazing products that offer customers a compelling experience. This best-in-class digital experience is critical to growing our deposit franchise. Together with offering seamless onboarding journeys, engaging platforms, multi-channel servicing, we are also curating personalised customer experiences with pre-approved offers for more than a million customers.

We offer digital banking proposition primarily to two segments – retail personal banking customers and small merchants/MSMEs. For retail personal banking customers, we have AU 0101 as the digital bank, which we will be covering in more detail in the subsequent sections. For merchants, we currently have AU QR app as a key offering and have recently started digital unsecured lending. We are in the process of building an integrated digital banking proposition for this segment with products like digital current account, digital unsecured lending, etc.

Growing low-cost deposit franchise through best-in-class digital experience

Building amazing products

- Offer compelling value proposition

Digital acquisition

- Seamless digital onboarding

Making it easy

- Multi-channel customer-centered experience
- Real time delivery

Personalisation

- Create unique insights for each customer
- Personalised offers

Security

- Safe and seamless
- Secure transactions
- Detect and mitigate fraud

Develop unsecured lending capability using data analytics

We are scaling up our unsecured lending capability to further strengthen our deposit franchise. Unsecured loan products like digital personal loans offer a sizeable opportunity here. Personalised offerings like these ensure greater customer engagement and stickiness. We have been leveraging data analytics to offer these products through digital channels. In FY 2021-22, we disbursed ₹ 265 crore as digital personal loans. Besides, we have also started unsecured merchant lending for overdraft loans to small merchants, basis their transactions through UPI QR. To further strengthen our data and analytics capabilities, we are building a data lake with Accenture as a partner.

Build digital distribution channels

We have been augmenting our physical distribution capabilities through direct digital channels and ecosystem integrations. Beyond bank branches and our feet on street sales force, we now have AU 0101 and Video Banking as direct digital distribution channels. We are also integrating with ecosystems like the Open Credit Enablement Network (OCEN). The launch of digital channels/products have helped accelerate customer acquisition, with more than 40% of our new acquisitions being sourced through digital channels in Q4 FY22.

Drive automation and operating efficiency

We have been using a tablet device-based account opening process for the last five years and have further progressed in digitalising many of our key banking functions. More than 90% of our sales team is now digitised and our salesforce is equipped with mobile application-based customer onboarding journeys, digital sales kit, real-time tracking and gamification. To further improve efficiency, we are automating several processes at our backend and moving towards minimal or no operations.

Remain future ready

We have been investing consistently in cutting-edge technology to strengthen our technological capabilities. We are undertaking a number of initiatives such as upgrading our core banking platform to the latest version and developing applications using the modular microservices-based architecture. Building a DevSecOps platform and deploying all new applications on cloud are helping us to become cloud ready. A future ready tech infrastructure will also help us implement real-time transaction risk monitoring and decisioning solutions.

Summing up our tech priorities

- Grow retail-focused, stable, low-cost deposit franchise
- Develop unsecured lending capability using data analytics
- Build digital distribution channels
- Drive automation and operating efficiency
- Invest in core technology to remain future ready

More than 90% of our Liability sales team is digitised

AU 0101 app + Video Banking = full stack digital bank

AU 0101

AU 0101 offers a comprehensive suite of digital banking services at our customers' fingertips. With a range of offerings around deposits, payments, credit cards, loans, investments, insurance, lifestyle and other aspects, AU 0101 brings together digital experiences to better engage with customers. Since its launch in June 2021, AU 0101 has seen strong adoption with ~1 million of our existing customers now registered on it. Additionally, around 2.5 lakh non-AU customers are registered on the AU 0101 app. With seamless onboarding journeys across products like Savings Account, Credit Cards and Personal Loans, it has helped us accelerate digital acquisitions at increasing scale. It has emerged as an important channel for customer engagement with 5.9 lakh out of the ~1 million registered customers being Monthly Active Users and ~5 lakh customers transacting monthly on the platform.

The multi-channel customer centered experience offered on the AU 0101 mobile app, Net Banking, Chatbot, WhatsApp, Missed Call, Customer Care and Video Banking have enabled us to engage and serve our customers digitally. AU 0101 continues to see strong traction with 97% of all financial transactions* and 87% of all non-financial transactions being executed digitally.

The response to AU 0101 has been encouraging for us and to further empower the app, we are working to add more compelling digital propositions to it. We have recently added sachet policy options for health insurance on AU 0101 and we will be adding powerful features around wealth, personal financial management, and instant personal loans etc. going forward.

*(customer-initiated debit transactions)



Video Banking

AU Video Banking has emerged as a convenient platform delivering personalised, face-to-face, secure digital banking services to customers. It offers all banking services that are possible at a bank branch, except cash transactions, over a video call. Handling more than 2,000 video calls per day, it has scaled up as an important banking channel for both acquisition and customer engagement. With 1 lakh+ Savings Accounts opened in FY 2021-22 and ~₹ 400 crore as balance in those accounts, Video Banking now contributes significant proportion of all Savings Accounts acquisitions at the Bank. In Q4 FY22, 41% of all full KYC Savings Accounts opened by the Bank (ex BSBD A) were sourced through Video Banking.

AU Video Banking offers a comprehensive range of offerings to its customers – including money transfer, and account and card related services. Service requests such as reactivating a dormant account, address update, and joint account services, which otherwise could be fulfilled only at branches, are now being completed just over a video call. We have recently extended our Video Banking Services to our NRI (Non-Resident Indians) customers as well – they can now get almost any of their service requests fulfilled without being physically present in India.

With video interactions with customers happening from a controlled environment, we are able to monitor experience and improve customer service and satisfaction. Video Banking also enables us to establish a positive feedback mechanism for our offline banking channels.

Leveraging the Video Banking channel's potential to establish meaningful contact, we are deepening our relationship with customers through products like Life Insurance, Personal Loan and Credit Cards. We will be adding more offerings around areas, such as Wealth, to further strengthen our Video Banking proposition.

AU Video Banking has been recognised by reputed institutions for innovation and customer service. It has won numerous prestigious awards in FY 2021-22 and is widely recognised in the industry for its impact.



Credit cards

India offers a latent growth opportunity in credit cards with only 3% penetration (vs. ~80% in the US and ~57% in China). Increasing adoption of digital payments and increasing demand due to the demographic shift are expected to drive its penetration in the near future. To capitalise on this opportunity and offer an engaging digital proposition to our customers, we launched our credit cards in June 2021, becoming the first Small Finance Bank to launch its own credit cards. We offer a comprehensive range of card to cater to varied customer segments. Customised offering, seamless onboarding journey and a full suite of card management features on AU 0101 have enabled us to deliver a delightful digital experience to our customers.

Since launch, we have expanded our proposition by adding new products, additional onboarding journeys and delivering more card control features like EMI conversion through chatbot to improve the stickiness of our card holders. We have been leading innovation in the space with recently launched cards like LIT, which is India's first customisable credit card that allows customers to build their own credit card by choosing the card features as per their liking.

We have issued more than 1.7 lakh credit cards till FY 2021-22, and continue to scale with strong performance across key measurables.

We have established a multi-channel distribution model to drive acquisition in targeted segments. Our traditional strengths in Tier II and Tier III markets, and customer segments like the self-employed, have enhanced our go-to-market capability. Strong credit collection exposure as a Bank enables us to extend our proposition to hitherto underserved markets. First time credit card users form a significant proportion of our total card holders till date.

We have issued more than 1.7 lakh credit cards till FY 2021-22, and continue to scale with strong performance across key measurables; 81% of our customers have activated their cards and our spend metrics fare better than the industry average with ~₹ 19,000 monthly spend per card. At 53%, the proportion of our 30-days purchase active customers also stands better than the industry average and shows a healthy trend. We will keep strengthening our credit cards proposition.

Merchants solutions

Merchants as a segment are underserved with ~84% of their credit demand being dependent on informal financing channels. While there are nearly ~6 crore MSMEs in the country, more than 50% of them do not have access to digital payments solutions. Given the widespread adoption of e-commerce and digital payments in recent years, technology can be leveraged to tap this opportunity.

We have been serving this segment for the last 25 years and merchants form a significant portion of our existing customer base. We have developed a granular knowhow of their diverse businesses and credit profiles. We specialise in small ticket lending with SBL being our largest asset franchise. Our strong network in the unorganised sector and core geographies adds to our distribution capabilities.

Our proposition for merchants involves segment-focused products like UPI QR with a soundbox, POS (Point of Sale) devices, Current Accounts, unsecured flow-based lending, and other banking products. We have leveraged the AU UPI QR as a low-cost merchant acquisition tool. Our trust quotient, seamless onboarding experience, comprehensive product bouquet and attractive financing options have helped scale our proposition.

We are also working on an integrated solution encompassing digital collections and payments, digital trade and supply chain finance, and instant credit, in addition to the existing stack of products and services that we offer to this segment.

We have installed more than 4.8 lakh UPI QRs till 31st March 2022 and acquired 1.2 lakh new customers in FY 2021-22. With 65% activation rate, we have driven good engagement through the product, which has enabled a 68% increase in CASA average monthly balances with customers after installing UPI QR. Basis merchants' transactions, we have started unsecured lending within a year of our UPI QR launch.

We have installed more than 4.8 lakh UPI QRs till 31st March 2022 and acquired 1.2 lakh new customers in FY 2021-22.



Capital linkages



Financial



Intellectual



Social and
relationship

Best-in-class risk management and controls

Governance framework at AU is pivoted on a robust and integrated risk management function, entrusted with managing risks with prudence. We are also supported by our strong compliance and audit culture that helps us carry out our business responsibly and within the ambit of all regulatory frameworks. Our vigilance function monitors and ensures the enforcement of our value system.

Material issues

Governance | Compliance and Ethics | Economic Performance | Cyber Security and Data Privacy | Human Capital Management

Risk management and controls

Our risk management philosophy and approach are designed to protect the interests of our customers and investors as well as the Bank's reputation and strength. All decisions related to risk mitigation are taken by the Risk Management Committee of the Board, which is responsible for examining risk mitigation policies and procedures, ensuring adherence to risk parameters, compliances and setting prudent limits for various departments through its sub-committees.

Risk strategy and governance

Risk is a matter of critical importance to us given that the Bank is the custodian of public deposits. We have adopted a multi-layered risk management process to identify, assess, monitor and manage risks through the effective use of processes, information, and technology.

The risk management process is governed by risk management policies and the delegation matrix is approved by the Board of Directors. The Board is supported by an experienced executive management team, Board Committees and Board-delegated Committees as part of the Risk Governance Framework.

Risk management is overseen by:

Board of Directors

Risk Management Committee of Board (RMCB)

Board-delegated Committees

- Credit Risk and NPA Management Committee
- IT Security Risk Management Committee
- Asset Liability Management Committee (ALCO)
- Investment Committee
- Operational Risk Management Committee
- Committee for Outsourcing of IT and Financial Services

The Bank's risk management is governed by the Three Lines of Defence model:

- First Line of Defence consists of individual business units and support functions that own and manage risks through adherence to laid-down procedures

- Second Line of Defence consists of the Risk Management and Compliance departments which ensure the First Line of Defence is properly designed, is in place and operating as intended through regular reporting
- Third Line of Defence consists of the Internal Audit function, which provides the highest level of independent assurance on the effectiveness of governance, risk management and internal controls through audit in line with the approved audit plan and reporting the same to the Audit Committee of the Board on a regular basis. It also ensures that the First and Second Lines of Defence achieve their objectives.

Collectively, these three functions must provide assurance to the Board/senior management about the adequacy and effectiveness of the governance framework and that the Board-approved policies and business strategies are adhered to by the financial entity in the conduct of its business.

Enterprise Risk Management (ERM)

- We have developed an enterprise risk model (overall risk assessment scorecard) which is designed to strengthen our capability to identify, measure, monitor, mitigate and report all the risks in a timely and comprehensive manner
- This covers both financial and non-financial risks
- The ERM model covers 7 broad risk categories, which are further divided into 18 risk factors, based on 53 risk parameters; each risk parameter as well as risk factor is allocated defined weights and is subject to periodic review
- The results of this ERM model are presented to the RMCB on a quarterly basis. The 7 key risks are
 - Credit Risk
 - Balance Sheet Risk
 - Liquidity & Market Risk
 - Compliance Risk
 - Operational Risk and Fraud Risk
 - People Risk
 - IT and IS Risk

Compliance at AU Bank

At AU, we are constantly striving to incorporate best-in-class governance practices and maintain the highest levels of compliance. We promote awareness on compliance obligations and ethical values to strengthen our compliance culture.

Key policies of the Compliance Department

- Compliance Policy
- KYC/ AML Policy

Robust compliance is managed via a 6-step plan

- New regulatory identification & dissemination
- Compliance Risk Assessment
- Identifying changes in processes
- Monitoring and testing plans
- Identifying breaches
- Reporting to ACB/ Board

Our compliance obligations

- Statutory Compliance: Instituting required controls and monitoring mechanisms to ensure that the Bank is following all applicable statutes
- Regulatory Compliance: Establishing required controls and monitoring mechanisms to ensure that the Bank is following all applicable instructions issued by various regulators including compliance with SFB guidelines
- Compliance with internal policies: Putting in place required monitoring mechanisms to check and maintain the required level of compliance in the Bank with regard to its internal policies

During FY 2021-22, we introduced a few other initiatives under compliance:

- Compliance sustenance testing
- Centralised monitoring of all statutory compliances – 'Compliance Charter'
- Strengthening the monitoring mechanism of compliance through self-certifications

Internal Audit

Our Internal Audit function is responsible for independently evaluating the adequacy and effectiveness of internal controls, information security controls, risk management, governance systems and processes, and is managed by appropriate and qualified professionals. The internal audit function being the third line of defence, it independently reviews activities of the first two lines of defence and reports to the Audit Committee of the Board. It works with internal and external audit teams. The audit reports are looked at by various stakeholders, including the Risk and Compliance function, to address deviation from defined policies and procedures (if any).

The Audit department adopts a risk-based audit approach in conformity with the RBI's guidelines on Risk Based Internal Audit (RBIA) and carries out audits across various businesses, operations, and support functions to independently evaluate the adequacy and effectiveness of internal controls on an ongoing basis.

The RBIA aims at meeting the following objectives:

Regulators

- Assurance on compliance
- Adequacy of internal control system
- Protection of customers' interests

Audit Committee

- Assurance on risk mitigation and compliance
- Appropriateness and adequacy of internal control system
- Protection of investors and customers' interests

Shareholders

- Confidence on the financial statements and overall operations of the Bank

Modes of assurance

Our assurance process is a judicious combination of various types of audits such as:

- Risk-based internal audits
- Concurrent audits
- Internal Financial Controls Testing
- Thematic audits
- Regulatory audits
- Management advised audits
- Snap/surprise/spot audits

Critical units of the Bank are subjected to the Independent Concurrent Audit process by reputed external audit firms. The observations, along with the management responses, are periodically reviewed by the Audit Committee and Board and necessary corrective actions are undertaken.

We hold ISO/IEC 27001: 2013 certification, a testament to best practices followed by us in managing information security. We also hold the ISO 27001: international standard certification, which describes the best-practice specifications for an information security management system (ISMS).

Audit highlights of FY 2021-22

During the reporting period, we made a fundamental change in our approach towards audit. We operationalised an end-to-end audit coverage, spanning the entire life cycle of the product/offering rather than the activity-based approach adopted earlier. We set up an internal Quality Assurance (QA) team. We are also adding to the team of professionals in the Audit department. Furthermore, the year saw us process IAD coverage and maintain oversight on sustaining compliances submitted to the regulator.

Going forward, we intend to strengthen our internal controls monitoring, carry out offsite auditing and explore the audit tool solution for data analytics.

Vigilance

At AU, vigilance implies continuous watchfulness of the top management to prevent the occurrence of any incident that might have an adverse impact on the Bank and our stakeholders, including customers. We believe in conducting our affairs in a fair and transparent manner to build customer trust, confidence and ensure customer delight.

The Chief Vigilance Officer (CVO) of the Bank acts as a special assistant and advisor to the Managing Director of the Bank in the discharge of vigilance functions, broadly divided into three parts – Preventive, Detective and Punitive Vigilance.

Whistleblowing and Vigil mechanism

We have an efficient vigil mechanism to quickly spot any aberration and deal with it at the earliest.

The Vigilance department reports to the Audit Committee (Disciplinary committee) on whistle blower and vigil mechanism in the Bank. It also looks after the implementation of the Whistleblower policy, communication and complaints received on the whistle blower platform along with investigation reports with staff action and process improvement, if any, with other activities on a periodic basis.

Together with our Whistleblower policy, our vigilance mechanism also ensures protection of our employees from reprisals or victimisation for whistleblowing in good faith as we follow a 'No retaliation' policy. The vigilance team ensures integrity, transparency, and accountability in day-to-day functioning of the Bank.

13

Whistle blower cases during FY 2021-22, all of which have been resolved

5

Commercial Banking Summit
at Goa in July 2022

Capital linkages



Human capital

Develop a highly empowered and capable team

We owe our success to our employees. We have always believed in empowering and nurturing our employees while providing them with an enabling ecosystem that helps to unlock their potential and express their entrepreneurial spirit in alignment with AU Dharmas. We are a young and growing bank, with a work culture that allows our employees to express themselves and shape the future development of the organisation.

Material issues

Human Capital Management | Empathy

27,817

Total employees

1,930

Women employees

66%

Young talent (Millennials)

33%

Local recruits
(Posted in the hometown)

We have initiated HR transformation using technology-driven initiatives and have become more focused as an organisation. We conduct our activities by following our guiding principles – the AU Dharmas, which we apply to our daily life as a Bank with utmost prudence (समझदारी), responsibility (जिम्मेदारी) and honesty (ईमानदारी).

We believe in celebrating employees' success, which gives them a sense of purpose and makes them feel valued as a member of the organisation. Our focus is centered around people agendas like **nurturing, attracting, retaining** and **engaging** talent.

Our Culture. Our Pride.

We have a participatory culture which enables our employees to have a two-way communication with the leadership team, helping them to have a clear understanding of how the organisation is advancing, how they can contribute and build a greater sense of belonging. Our continued engagement has helped restrict our attrition to ~42% among all employees and to 11% among the senior management.

Various committees, headed by the leadership team, help translate our strategies into action by defining goals at the functional level. Given our participatory work culture, our employees help in defining these goals, which are fine-tuned at the individual level to ensure all employees are fully aligned with the organisation goals and accountability is built into the process.

Employee strength

Particulars	Number
People employed for 10+ years	353
Average number of years of employment (years)	2

Team composition

Particulars	Number
Under 30 years	14,008
30-50 years	13,720
> 50 years	89

Geography-wise team composition

Geography (India)	Female %	Male %
Central	4%	96%
East	14%	86%
North	7%	93%
South	14%	86%
West	8%	92%
Grand total	7%	93%

The leadership team personally engages with all employees through different engagement initiatives. After every quarter result, the MD & CEO, along with the Head of HR, addresses the employees of the Bank, informing them about the organisation's performance and the focus areas for the next few months through the 'Reflection and Anticipation' platform.

Diversity and inclusion

During FY 2021-22, we established a Diversity and Inclusion (D&I) Committee with the objective of driving D&I in a more structured manner so as to build a young, diverse, and inclusive organisation. Our D&I Committee meets regularly, establishes annual corporate D&I goals to improve hiring, development, advancement and retention of diverse talent, and to advance our culture of inclusion.

The D&I Committee itself has a diverse composition, comprising women employees, specially abled employees and has good representation from across all SBUs. The Committee is chaired by our MD & CEO. Based on the Committee's recent discussions, we have prioritised three agendas for attracting and sustaining the right talent across our operating locations based on the following:

- **Gender diversity:** One of our primary aims is to increase women's representation in the workforce and to encourage them to take up challenging roles. To this end, we have been undertaking several upskilling initiatives to nurture talent and leadership abilities. We have also identified certain women-oriented institutions at the regional level for campus hirings.

To further increase and attract the women talent pool, we launched a campaign on social media called 'Sheroes' for lateral hiring of talented women in the Bank. We have launched various initiatives to increase women hiring and inclusivity in the Bank. 'AU Prerna' is one of the popular series through which we share inspiring stories of senior professionals in the Bank.

- **Qualification-based diversity:** We are growing rapidly and we are recruiting talent from premier educational institutes across geographies with the requisite professional experience to cater to the demands of new-age banking. During the reporting period, we had over 25% increase in the number of Engineers joining the Bank and around 20% growth in the number of MBA/CA/CS qualified resources recruited. We hired young talent from IITs in Bombay, Delhi, Jodhpur, Kanpur, Madras, Vizag and Roorkee, from the IIMs in Udaipur, Vizag, Shillong, Roorkee, from NMIMS and other top institutes.

- **Differently abled diversity:** We have identified job roles for differently abled employees. In our endeavour to provide opportunity to specially abled resources, we have associated ourselves with several institutes of repute such as the National Career Service Centres for Differently Abled (a wing of the Ministry of Labour and Employment), and other similar foundations. We have hired four differently abled people from these institutes.



Durga Puja celebration at Kolkata branch in October 2021

We have also been successful in attracting and hiring talent at the senior level from across various sectors, especially from top banks and NBFCs. Since April 2021, around 100 employees have joined us at the D1 (Vice president and above) grade in various departments from reputed banks and financial institutions.

Employee learning and development

At AU, we invest significant resources in helping our talent develop the right capabilities so that they can contribute to the Bank's growth and the implementation of our long-term strategy. We offer our employees a number of tools to help them in their personal and professional development, including assistance in education, e-learning programmes, and in-house learning opportunities.

Our L&D team has devised a method to gauge the learning needs for defined job roles through a survey methodology. The responses give us insight into the needs of the teams on the ground and the training support they require for enhancing productivity. This also helps us design training modules for our employees.

New joiners are onboarded with a systematic learning plan that ensures the development of their skills and personality. The learning journey of a new joiner consists of several milestones.

Key L&D initiatives

- Robust and comprehensive learning and development framework which comprises internal and external trainers/training platforms as well as training modules in tie-up with institutes to facilitate training
- Comprehensive Learning Management System (LMS) platform through which online and mandatory trainings are provided to employees; we provide various mandatory trainings as per regulatory requirements to the senior management annually on IT and cyber security
- Executive coaching programme for select executives in Grade E1 and above
- Association with top IIMs for training interventions; we have employees who are pursuing Kellogg's Product Upskilling Course; capacity building trainings and Management Development Programmes for the leadership team run by Indian Institute of Banking & Finance/National Institute of Bank Management on an ongoing basis
- Training calendars are defined and circulated at the beginning of every month. We undertake trainings focused on behaviour, attitude, and leadership such as self-transformation and happiness, among others
- Compliance with relevant state and central laws, rules and regulations; our HR policies comply with labour law and promotes employee rights at the workplace

L&D snapshot

Our commitment to continuous improvement helps us become the best version of ourselves. We invest significant resources to develop talent with the right capabilities to deliver the growth and innovation needed to support our strategy. We offer employees and their managers several tools to help in their personal and professional development, various first-time manager programmes, innovative knowledge series, skill development workshops, e-learning programmes, and in-house learning opportunities basis the Training Need Analysis done at the beginning of each year.

Employee engagement

We have a dedicated talent management team for enhancing employee experience and to boost employees' morale by addressing their concerns in a dedicated manner. We carry out various employee connect and ice-breaking sessions, offer flexi hours and work from anywhere for select roles and offices. We also celebrate major festivals together.

We have a monthly engagement calendar to ensure that all programmes are consistently run across the Bank. All regional HR teams adhere to the calendar and festivals are planned accordingly.

Reward and recognition

We have a robust 'Rewards and Recognition' framework that aids in building and promoting a positive culture of appreciation. Town halls are conducted every month across our branches; employees are recognised with 'Employee of the month' and 'Vintage employees' honours, thanking them with 'WE value your contribution in the journey of AU'. We also celebrate employee birthdays.

Rewards are also given out in the form of annual appraisals. For performance evaluation, every employee is assessed on KRAs assigned monthly. The idea is to ensure that each employee is provided with adequate feedback and suggested course correction, if required, at each level.



Branch Banking Premier League R&R programme



Employee health and wellness

We have undertaken several initiatives for our field staff to ensure their health and well-being.

- **Employee wellness programmes:** We have designed a monthly engagement calendar to create awareness on healthy body and mind. We conduct regular workshops to make employees cognisant of how they can follow a healthy lifestyle
- **Medical assistance:** We provide all types of covers such as Group Term Life Insurance, Group Mediclaim Cover, Personal Accidental Insurance and so on
- **Well-being application:** We have a health app for all AU employees under which they can access unlimited doctor consultations, lab tests, medicines at subsidised costs and all-round medical support. The app also provides multiple benefits for family members of the employee
- **PCS programme:** During the second wave of the pandemic, we launched a comprehensive Prevention, Cure and Security (PCS) programme to provide financial assistance to our employees suffering from COVID-19; personal loans, additional financial aid and interest-free salary advances have also been given out on need basis; we also provided educational assistance to children through our 'Education Assistance Program', which has benefited 13 families and 17 children so far. In November 2021, the purview of the programme was extended to employees suffering from terminal diseases

HR digitisation

As a tech-led Bank, we accord special focus on digital and technology adoption. To increase accuracy, transparency and reduce people dependencies, we have opted for best-in-class tech support from Oracle systems, which is both safe and compliance-friendly. Our digital adoption has also helped provide the following to our employees:

- **E-offer and onboarding process:** The entire process of extending employment offer and onboarding of candidates is conducted online
- **Employee self-service:** Employees can update/modify their personal and professional information through this module
- **HCM mobile app:** Our HR portal is accessible through a mobile app, which allows employees to perform all basic HR-related transactions on their mobile phone
- **Employee separation clearance module:** We have an online employee separation checklist module through which employees who are leaving the organisation can get their full and final clearance
- **Ex-employee portal:** A one-stop solution for ex-employees where they can get their payslips and Form 16 and other basic documents at one click



Employee feedback

'Communicate' is one of our AU Dharmas and we believe that constant communication is extremely important with employees, who are our key stakeholder. We conduct internal surveys and there are similar external platforms from where the employee pulse can be felt prior to the launch of new initiatives and for constantly improving upon processes.

AU Vibes is one such platform we utilise to assess employee engagement and commitment. We scored 93% in this survey and this satisfaction score is an indicator of the trust an individual has in the institution and the leadership team. We also participated in the Great Place To Work survey and was certified as a top workplace for the second year in a row. We also received the Retail Banker Asia Trailblazer Awards 2022 in the category 'Excellence in Employee Engagement'.

Basis the feedback received from employees, we launched several initiatives recently. The Education Assistance programme was one such initiative. Employee benefit facilities like home loan, vehicle loan and personal loan were also revamped to cover a wider set of employees.

93%

Internal score in AU Vibes Survey

Featured in

Top 30

Best Workplaces BFSI certified and GPTW certified for the 2nd year in a row

6



**BADLAAV
HUMSE HAI**



Capital linkages



Financial



Manufactured



Intellectual



Social and
relationship

Create strong brand identity

We believe a strong brand culture and equity are significant enablers of growth and critical to the achievement of our long-term strategic objectives. They enhance the visibility of the Bank, lead to greater awareness and understanding of our business, increase customer loyalty, and help us attract and retain talent.

Material issues

Product innovation | Stakeholder Engagement | Customer-centricity | Digitisation

As we transitioned from an NBFC to a bank, it was challenging for us to establish a distinct brand identity. Being a private sector bank, without a major corporate group badge, we had to develop our unique proposition that would help us establish trust among our existing and prospective customers and other stakeholders. Therefore, right from the beginning, creating a strong brand identity has been our core priority. Brand visibility has also been critical to us while driving growth across our core and new markets. For this, we have curated special brand visibility initiatives and campaigns across various tourist locations, high footfall areas and events.

Communicating the message of Badlaav

FY 2021-22 saw us unveil a major branding initiative. On 15th August 2021, we launched our first integrated brand campaign – Badlaav Humse Hai – which showcases the passion with which the Bank operates. Our tagline, 'Chalo Aage Badhein', which reflected our forward-looking approach, was changed to 'Badlaav Humse Hai', which aptly demonstrated our spirit of challenging the status quo in the banking domain. It encapsulated the pride we take in going the extra mile in doing things 'differently' to make a positive difference to customers' experiences and bringing 'Badlaav' in the banking landscape.

With services like monthly interest pay-out on savings account, no deposit/withdrawal slip, no home branch concept, etc. already being in place since inception, we needed to include other differentiating features to stand out in the crowd. Therefore, our communication was directed at not merely showcasing the difference we were making, but also what we were doing differently every day to make that difference. In other words, we had to communicate the Badlaav that was already in action.

Deciding on the face of the campaign

The objective of the campaign was to communicate quality and trust as defining aspects of the Bank and also to position AU as a catalyst of 'Badlaav' and a new-age, digital savvy player. To create the right impact, we roped in superstar Aamir Khan and popular actress Kiara Advani as our brand ambassadors.

Aamir Khan has been synonymous with challenging the status quo through his projects and films. He was one of the first superstars to turn producer and use synchronous sound during a film's shoot. Satyamev Jayate, the TV show, and Paani Foundation, the non-profit co-founded by him, have established him as an activist and humanitarian dedicated to change. He symbolises reliability, dynamism and most importantly perfection – just like Brand AU Bank. On her part, Kiara Advani, too has made her mark in a short span of time. Her professional choices and recent repertoire of work find perfect resonance with the Bank's journey so far.

Delivering the 360° campaign

Having decided on the faces of our campaign, it was important to deliver the campaign impactfully, particularly across the Tier II to Tier III towns, where we offer a wide range of products. We opted for a 360° campaign where the messaging was amplified with the right mix of TV, print, outdoor, digital and radio. The campaign was synced across both the digital and offline channels so that it reached the right target audience at right time and on the right platform.

The campaign was launched with a pre-buzz digital campaign on 10th August 2021, with celebrity influencers such as Mrunal Thakur, Vikrant Massey and Mithali Raj. The celebrities spoke about the 'Badlaav' they wanted to imbibe in their lives and challenged their friends to share their story. The challenge became viral and the talk of town on Twitter, enlisting huge engagement from other influencers.

Given its extensive reach and association with the Indian viewer, TV became the mainstay of our campaign – six TVCs featuring our brand ambassadors were released in phases till the end of FY 2021-22, helping Brand AU Bank gain great traction among the targeted audience.

Print medium was also strategically used. Print is synonymous with brand reputation. Anything appearing in print makes an impact on the reader's mind. We reached through full-page and half-page jacket ads across leading dailies in various languages, genres and geographies. Further impact was achieved by integrating with reality shows, including Sony Television's Super Dancer 4 and India's Got Talent.

On the digital medium, together with cross-promotions on Facebook and YouTube, audio platforms like Hungama, Gaana, Jio Saavn and Spotify were leveraged to push audio ads. A bunch of innovations across digital channels like advertising on Connected TV, programmatic native advertising, programmatic audio advertising on streaming platforms etc. were also executed. The campaign was amplified furthermore through takeovers on high-impact news portals like Times of India and Money Control.



Star calling

An innovative engagement for the campaign was planned by creating an advertisement completely covering the mobile screen of users to look like an incoming video call from our brand ambassador Aamir Khan himself! Featuring the green answer call icon, the ad coaxed users to interact (tap) and answer this call from the Bollywood star. On tapping the answer icon, the ad automatically started playing the Bank's video ad informing users about the monthly interest pay-out feature on AU Savings Account. The ad also enabled users to initiate the online account opening process through our state-of-the-art Video Banking service. The innovative and relatable ad format struck an immediate chord with the target audience and received notable mention on social media handles.

Film festivals and other festivities

Leaving no stone unturned, we sponsored a month-long movie festival on &Pictures. The festival was named AK Film Festival where Aamir Khan's socially relevant movies like Dangal, Taare Zameen Par, Secret Superstar, Lagaan and more were aired during prime time every Saturday, to gain maximum viewership.

On Ganesh Chaturthi, we delighted our audience through a moment marketing video on the Badlaav Humse Hai proposition. This video got a view-through rate (VTR) of 75%+ against a standard benchmark of 40% on Hotstar, and became a case study on Hotstar.

Our brand campaign reflects our initiatives to change the face of banking

**BADLAAV
HUMSE HAI**

AU SMALL FINANCE BANK
A SCHEDULED COMMERCIAL BANK

For banking work, you need to visit the bank. Aisa Kyun?

Just a **Video Call** from anywhere and get all your **AU Bank** work done.

EXPERIENCE VIDEO BANKING ON AU 0101 APP

Download App

AU 0101

Savings Account | Current Account | Fixed Deposit | Locker | Credit Card | Loans | Business Banking | Insurance & Investments

**BADLAAV
HUMSE HAI**

AU SMALL FINANCE BANK
A SCHEDULED COMMERCIAL BANK

Credit card sabke paas nahin hota. Aisa Kyun?

AU Bank ke Khaas Credit Cards, ab sabke liye.

APPLY FOR YOUR CREDIT CARD ON AU 0101 APP

Download App

AU 0101

Savings Account | Current Account | Fixed Deposit | Locker | Credit Card | Loans | Business Banking | Insurance & Investments

AU 0101

**BADLAAV
HUMSE HAI**

AU SMALL FINANCE BANK
A SCHEDULED COMMERCIAL BANK

7% p.a.

Loan par interest jasta hai monthly par savings account mein aata hai quarterly, Aisa Kyun?
7% interest p.a. jo milta hai monthly

Bank se kaam matlab bank ke chakkar, Aisa Kyun?
Video Banking kahin se bhi

Sabhi services sirf Home Branch mein hi milti hai, Aisa Kyun?
Har branch mein Home Branch jaisi service

Cash Deposit ke liye bharni padegi slip, Aisa Kyun?
Nahin bharni padegi slip, apko milegi deposit receipt

Credit Card sabko nahi milta, Aisa Kyun?
Ab sabke liye ek khaas Credit Card

UPI QR Code sirf payments ke liye, Aisa Kyun?
Aapka apna UPI QR Code with exclusive business benefits

INDIA'S LARGEST SMALL FINANCE BANK™

AU 0101

Scan to Download

DEPOSITS UP TO **5 LAKHS** INSURED THROUGH **DICGC**

Savings Account | Current Account | Fixed Deposit | Locker | Credit Card | Loans | Business Banking | Insurance & Investments

Branding at the branch

Our Bank branches have also become a key vehicle for communication, building salience as well as pushing the consideration vector. During the year, communication at the branch was a judicious mix of both thematic positioning as well as product/services communication. We also advertised through the glass façade, branch screens, posters and dangles.

Branding outcome

As per the Kantar report, our brand awareness saw an uplift of 45% from 21% after the 'Badlaav Humse Hai' campaign. The Bank's top-of-the-mind recall grew to 12%, which is in the line with the best of the banks in the industry. Also, the brand consideration score increased from 4% to 32% along with high traffic on AU 0101 app and website. The association of the brand ambassadors with AU bank grew instantaneously since the launch of the campaign. As per Kantar Brand Study Report, almost 90% connected Aamir Khan with AU Bank.

The campaign's effectiveness is evident from the fact that today, when AU Bank sales representatives visit a new location, they have to make little effort in introducing the Bank.

Our robust brand campaign has enabled us to strengthen our brand identity.

107+ Cr

Ad impressions across digital channels

17+ Cr

Video views on Youtube, Facebook and OTTs

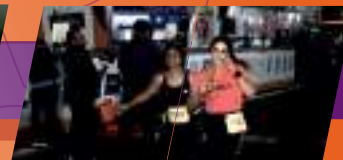
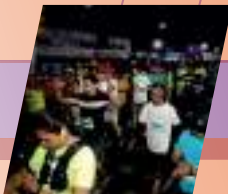
3x

Increase in website visits

4x

Growth in business leads





The poster features a vibrant orange and purple color scheme with abstract geometric shapes. A large orange silhouette of a runner is positioned on the right side. The text 'RUNNING TOWARDS A BETTER FUTURE, TOGETHER' is prominently displayed in the center. Three inset photographs show participants and organizers at the marathon event.

RUNNING TOWARDS A BETTER FUTURE, TOGETHER

With its 7th edition, AU Bank Jaipur Marathon has become the festival where we celebrate health. Every year, participants turn up in huge numbers to be a part of this Marathon that includes live music, competitions, recharging stations, magnificent firework displays and various fitness events. With time it has turned into a platform for everyone with a shared vision... to create a greater awareness on health and Badlaav around the world.



Capital linkages



Intellectual



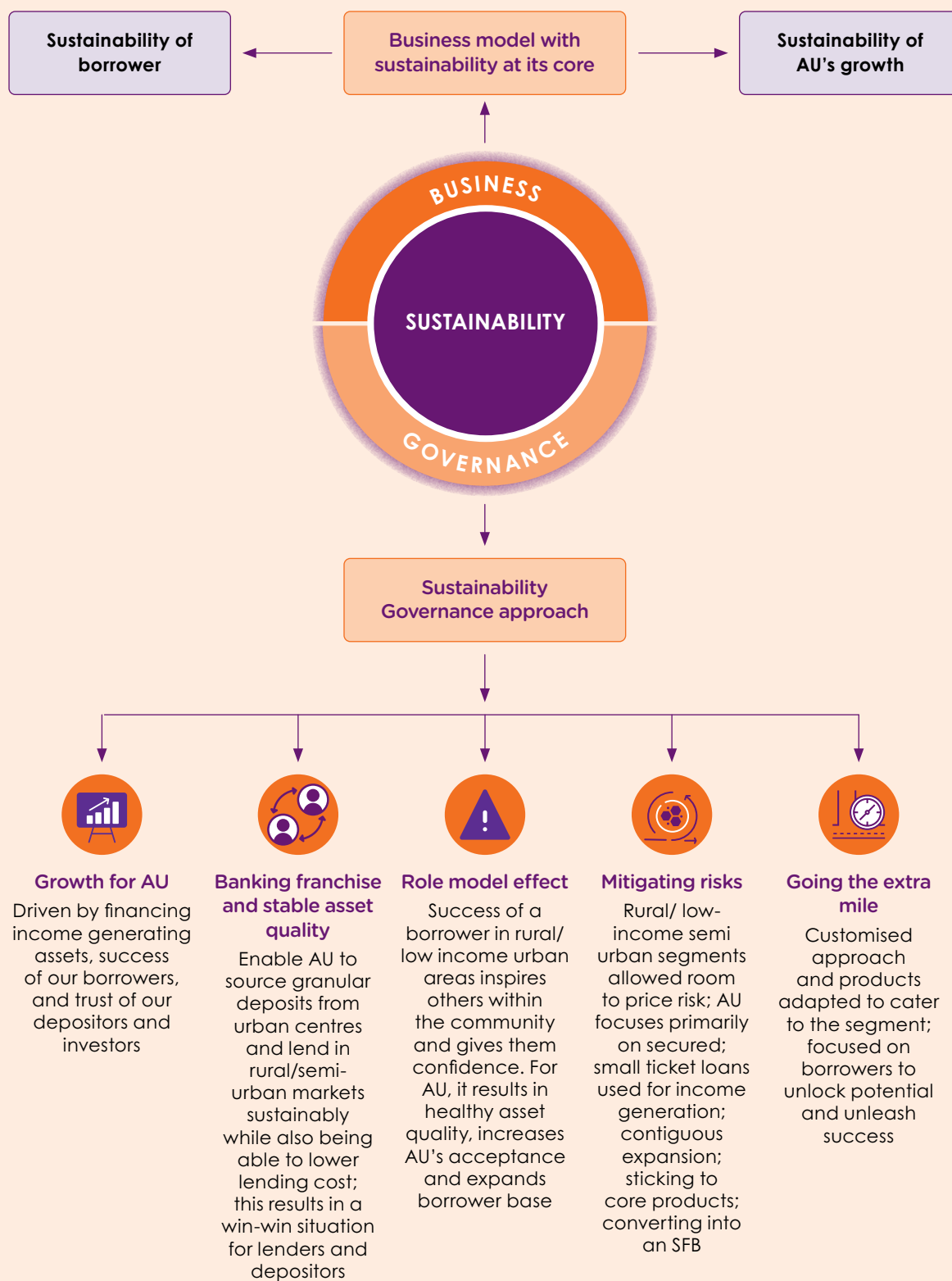
Social and
relationship

Strengthen our ESG commitments

At AU, we have embedded the sustainability approach in all our business operations. We recognise Environment as a key stakeholder and are dedicated to building a socially conscious institution contributing toward a green future. Our actions are aligned in a manner that addresses the specific needs and requirements of our stakeholders through the lens of ESG, which is a cornerstone of our business. The following pages showcase these actions across the three pillars of Environment (Pillar 1), Social (Pillar 2) and Governance (Pillar 3).

Material issues

Environment | Financial and Digital Inclusion | Community Development and Social Responsibility
Responsible Lending | Governance, Compliance and Ethics | Human Capital Management



Pillar 1: Environment

Building a planet-positive Bank

To walk on the path of sustainability, the world came together at COP-26 (Confederation of Parties) held at Glasgow in 2021. Climate commitments made by various nations during the conference can go a long way in making the world sustainable. India has also taken a pledge to be Net Zero by 2070. A few of the levers to achieve Net Zero will be to shift to renewable power, sustainable mobility & focus on energy efficiency.

Net Zero in India is only possible when corporates and institutions align themselves to the goal. At AU, we are dedicated to designing a systematic resource management ecosystem for our stakeholders while bringing a positive impact on the environment. Renewable power and sustainable mobility will remain among our focus areas.



Supporting a greener planet with solar power grid installation

As a responsible financial entity, we work towards conducting our business in an environmentally-sustainable manner. We practice responsible banking and persistently support projects that are pro-environment and have minimal or no adverse environmental and social impact. We are also committed to educating and enabling our customers to adopt a climate-friendly lifestyle. Our digital product offerings are designed to empower and protect the environment.

Responsible banking

With the increased interdependence of the world's economies led by globalisation, it is important to ensure cleaner and greener logistical channels. With our Wheels portfolio being a major part of our books, we are steering towards funding non-fossil fuel vehicles.

Green portfolio

With our Wheels portfolio, we are steering towards funding the adoption of electric vehicles.

With 9% of our Wheels book covered under the green portfolio, we are focusing on customising loan products to cater exclusively to Electric Vehicle (EV) customers. Further, in the quest to build a sustainable community, we are investing in green energy as part of our long-term sustainability plan.

We are optimistic about a shift to solar, wind, and other renewable energy sources and mass adoption of EVs in the coming years. We have started participating in the PM-KUSUM (Pradhan Mantri Kisan Urja Suraksha Evam Utthaan Mahabhiyan) Scheme, whereby we have initiated funding solar energy projects. We have installed a 1.25 MW solar plant in Jaipur.



Digital first. Green always.

We are investing in initiatives and innovations to building a gateway to a sustainable lifestyle through digital. Our investments in digital technologies have simplified banking and enabled a smoother customer journey. Furthermore, we have created a robust technology platform as part of the new-age digital banking ecosystem. We are using tab-based banking and video banking, thereby reducing customers' branch visits and our own carbon footprint. We have undertaken the following green initiatives:

- Launch of AU 0101 app, which enables our customers to bank from home and which contributes to reducing carbon footprint; seamless video banking enables customers to avail all our services virtually through a video-enabled chat with branch executives, eliminating the need to travel to the branch
- Nudge our customers to opt for e-receipts at ATMs, followed by a detailed SMS on the last transaction and bank balance to the customer's registered mobile number; resulting in reduced consumption of paper
- Partnered with Haryana's Transport Department to automate the ticketing process, enabling the saving of natural resources

Sustainable Corporate Practices

Sustainable actions are important to make sure we have and will continue to have, the water, materials, and resources to protect human health and our environment. Commencing towards a low-carbon economy, sustainable industry practices need to be acknowledged and invested heavily. Therefore, we have identified processes, methodologies, and tools that will be needed to manage climate risks effectively and embed climate factors into the risk and credit frameworks.

Water management

Many of our premises are designed with a mindful architecture that contributes to conserving water. We also have water harvesting systems installed to save and reuse the rainwater for daily activities. We are expanding this design thinking across our operations, especially in the water-stressed areas.



The following initiatives have helped save energy and optimise energy use:

- Maximising the usage of natural light in office premises through necessary architecture
- Installation of energy-efficient LED lighting in almost all offices and locations
- Efficient AC capacity planning to reduce consumption
- Installation of Intelligent Touch Manager (iTm) to control electricity pilferage, resulting in 20% reduction in electricity consumption
- Installation of power factor system in electrical panels to optimise electricity usage
- Installation of BTU meters in the chilled water system for air conditioning at our Head Office to reduce energy usage
- Use of Energy Star appliances to comply with the Environmental Safeguard Agency's (ESA) Power Star recommendation for low electricity use
- Installation of APFC capacitors in all branches
- Installation of electric savers (timers) with glow-sign boards at various branches to turn off the electricity at certain periods

Energy management

We have undertaken various green initiatives to ensure a healthy and sustainable ecosystem within and beyond AU. Thus, we are investing in energy-efficient alternatives to methodically manage our carbon footprint.



18,339 MWh

Total energy consumed

Waste management

Belonging to the service sector, a majority of waste generated during the Bank's operational activities is electronic and paper waste. Sustainable waste management is key to transition towards a circular economy, and we make it our business to think green every day.

We make every effort to reuse our electronic devices like laptops/desktops and we dispose the e-waste generated through authorised recyclers. We follow no single-use plastic policy and have substituted single-use plastic articles with recyclable and biodegradable alternatives. We also procure electronic devices from manufacturers with proper certification to ensure they are complying with the necessary regulations on the disposal of hazardous substances.

We introduced digital visiting cards last year to consciously reduce paper waste. Furthermore, we have digitalised all our internal paperwork and operations, leading to minimal paper usage.

9.406 tonnes

E-waste disposed

~30 lakh

Papers saved

Environmental stewardship through AU Foundation

Furthering water security



Since the AU Jal Bank's inception, we have installed 300+ water ATMs and developed drinking water infrastructure in various locations around our operational geographies. We have also constructed community water tanks in eight remote villages of Rajasthan, benefiting more than 240 families.

Installed water ATMs to enhance access to safe drinking water and clean sanitation in parts of Rajasthan

Enabling green energy



AU Foundation invested ₹ 50 lakh towards the installation of a 170 KW solar power grid on the rooftop of the main building of the Akshay Patra Kitchen facility at Jaipur. The initiative is aimed at providing sustainable electricity through renewable energy and will help in cutting down the electricity cost significantly for the facility.

The funds saved will be re-routed towards supporting Akshay Patra's noble cause of providing a wholesome meal to its students. The newly installed solar power grid will help the foundation generate independent energy sources within two years of its installation.

Recycling with flair



AU Foundation promotes the Nirjhari Women Artisan Company, a women's collective that was initially established for making home-furnishing products. In our quest to put less stress on the environment and reduce the emission of harmful chemicals, the need for making eco-friendly products has been patronised.

Registered in 2021, the Company focuses on training the women members in various arts like embroidery, recycled paper products, hand-block printing and more. Nirjhari Women Artisan Company has generated a turnover of over 13 lakh during the year.

Supporting 'Save the Soil' movement



Having recognised environment as our key stakeholder last year, we supported the Save the Soil international campaign, augmenting global attempts to replenish soil quality.

Pillar 2: Social

Building trust. Strengthening relationships.

Social and Economic well-being are the dominoes of Badlaav for inclusive development. Through our sustainable business model, we are committed to create net positive impact. Over the years, stakeholder engagement has helped us understand our patrons, steer through opportunities and cater to a diverse group of individuals. We value the trust of our stakeholders, embrace our role in society as active contributors, and thrive to build a sustainably inclusive society.



Gita Devi runs a Hosiery Fabric Store in Jaipur. She raised working capital loan from AU and has successfully utilised it to grow her business.

Fostering an inclusive banking ecosystem



The process of ensuring access to and usage of quality financial services at an affordable cost in a transparent manner is called financial inclusion. We are committed to improving the lives of the underprivileged by providing them access to financial services and creating socio-economic developmental opportunities for them. We have changed our approach from Know Your Customer (KYC) to Understand Your Customer (UYC), in order to be in sync with customer needs and expectations.

Our Financial and Digital Inclusion SBU is aligned with the National Strategy of Financial Inclusion (NSFI) of India, and its initiatives around the following matrix:

Financial inclusion		
Improving access (to financial services)	Increasing usage (of financial services)	Enhancing quality (of financial services)
31% Branches in unbanked rural centers	1,93,000+ Customers provided financial services under Jan Dhan Yojana	600+ Financial literacy camps at rural branches
Digital inclusion		
39,000+ AU 0101 registration in unbanked rural centres	49,000+ UPI transacting customers in unbanked rural centres	20,000+ merchants onboarded on UPI QR codes in unbanked rural centres

Improving access



At AU, it has been our constant endeavour to improve access to financial and digital banking services, particularly for underserved and low-income individuals. We are present in and serve two defined provisions i.e., unbanked rural centres (URC) and special focus districts (SFD) through phygital means. To further strengthen our presence in the rural markets and enable last-mile distribution, we have developed a comprehensive Banking Outlet (BO) channel, employing locals, who understand the culture and regional demographics of the geography comprehensively.

Unbanked rural centres (URC) are defined as provincial (Tier V and VI with a population of less than 9,999) locations with no or limited access to formal financial services of any kind. As an SFB, we are commissioned to transform such territories and develop the banking ecosystems in such areas.

Special focus districts (SFDs) are recognised by the Government of India – and comprise of aspirational districts, Left-wing Extremist (LWE) districts, districts of hill states and the North-eastern Region – to address regional developmental disparities. Following an inclusive approach, we are committed to improving lives in the special focus districts by providing access to financial services and creating opportunities for the populace.

Banking touchpoints	
Unbanked rural centres	Special focus districts
68 unbanked branches; 210 BOs; 278 touchpoints across 7 states	78 touchpoints in SFDs across 9 states

While the bank continues to focus on financially including the underserved population into the financial system, we highly regard digital infrastructure as a salient element to facilitating responsible delivery of services for the needs of the financially excluded and underserved. This use and promotion of digital financial services (DFS) to advance financial inclusion is termed as Digital Financial Inclusion. At AU, we are dedicated to building a robust digital infrastructure to enable digital financial transformation.

Through our digital banking strategy, we have built a robust digital infrastructure for our stakeholders. In URC, we onboarded 20,000+ merchants through UPI QR codes and 60 merchants through POS, while 270+ AePS and Micro ATMs were enabled. Our digital payment methods range from virtual modes (AU 0101) to cards and net banking.

Bringing Badlaav in Kathlal

With power comes responsibility, and as credible bankers, we have been working as changemakers in many parts of the country.

Mr. Kishan Chhogaram Purohit, BOSM, Kathlal Branch in Gujarat, has financially included many farmers from Bagdol village and brought them under the ambit of formal financial services. The farmers of this village are regular suppliers to Amul Cooperatives but lacked access to basic banking services. To propagate the idea of savings among the farmers, Mr. Purohit organised a financial literacy camp in the village.

The camp was a successful affair and the team opened Basic Savings Bank Deposit Account (BSBDA) for 400+ farmers. Mr. Paresb Sodha (Banking Outlet) is now the point of contact for the farmers for all their financial needs.



Financial Literacy Camp for farmers at Bagdol village

Increasing usage



"Prosperity is not directly derived from the standalone ownership of bank accounts, but their appropriate and consistent use."* Imbined in our DNA, Customer Focus has been the core value driving all our offerings and initiatives. Under our financial inclusion strategy, we offer a suite of financial services in alignment with the government's initiatives to fulfil the needs of our customers.

Enabling access to Jan Dhan Yojana

Jan Dhan Yojana is representative of India's National Mission for Financial Inclusion. It envisages universal access to banking facilities with Basic Savings Bank Deposit Account (BSBDA) for every adult, financial literacy, access to credit through Micro Units Development & Refinance Agency (MUDRA), micro-insurance schemes such as Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY), and pension schemes such as Atal Pension Yojana (APY). We ensure that the benefit of the schemes reach the economically weaker sections of society, who need access to financial services.

Details of products under the PMJDY bouquet:

Particulars	BSBDA	PMJJBY	PMSBY	APY
Count as of 31 st March 2022	2,06,000+	34,000+	50,000+	37,000+

Empowering through lending Initiatives



Pradhan Mantri MUDRA Yojana (PMMY) is a scheme for providing loans of up to ₹ 10 lakh to non-corporate, non-farm small/ micro-enterprises. We have provided loans amounting to ₹ 2,900+ crore under PMMY.



PM Awas Yojana addresses urban housing shortage among the EWS/ LIG and MIG categories, including slum dwellers. We have disbursed ₹ 730+ crore as home loans to EWS category.



PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi) Yojana is a loan of ₹ 10,000 offered to street vendors for one year. Under this scheme, we have supported 270+ street vendors in getting back on their feet.



Indira Gandhi Urban Credit Card Yojana (IGUCCY) is Rajasthan Government's flagship scheme to provide an interest-free loans upto ₹ 50,000. We have funded 350+ micro enterprises recovering from the pandemic stress

Quality education



Financial literacy means the ability to make informed judgments and to take effective decisions regarding the use and management of money. The Bank is dedicated to edifying and enhancing the financial wisdom of the masses and empowering them on their journey of financial well-being.

Financial literacy camps

At AU, we have created unique financial literacy and education programmes to bring the low-income population under the ambit of formal financial services. We reach out to the target audience, primarily farmers, laborers, school/college students, women, senior citizens and young adults, both in the urban and rural areas. In FY 2021-22, in partnership with AU Foundation, we undertook 2,600+ literacy camps and reached 1,15,000+ people across 15 states and 2 Union Territories. We are thankful to have received support from NABARD's Financial Inclusion Fund (FIF) for conducting financial and digital literacy camps.



Financial Literacy Camps for the students in Makodiya, Indore focusing on basic financial literacy concept through show and tell format.



Financial Literacy Camps for NREGA Female Workers in Dadiyarampura, Rajasthan

Financial awareness campaigns

We ran various awareness campaigns on financial literacy for our employees and customers. Some of the enrollment drives include the enabling of social security schemes (PMJJBY, PMSBY and APY) for AU employees, PMJJBY claim campaign and ISR campaign among others, through which we raised awareness among all our employees and customers.

Individual Social Responsibility

At AU, Individual Social Responsibility (ISR) is defined as one's duty towards the community. As bankers, we have the inherent responsibility of financially empowering the vulnerable population of the country. We devised the ISR campaign during the year with the motto – Banking for All and All for Banking. We also encouraged AUites to financially enable the unbanked or underbanked individuals by opening a BSBD account, enrolling them under social security schemes, and educating them through financial literacy camps. The campaign aimed at the following:

- **Financial inclusion:** Assist any individual not associated with a bank, especially belonging to the EWS category, in opening an account
- **Financial independence:** Teach about and assist an individual in digital banking journey



- **Financial empowerment:** Educate and inform about the three social security schemes (PMJJBY, PMSBY, and APY) and help individuals enrol under them

Financial inclusion is not a destination but an ongoing journey of independence and empowerment. Therefore, as India moves towards embracing a self-reliant ecosystem, it is imperative to recognise the scale of development of the underserved in India and assist them in their journey to prosperity.

Serving our stakeholders



Employees

We provide our employees an enabling work environment that helps them to contribute their best to the organisation.

→ Pg. 76



Customers

A core part of our AU Dharma is Customer focus. Our customers define our purpose of existence, and we believe in building trustworthy and lasting relationships with them.

We ensure customer delight in a number of ways – interacting with them with the right attitude and optimum knowledge, exceptional execution of services and open communication, through which we receive their honest feedback. To deepen our connection with our customers, we are actively working towards elevating the quality of talent hired and enabling customer engagement through various programmes and initiatives.

How does AU enhance customer experience?



24X7 Toll free customer care



Extended working hours in branches



Paperless banking



Anywhere Banking, which emphasises 'no home branch concept'



Special Customer Service Desk at the Asset Centres to extend servicing support to asset customers



Dedicated Customer Delight Team



Use of Customer Relationship Management platform at all levels to reduce manual interventions and enable timely resolutions

Customer survey

We take care to listen to what our customers are saying through a comprehensive customer survey, helping us measure customer satisfaction while gaining a better understanding of their expectations. We capture customer

feedback through different channels such as phone calls, SMS and QR Codes, while monitoring metrics of customer experience such as NPS, CSAT and CES.

Total no. of feedback received	CSAT = Positive Sentiment/Total Feedback	NPS = Promoter % - Detractor%
9,53,438	93%	89

Customer grievance redressal mechanism

A comprehensive customer grievance redressal policy and procedure help us handle customer complaints effectively. The policy adheres to the applicable regulatory obligations and applies to all employees of the organisation, regardless of location or business unit. We have a four-tiered governance framework that ensures prompt and responsive complaint resolution and ensures confidentiality of complainants' information.

- Branch Level Customer Service Committee conducts monthly meetings with customers to study customer grievances, cases of delay, and other difficulties faced by customers
- The Standing Committee on Customer Service is chaired by the Executive Director and comprises the Senior Management Team
- The Customer Service Committee of the Board is chaired by the designated Board members and heads of other departments

- Nodal Department/Official for Customer Service in the Head Office/Regional Office/ Corporate Office is responsible for the implementation of customer grievance redressal mechanism and complaint handling; this official also acts as the link between the Bank and RBI/Banking Ombudsman

35,497

Complaints received in FY 2021-22

35,395

Complaints resolved in FY 2021-22

99%*

Complaint resolution ratio

*1% open complaints under redressal process as on 31st March 2022.



AU Bank customer outreach programme 'Paricharcha'

Customer engagement

We undertake numerous customer connect initiatives throughout the year for both our existing and new customers. Since the pandemic, our efforts have also been directed towards spreading awareness about the virus via digital marketing. During the year, we also celebrated key occasions with our customers. 'Mind Over Matter', was one of our digital initiatives where celebrities motivated customers to get through the pandemic. An awareness drive on health and safety was carried out. We also celebrated MSME Day to encourage small businesses.

In order to celebrate our longstanding relationship with our existing customers, we undertook an all-India drive and presented customised mementos to our existing customers with whom we shared a relationship of more than a year.

We also took part in the Jaipur Marathon, as we have done for the last 12 seasons. As this year's theme was to spread the message of building immunity through fitness, we ran a virtual marathon with others.

Communities

Our approach to CSR

At AU, we offer financial solutions to help people achieve their dreams for a better livelihood. Our CSR framework is also dedicated to that end and aims to enhance the livelihood opportunities of people. We believe every individual deserves equal opportunities to grow and improve in life, irrespective of the socio-economic background, and hence we are dedicated to empowering people so that they can realise their true potential and become independent and self-reliant.

Our CSR approach goes beyond compliance. It is the way we do business – building holistic relationships with the community is an integral part of our core dharma of sustainability. We stand for inclusive socio-economic development and environmental preservation. Through our CSR initiatives, we enhance our value creation efforts for our stakeholders as a socially responsible corporate citizen.

CSR Policy

Our CSR Policy outlines the principles and necessary approach for the effective selection and implementation of CSR projects. The projects are focused on serving as strategic anchor points that relate to, but are not limited by, geography, stakeholder and thematic areas.

- **Geography:** Our CSR projects are spread across urban and rural areas in the states where we have presence; on specific needs, projects may also be conducted in geographies where the Bank has no presence



- **Stakeholders:** Meeting the livelihood needs of unemployed youth based on their skills, is one of our key focus areas; we also work with children, women and other community members
- **Focus areas:** We have identified the following areas to focus on as part of our CSR agenda:
 - Create sustainable livelihood opportunities for unemployed youth, women empowerment and promotion of financial and digital literacy among masses
 - Create a culture of sports in urban, semi-urban and rural areas
 - Promote healthcare, including preventive healthcare, improve nutritional and health status of women and children and provide safe drinking water
 - Promote gender equality and empower women, supporting facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups
 - Ensure environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water
 - Promote education, including special education and employment, enhance vocational skills especially among children, women, and the differently abled
 - Any other subject areas as mentioned in Schedule VII read with Section 135 of the Companies Act, 2013 ('the Act')

CSR governance framework

The Board has duly constituted a Corporate Social Responsibility Committee (CSR Committee) in accordance with the provisions of Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 ('CSR Rules'). The Committee's composition and terms of reference are reviewed on an annual basis by the Board. This helps in developing an effective CSR framework that can assist the Board in ensuring that CSR issues and opportunities are well-managed and maximised.

The CSR Committee is the governing body that defines the scope of our CSR projects and reviews the CSR Policy annually. It recommends policy changes to the Board as and when required, in accordance with the regulatory guidelines.

The CSR Committee comprises three or more Directors, including at least one Independent Director. The Bank has a three-tier structure for CSR governance – the Management Committee for CSR, CSR Committee and the Board – to review CSR projects and monitor if their progress is in line with the CSR plan approved by the Board. In case of shortfall, the Lead-CSR reports the matter to the CSR Committee for action.

All our CSR interventions are strategised, planned and executed by the AU Foundation, with guidance and directions from the CSR committee. Through our high impact livelihood interventions in skill development, women entrepreneurship, financial and digital literacy and sports in rural communities of Rajasthan, we have been able to uplift multiple lives.

₹ 9.7 Cr
CSR spend

5,79,712
CSR beneficiaries

2,525
Women
beneficiaries

1,011
Employee
volunteer hours for
CSR activities

1,300
Women
empowered
through AU
Udyogini

AU Skills Development Programme

Recognising skill development as a key area of intervention in Rajasthan and building on our existing work around skill development, this year we launched a flagship programme on skill development that focuses on building prosperity by improving the skills of unemployed youth and linking them with employment opportunities. Our programme, AU IGNITE, Unlocking You, which is implemented through a hub and spoke model, aims to support 25,000 youth in the next three years from disadvantaged communities and transform them into industry ready professionals.

The programme caters to short term market-led courses in areas such as Healthcare, Tourism and Hospitality, Banking, Financial Services and Insurance Sector (BFSI), and IT/ITeS. The AU Skill Development Programme ensures that demand-driven training programmes are conducted, appropriate courses are selected offering career progression, improved quality of skills is delivered, and increased value is delivered through the training platform, while building clarity around future skills.

This year, our 14 skill training centres spread across 12 districts of Rajasthan, have imparted training to 2,764 youth and linked 2,270 with employment. Since 2018, 5,500+ youth have been trained and 4,300+ of them have secured jobs.

AU Udyogini

The AU Udyogini Programme has grown around promoting two community-based enterprises and supporting women in setting up individual businesses. The programme strives to empower women from distressed backgrounds and improve family incomes through its initiatives around masala business, craft, and market linkages. Our aim is to unleash the potential of collective enterprises, build entrepreneurial qualities and skills of women members, thereby ensuring the growth of enterprises. The programme also focuses on supporting activities around Self Help Groups, to ensure availability of community support system besides generating incomes through entrepreneurial activities.

Key achievements:

- In the period from December 2018 to March 2022, two Community Enterprises, Maa Annapurna Masala & Nirjhari Women Artisans Producer Company, have been established with the member base of 200 women. The community enterprises have collectively achieved the sales proceeds of ₹ 47 lakh+ while women members received a net income of ₹ 11 lakh+.



From a Masala Sakhi to a role model

Gayatri Devi Yadav started her journey in Maa Annapurna Masala as a Masala Sakhi (saleswoman). Having begun her journey as a day-to-day salesperson, she is a leader now, given her dedication and hard work, and she is encouraging and training other women in her group. A recipient of the Maa Annapurna Masala Award, 27-year-old Gayatri, a native of Hingonia village in Jaipur District, joined Maa Annapurna seeing it as a profitable side business. She encountered many challenges along the way, but overcame the social pressures with the help of her mother-in-law and husband. She is an inspiration for many women and have helped many others to become financially independent and improve family conditions. A beaming Gayatri says, "I now receive orders on call and dispatch the desired quantity." Talking about the purity of the spices, Gayatri says, "I believed in our spices since I have used them myself before marketing them. At times customers do point out the higher price in comparison to other brands. That's when I tell them how buying our spices will help women to be empowered." Talking about her experiences at the enterprise, she says, "I feel so good after interacting with people and attending meetings." She is now not only equipped with marketing skills, but has also picked up basic computer skills and now plans to complete her education. Gayatri is full of enthusiasm and confidence. It is this zeal that has helped her reach where she is today. It is because of the efforts of women like Gayatri that Maa Annapurna Masala is a successful brand today.

- Additionally, this year 73 women from distressed households were supported in setting up their individual businesses. Overall, more than 100 women entrepreneurs have initiated and continue their businesses. Through this initiative, an income of ₹ 21 lakh+ have gone to women households in this financial year.



Striving to succeed

Radha Saini, 23, a resident of Gopalpura Jaipur, was forced to give up on her education due to severe financial difficulties. She shares, "My father, who is an auto driver, is the only earning member in a family of 5. Though I really wanted to study further, I couldn't because with his limited income it got difficult to meet our daily needs. When we didn't have enough money to eat, I couldn't ask my father to pay my fees."

An avid learner, she got introduced to AU Skills Academy, which changed her fate. "AU Skills Academy came to me as a blessing. I enrolled in a Retail Sales Associate course where I learned both life and soft skills that are extremely important for any person's inner development." Upon successful completion of her course, she got placed as an 'Executive' in Reliance Trends at a salary of ₹ 11,000 per month. Due to her exemplary performance, Radha has been promoted twice and currently works as a cashier in the same organisation.

A very delighted Radha shared, "I feel proud that now I have become capable of not only paying my fees but also contributing to my family expenses."

Bano Champion – AU Bank Sports Initiative



This year, we initiated a first-of-its-kind programme to address the critical gap related to accessibility of guided sports training among rural children. The AU Bano Champion Programme is designed with a purpose to contribute to wards a culture of sports in a geography of preference.

Incepted in 30 locations across Rajasthan in October 2021, the AU Bano Champion has currently touched base upon 36 new locations with over 6,000 students enrolled under 66 professionally trained coaches.

By reinvigorating sports at the grassroots and improving the skills of young children, we are also enabling them to perform in sports competitions at the District, State and National levels. With the immense support of government officials and active participation of experts associated with the Olympic and Commonwealth games, among others, the programme is growing multi-fold.



COVID relief Initiatives

Being a provider of 'essential services', we took several initiatives to provide uninterrupted service to our customers during the limited lockdowns imposed in FY 2021-22, to control the spread of COVID-19 during the second and third waves. During these two challenging years of the pandemic, we undertook several initiatives for the safety of our people and to promote the government's COVID control measures.

Our service on the frontline

Our frontliners were engaged day and night to provide relief to citizens. We provided 20,000 safety and diagnostic kits to healthcare workers and anganwadi workers in Rajasthan and some parts of Maharashtra in collaboration with the Rajasthan Health Department.

Vaccination of vulnerable community members

We conducted mass vaccination awareness drives using folk art to address the vaccine hesitancy among several communities. We adopted three vaccination centres in Jaipur and undertook a vaccination drive that resulted in the immunisation of 11,814 people from vulnerable communities.

Supporting the health infrastructure

During the second wave of the pandemic, we deployed 120 oxygen concentrators while providing support with medical equipment to community healthcare centres, Government hospitals and other health centres. We also installed three power back-up units of 62.5 and 15 KV capacities at the CHCs.



Pillar 3: Governance

Leading with values and ethics

At AU, we strive to create maximum value for our stakeholders through transparent, ethical and responsible business conduct. Under the guidance of our Board of Directors, we have put in place robust governance and compliance mechanisms that help us measure our progress and pursue our long-term strategies while upholding stakeholder interests.

The year in review

Board expanded, and strengthened further with the addition of two Independent Directors - Mr. H.R. Khan and Mr. Kamlesh Vikamsey

Two new statutory auditors appointed, M/s Deloitte Haskins & Sells and M/s G.M. Kapadia & Co., for FY 2021-22

Constituted an all-new Diversity and Inclusion (D&I) Committee to strengthen D&I within the Bank

The Board formalised seven strategic priorities for the management to execute

We went live with our Sustainability webpage and initiated reporting on the Bank's ESG initiatives

Our long-term debt rating got upgraded to AA/Stable by both CRISIL Ratings and CARE Ratings

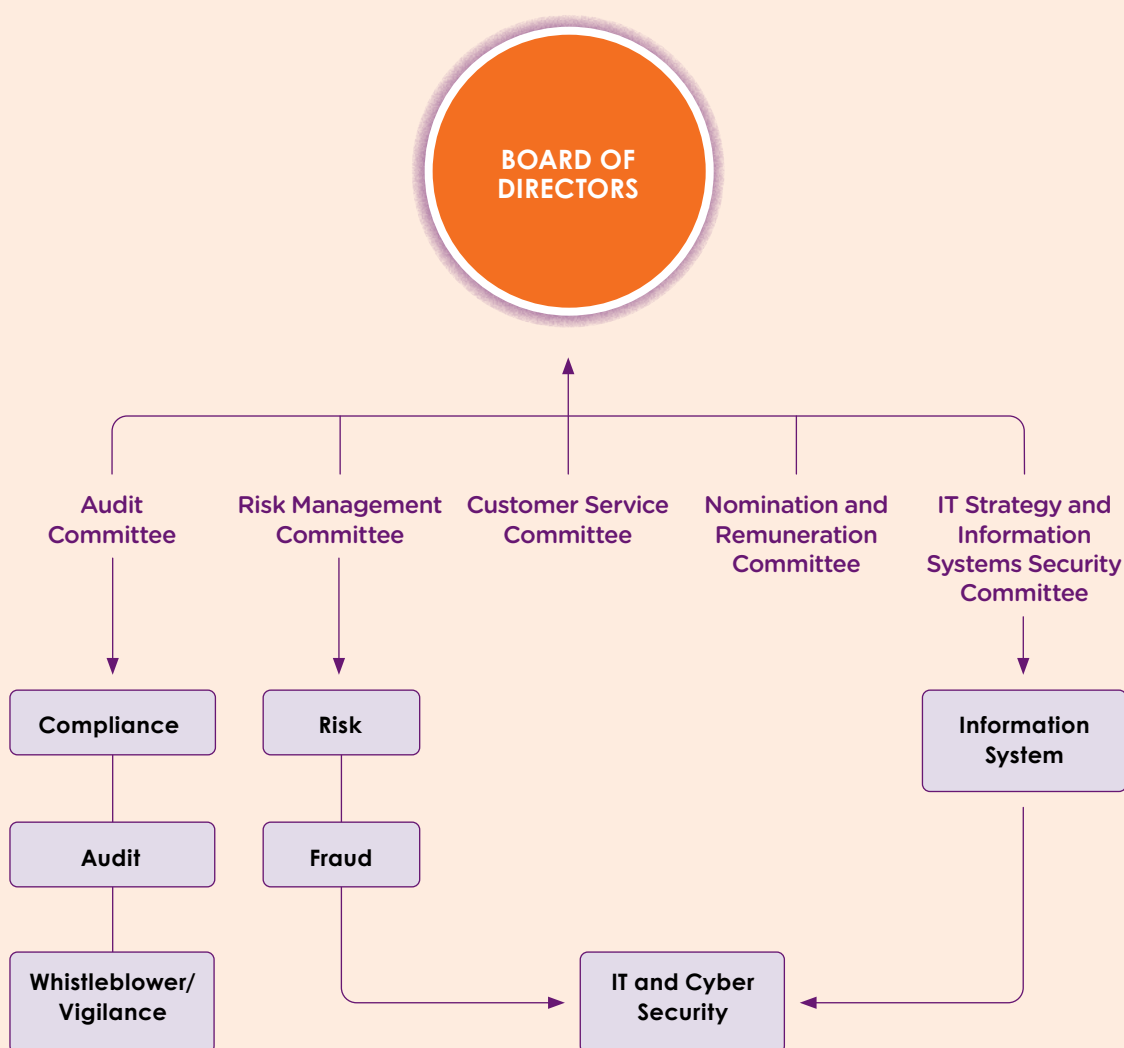
Governance framework

The Board of Directors of the Bank (the Board) is the primary direct stakeholder influencing standards of corporate governance at the Bank. The Directors of the Bank are appointed by the shareholders and they represent the interests of the stakeholders of the Bank.

The Managing Director & CEO reports to the Board and is entrusted with substantial powers to manage the affairs of the Bank. The Executive Director reports directly to the

Managing Director & CEO of the Bank. The Board has constituted various Board Committees and delegates specific matters for a more focused review. The Board has also constituted/empowered various Management/ Executive Committees to, inter alia, deal with routine, operational, administrative matters and to review various agenda items before its submission to the Board/Board Committees.

Key Governance committees of the Board



What differentiates AU's Board

Majority independent Board	8 out of 10 Board members are Independent Directors with strong business and domain expertise in Banking and Financial Services
Strong governance functional structure	- Well supported by the functional structure across key sub-teams of Risk, Audit, Compliance, Vigilance and Secretarial - The average experience of the senior team is ~20 years
Independence of governance functions	- Risk, Internal Audit and Compliance have direct and unfettered access to the Board - These oversight functions hold independent discussion with respective Board Committee(s), without the presence of the executive management, to discuss overall governance, internal controls and compliance. This framework has been adopted by Bank in line with evolving best practices: - RMCB – Chief Risk Officer - Audit Committee - Chief Compliance Officer - Head of Internal Audit - Chief Vigilance Officer
Comprehensive Corporate Governance Framework	- We have 100+ Board approved policies and well laid down procedures, processes, practices and controls - Board Committees, Board Delegated Committees, Credit Committees, Framework for ICAPP, 5P approach for cyber risk and well-laid delegation of authority matrix - Strong Whistle Blower policy and vigil mechanism and consequence management process - Compliance function independently tracks all regulatory compliances and changes, and ensures timely implementation in the Bank
Governance through Board and Committees	- The Board has constituted Committees of Directors to monitor the activities in accordance with Board-approved terms of reference - The Board deliberates on matters covering business strategy, risk, financial results, compliance, customer service, IT and human resources as covered under 7 critical themes prescribed by the RBI - The Board of Directors also carries out an annual performance evaluation of the Board as a whole, its various Committees and the individual Directors

Functioning of the Board of Directors

The role of the Board is to provide effective guidance and oversight to the Management of the Bank, so that it delivers enduring and sustainable value for all stakeholders and is fully compliant with extant laws and functions in an ethical and efficient manner.

The responsibilities of the Board, inter alia, include overseeing the functioning of the Bank, monitoring legal and statutory compliance, reviewing the efficacy of internal control systems and processes, and management of risks associated with the business of the Bank on the basis of the information provided to it.

The Board is also responsible for approving the strategic direction, plans and priorities for the Bank, monitoring corporate performance against strategic business plans, reviewing and approving the Bank's financial and operating results on a periodic basis, overseeing the Bank's Corporate Governance Framework and supervising the succession planning process for its Directors and Senior Management.

Key areas of deliberation by the Board of Directors during FY 2021-22

- Priority Sector Lending (PSL) – Classification, verification and compliance
- ESG (Environmental/Social/Governance) frameworks and performance including diversity and inclusion
- Future strategy was deliberated and Strategic Priorities were defined; an action plan was formulated to implement the strategy in the medium term
- Digital journey of the bank and strategy on building a tech-led ecosystem
- Human resource strategy
- Succession planning for senior positions
- Board composition, expansion and discussions on enriching knowledge
- COVID-19 pandemic's impact assessment and learnings with preparedness for potential future pandemics
- Future branch and geography expansion plan

List of AU's governance policies



Read More on: <https://www.aubank.in/investors/secrretarial-policies>

2

Bribery/corruption cases recorded during FY 2021-22

2

Bribery/corruption cases resolved during FY 2021-22

Code of Conduct

The Bank's Code of Conduct specifies that the Directors/ Senior Management personnel shall discharge their duties in good faith and integrity and in the best interests of the Bank and its stakeholders, and that they shall act ethically, honestly, diligently and in good faith to protect the Bank's properties, brand equity and image.

Fairness across deals and business operations

Our fair practice policy guides that all our dealings and operations across branches and offices should be carried out in a fair and just manner. We transparently display product features, customer rights, escalation matrix (grievance cell) etc., at all our branches.

Transparency and compliance for tax

For us, 'taxation strategy and tax compliance' forms a core part of our corporate and social responsibility. Our approach towards tax aims to align us with the interests of our various stakeholders – including the government, shareholders, business partners, and the communities.

Tax contributions

Being a responsible corporate, we have been and are an honest taxpayer, wherein all the taxes are deposited within the regulatory timelines without any delay. It is a matter of pride for us that our tax contributions are increasing on an yearly basis, leading to the overall economic growth of our country. During FY 2021-22, we contributed ₹ 275.24 crore (GST+TDS liability amount) in taxes to the government.

Anti-bribery and anti-corruption

Our Anti-Bribery and Anti-Corruption policy, KYC and Anti-Money Laundering Policy apply to all our employees at all levels and grades, including Directors, and everyone directly associated with us.

Through these policies, we ensure that a culture of transparency and the highest ethical standards are followed while transacting and dealing with all the external stakeholders including vendors and suppliers.

Board of Directors

Guiding with fairness and efficiency



Mr. Raj Vikash Verma
Chairman



Mr. H.R. Khan
Independent Director



Ms. Jyoti Narang
Independent Director



Mr. Kamlesh Shivji Vikamsey
Independent Director



Mr. Krishan Kant Rathi
Independent Director



Professor M.S. Sriram
Independent Director



Mr. Pushpinder Singh
Independent Director



Mr. V.G. Kannan
Independent Director



Mr. Sanjay Agarwal
Managing Director & CEO



Mr. Uttam Tibrewal
Whole-Time Director

80%

Independent Directors
on the Board

61 years

Average age of Board
(≥ 60 years – 7)
(≤ 60 Years – 3)

6.37 years

Average tenure of
Board

3.19 years

Average tenure of
Independent Directors

97%

Attendance in Board
and Committee
meetings in FY 2021-22

Leadership team

Implementing the vision



Mr. Sanjay Agarwal
MD & CEO



Mr. Uttam Tibrewal
Executive Director - WTD



Mr. Vimal Jain
Chief Financial Officer



Mr. Manmohan Parnami
Company Secretary



Mr. Deepak Jain
Chief Risk Officer



Mr. Ashok Kumar Khandelwal
Chief Compliance Officer



Mr. Vinay Vaish
Head of Internal Audit



Mr. Farhan Ahmed
Chief Vigilance Officer



Mr. Rishi Dhariwal
Group Head Liability



Mr. Bhaskar Vittal Karkera
Chief of Wheels



Mr. Amar Bahl
Head of SBL



Mr. Vivek Tripathi
Head of Commercial Banking



Mr. Yogesh Jain
Chief of Staff



Mr. Ankur Tripathi
Chief Information Officer



Mr. Manoj Tibrewal
Business Head - Merchant Solution Group



Mr. Mayank Markanday
Head of Credit Card Business



Ms. Sunanda Sharma
Lead Financial and Digital
Inclusion



Mr. Vivek Tripathi
Head of Human Resources



Mr. Vikrant Jethi
Head of Collections



Mr. Shekhar Shukla
Head of Operations



Mr. Amit Mathur
Head of Credit -
Commercial Banking



Mr. Aalekh Vijayvargiya
National Credit Manager
SBL (MSME)



Mr. Sachin Kumar Jain
National Credit Manager
Wheels



Mr. Shantanu Prasad
Head of Treasury &
Wholesale Liability



**Mr. Shoorveer Singh
Shekhawat**
Head of Marketing, Video
Banking & TFX Initiatives



Mr. Manish Sehgal
Chief Information Security
Officer



Mr. Gaurav Jain
President - Tech Initiatives
& Distribution Strategy

BADLAAV HUMSE HAI

AN IDEOLOGY THAT WAS BORN WITHIN THE FOUR WALLS HAS
**NOW BROKEN BOUNDARIES &
SPREAD ACROSS GEOGRAPHIES.**
**THE CAMPAIGN'S GROWING
ADMIRATION CAN BE MEASURED
BY THE FACT THAT SLOWLY AND STEADILY,
THE WORD BADLAAV
IS BECOMING SYNONYMOUS WITH**



Corporate information

Registered Office

19A, Dhuleshwar Garden, Ajmer Road, Jaipur – 302001
Rajasthan, India
Contact : 0141-4110060

Head Office

Bank House, Mile 0, Ajmer Road, Jaipur – 302001
Rajasthan, India
Contact : 0141-6660666

Corporate Office

5th Floor, E-Wing, Kanakia Zillion,
Junction of CST Road & LBS Marg, Kurla (West),
Mumbai – 400 070, Maharashtra
Contact No: 022-62490600

Statutory Auditors

Deloitte Haskins & Sells
19th Floor, Shapath – V, S. G. Highway,
Ahmedabad – 380 015, India

G. M. Kapadia & Co.
1007, Raheja
Chambers, 213, Nariman Point,
Mumbai-400 021

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 & Analysis

Overview

AU is India's largest small finance bank by size, with a growing presence in the West and North Indian states on the lending side, and a growing pan-India branch banking network for garnering deposits.

As on 31st March 2022, the Bank's loan book stood at ₹ 47,831 crore. AU SFB is uniquely positioned, in terms of the high proportion of secured (93%), granular and retail assets (88%) in its loan book. On the liabilities side, we have 478 liability accepting branches as on 31st March 2022, and a deposits base of ₹ 52,585 crore, within which 66% was retail deposits (CASA + retail term deposits).

Our recently launched digital properties have been growing at a healthy rate - credit cards issued in FY 2021-22 (since the launch in August 2021) stood at 1.7 lakh+, QR codes installed stood at 4.8 lakh+, and the number of 0101 users stood at 10.5 lakh+ as on 31st March 2022.

At the core of our approach are our 7 core principles (AU Dharmas), which are the outcome of the experience and learnings from AU's journey of over 27 years

Customer Focus

Work hard & look for details

Responsibly Entrepreneurial

Nurture talent & succeed together

Bias for Action

Integrity

Communicate

As on 19th April 2022, AU SFB completed 5 years of operations as a small finance bank. In order to achieve our long-term objectives we have focused on executing 7 key strategic priorities.

Our long-term objectives



Build a credible, trustworthy and sustainable bank that inspires generations to come



Act as a responsible catalyst to serve financial needs of the unserved and unreached



Bring efficiency in intermediation between savers and borrowers



Unlock human potential

Our strategic priorities



Scale retail-focused sustainable liability franchise



Sustainable growth from existing asset products and segments



Build a tech-led ecosystem



Best-in-class risk management and controls



Develop a highly empowered and capable team



Create strong brand identity



Strengthen our ESG commitments

Global environment

The beginning of 2022 saw countries emerging from the impact of the pandemic with significant progress in vaccination rates. However, uncertainties loom due to the Ukraine-Russia conflict, supply chain disruptions, rising inflation, surging commodity prices and interest rates, and

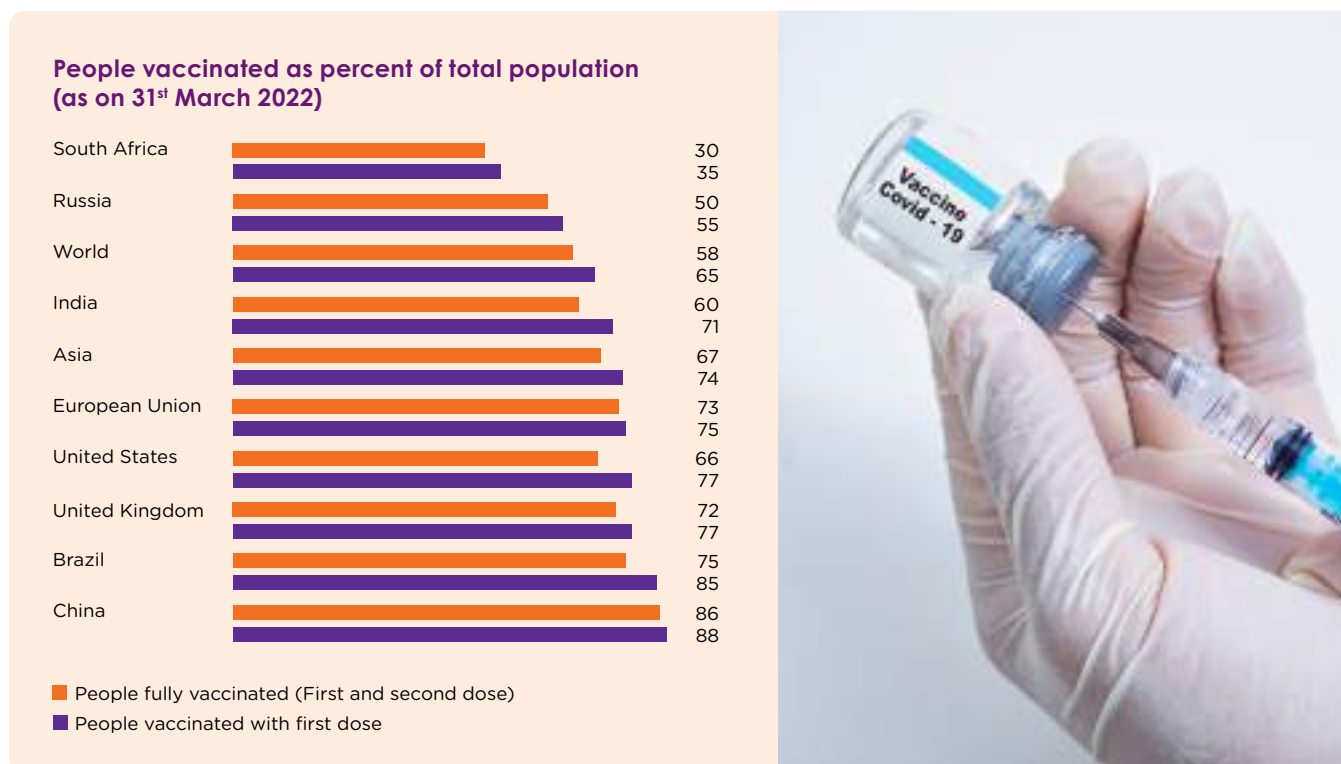
the lingering impact of COVID in some regions. At the same time, a rethink of global supply chains, and digital acceleration are creating new opportunities for several institutions/countries to play a greater part.

Global GDP growth and outlook

Particulars	2021	2022	2023
World Output	6.1	3.6	3.6
Advanced Economies	5.2	3.3	2.4
United States	5.7	3.7	2.3
Euro Area	5.3	2.8	2.3
Japan	1.6	2.4	2.3
Emerging Market and Developing economies	6.8	3.8	4.4
China	8.1	4.4	5.1
India	8.9	8.2	6.9
Brazil	4.6	0.8	1.4

Source: World Economic Outlook, April 2022

Vaccination statistics



Source: Ourworldindata.org

Indian economy

India has been among the fastest growing economies in the world, with a GDP at constant prices growing at a CAGR of 7% from fiscal 2015-2020. However, the Indian economy slowed down prior to the onset of the COVID-19 pandemic, and between fiscal 2017-2020, the growth decelerated from 8.3% to 3.7%, with tremors in the financial sector compounded by a decline in the growth of private consumption. The COVID-19 pandemic led India's economy into a contraction of 6.6% in FY 2020-21, despite well-crafted fiscal and monetary policy support. In response to the lull caused by the pandemic, the government and the Reserve Bank of India took several fiscal and monetary policy measures, respectively, to support vulnerable firms and households, expanded service delivery (with increased spending on health and social protection), and cushioned the impact of the crisis on the economy.

Looking ahead, India remains in a bright spot in the global context with the IMF forecasting India's GDP growth at 8.2% and 6.9% for the calendar years 2022 and 2023, respectively, versus global GDP growth of 3.6% for both 2022 and 2023, and 3.8% and 4.4% for emerging market and developing economies. An uptick in economic activity in Q4 FY22 is reflected in sustained improvement in high frequency indicators. Evolving supply chain dynamics, pick-up in the credit cycle and healthy balance sheets for the banking system, benefits arising from the various structural reforms implemented in the past decade, and the accelerated digital infrastructure, bode well for India's growth prospects. Risks due to persistently high inflation have increased volatility, and while several measures have been taken by the policymakers to help cool down inflation, it remains a key indicator to watch closely.

Source:

- The IMF - World Economic Outlook April 2022

Indian banking industry

In FY 2021-22, the banking sector was cushioned against the pandemic's impact owing to the liquidity support and various regulatory dispensations provided by the RBI. Banks strengthened their capital adequacy to augment risk absorbing capacity and enhance their provisioning. The overall asset quality of the banking system has moderated to its lowest level in six years, aided by recovery efforts and write-offs. Bank credit growth has begun to pick up, and credit costs are normalising, leading to gradual improvement in profitability.

YoY credit growth	FY 2021-22
Overall banking system credit growth rates	10.8%
Population group-wise	
Rural	10.5%
Semi-urban	11.1%
Urban	15.0%
Metropolitan	9.7%
Bank group-wise	
Public sector banks	7.8%
Foreign banks	13.0%
Regional rural banks	9.3%
Small finance banks	25.6%
Private sector banks	15.1%

10%

4-year CAGR - Banking system deposits

9%

4-year CAGR - Banking system credit

12%

4-year CAGR - Banking system credit (Rural and Semi-Urban)

5 years of strengthening our business model for more sustainability

The key reason we converted into a Bank over 5 years ago was to become a more sustainable financial services franchise and we have made substantial progress so far in this pursuit, despite the significant challenges along the way as illustrated below.

FY 2016-17

Liability Franchise	
Deposits (₹ 000 Cr):	-
CASA:	-
Cost of funds:	9.6%
Asset Book and Quality	
AUM (₹ 000 Cr):	~11
GNPA / NNPA:	1.9%/1.2%
Profitability and Returns	
ROA / ROE:	2.7%/20.4%

FY 2019-20

Liability Franchise	
Deposits (₹ 000 Cr):	~26
CASA:	14%
Cost of funds:	7.7%
Asset Book and Quality	
AUM (₹ 000 Cr):	~31/42%
GNPA / NNPA:	1.7%/0.8%
Profitability and Returns	
ROA / ROE: ⁽¹⁾	1.6%/15.8%

FY 2021-22

Liability Franchise	
Deposits (₹ 000 Cr) / 2-yr CAGR:	~53 / 42%
CASA:	37%
Cost of funds:	5.9%
Asset Book and Quality	
AUM (₹ 000 Cr) / 2-yr CAGR:	~48/24%
GNPA / NNPA:	2.0%/0.5%
Profitability and Returns	
ROA / ROE:	1.9% / 16.4%

Demonetisation

GST implementation challenges

System-wide asset quality concerns for private lenders

COVID-19 pandemic

Some key challenges encountered along the way

Notes: Numbers in the illustration have been approximated for presentation purposes.
Excludes profit from sale of stake in Aavas Financiers

In this section, we discuss some key aspects, which are making our business model more sustainable.

1. A clearly outlined strategy for our identified markets:

We have formulated differentiated strategies to effectively address the needs of our clearly identified markets for liabilities (Urban markets - Larger centres, which have more advanced infrastructure such as airports, malls, among others are defined as Urban Markets) and Assets (Core market - Core Markets are smaller centres in

rural/semi-urban regions, which typically have a local economy built around agriculture and small businesses, and which have been our traditional markets for lending). This provides us with a clear focus and helps us scale.

2. Geographic and product diversification:

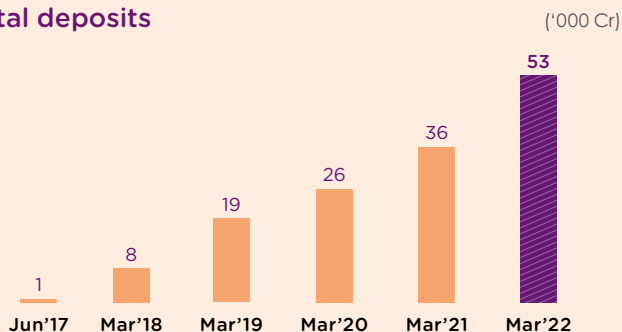
We have an increasingly diversified products and geographic mix. Our asset book remains very well stitched across 4 asset SBUs namely Wheels, SBL, Housing and Commercial Banking. Each segment is growing profitably and is geographically well-diversified.

	31 st March 2017	31 st March 2022
Number of products	~5	30+
Wheels as % of loans	50%	37%
Rajasthan loan mix %	54%	41%
Number of states + UTs	11	20
Retail deposits as % of deposits	NA (reliant on market borrowings)	66%

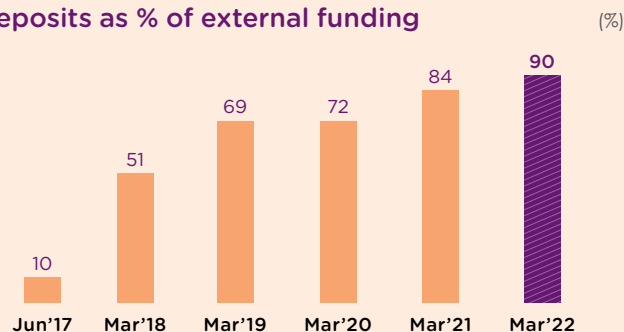
3. Building a granular and stable liabilities franchise

- Built granular ₹ 50,000 crore+ liability franchise from ground up with 37% CASA ratio, and declining cost of funds
- Launched several new digital products and services like AU 0101 app, video banking, QR codes, and credit cards, to accelerate customer acquisitions

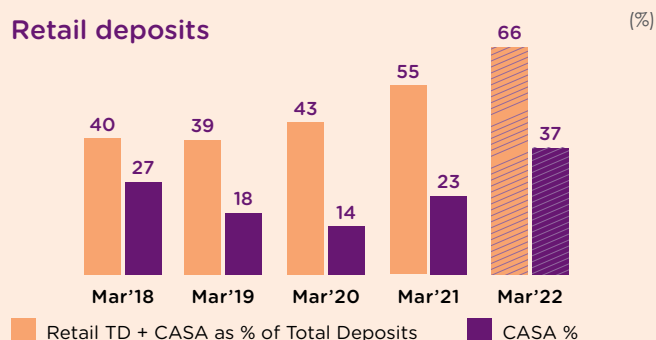
Total deposits



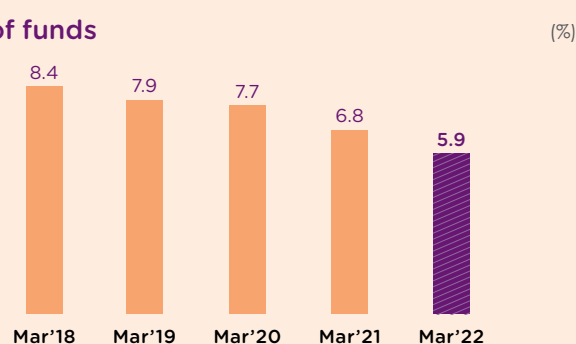
Deposits as % of external funding



Retail deposits



Cost of funds



4. Scaled up retail asset franchise while keeping asset quality under control

We continued growth and further diversification of loan book underpinned by our core first principles viz. loan characterised by small ticket size (ATS of ~₹ 4 lakh), secured nature (93% of loans), risk-based pricing, and mainly for income generation purpose with a defined end use.

Asset quality remaining strong (5-year average NCL below 30 basis points) amid the exceptionally challenging pandemic. This has significantly increased our confidence in our business model and approach, execution abilities, and borrower base, and made us more resilient as an institution. We discuss some key learnings related to asset quality from the pandemic years on page 121.

5. Made significant strides in strengthening our digital properties to be better prepared for the future

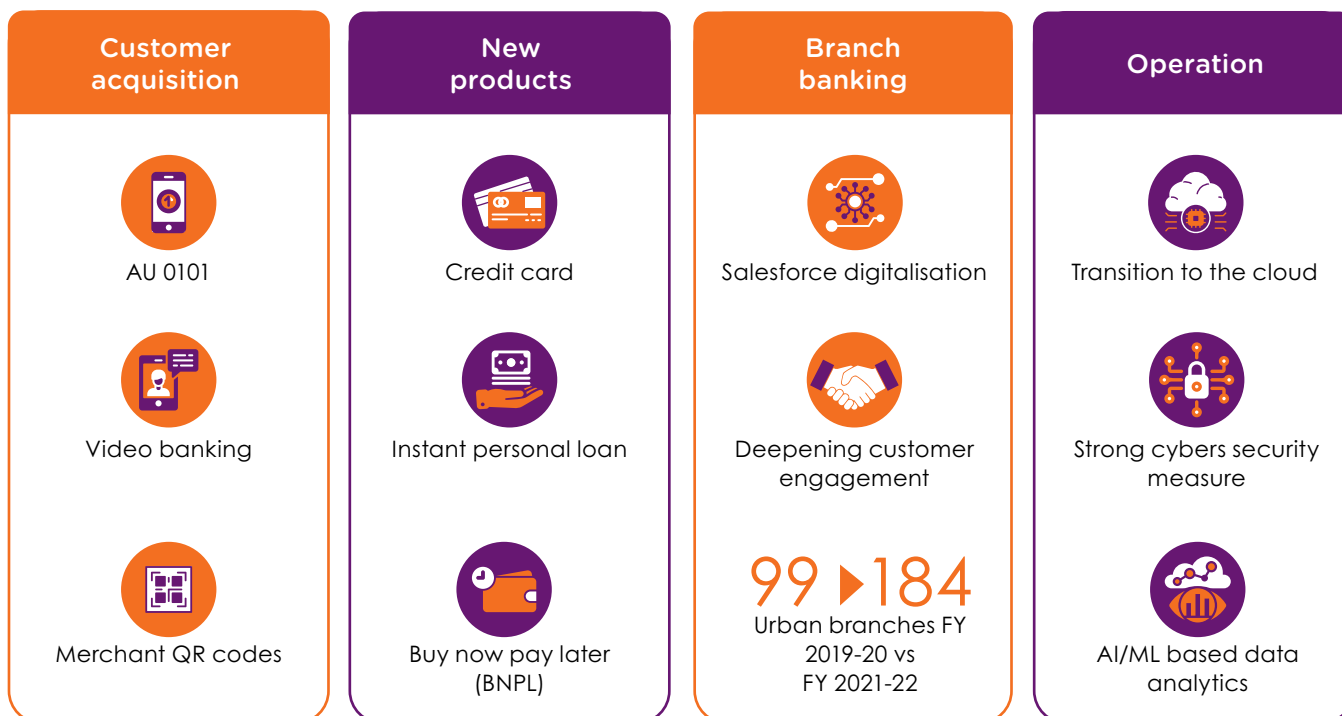
As a relatively new bank, we have had the advantage of building our technological foundation from scratch, which has allowed us to innovate and adopt the best-in-class practices and tools, to deliver a seamless experience. The tailwinds of digital adoption have provided additional thrust in our journey, and we are seeing encouraging traction across all our digital properties, so far. In the below figure, we have showcased the technology we deploy at scale to digitalise our operations.

With targeted digital adoption, our products across AU 0101, video banking services, credit cards and QRs, have been able to achieve customer penetration in a short period of time.

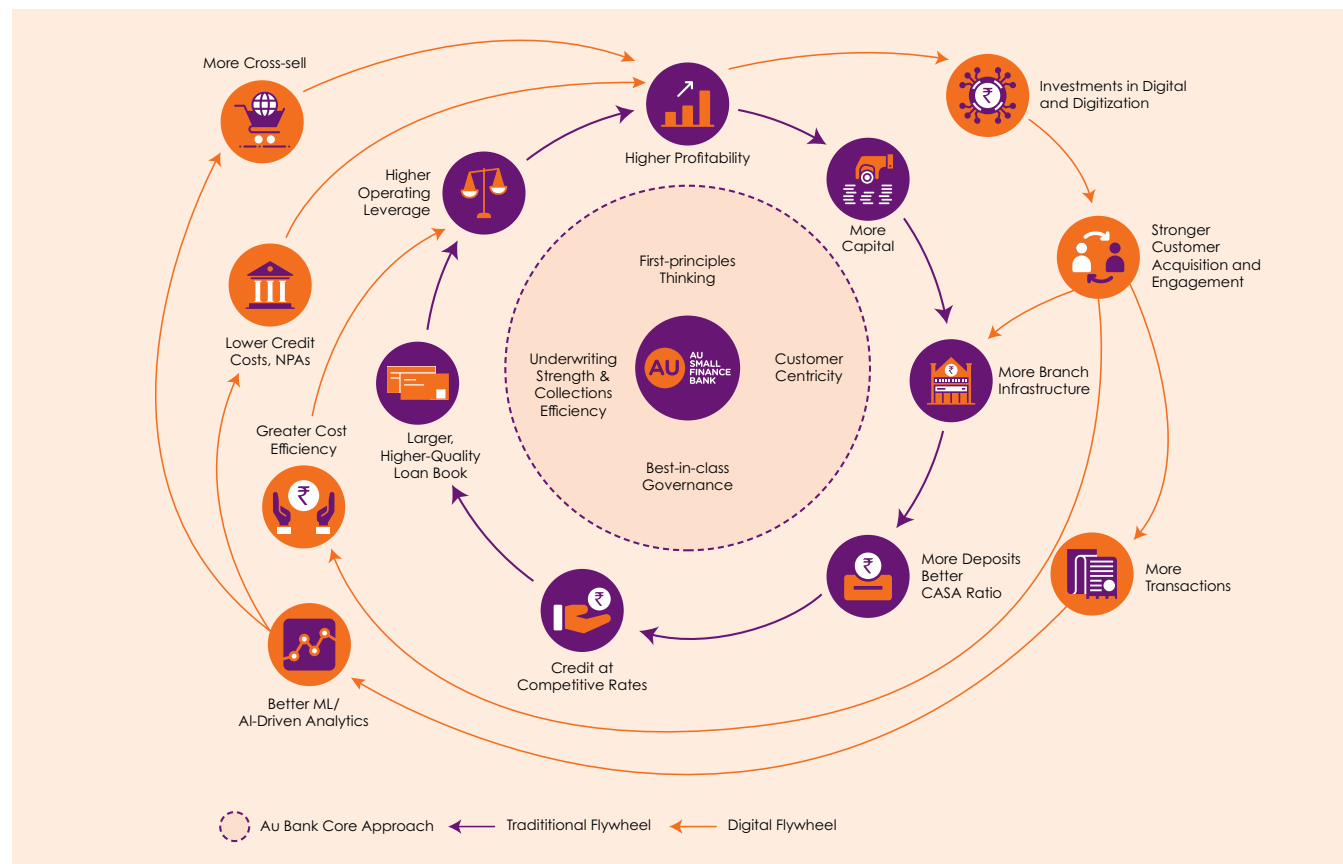
Our digital strategy has added multiple self-reinforcing flywheels to our traditional flywheel. With increase in

scale on our traditional flywheel and greater investments towards digitisation, we believe there will be better customer acquisition and engagement, which will lead to improved deposit base and CASA ratio, higher transaction volumes as well as greater cost efficiency. Higher transaction volumes will aid more analytics, powered by AI and ML, and further add to improvement in cost efficiency. With technology-aided improvement in cost efficiency, we believe there will be higher operating leverage. Additionally, with improved insights from AI and ML driven analytics, we believe the quality of underwriting and cross-selling will further improve. Enhanced underwriting quality will aid better asset quality and lower credit costs. Lower credit costs, more cross-selling, improved cost efficiencies, and stronger deposit base, will together contribute towards further improvement in profitability and returns.

Digitised our business



Our digital strategy has added multiple self-reinforcing flywheels to our traditional flywheel



6. Consistently strengthened our Board

At AU, focus on governance has been the backbone of our growth journey and remains paramount to ensuring sustainable growth. A robust and independent Board is imperative for the same. We have strengthened the Board over the past 5 years, by increasing the total number of Directors to 10 from 5, as on 31st March 2017, with Independent Directors constituting 80% of the Board, from 60% as on 31st March 2017.

7. Strengthened our customer service

We have remained a customer-centric organisation and have worked on first principles to ensure ease of banking for our customers. Our omnichannel presence, layers of privacy around customer data and escalation matrix across customer grievances have been some key aspects in this.

8. Built an empowered employee base

In the past 5 years, our employee base has increased to 27,817, as on 31st March 2022, from 8,515 as on 31st March 2017. In recent years, we have made significant hirings to strengthen our tech capabilities (digital banking, credit

cards, merchant solutions), branch banking, and risk and audit functions, as we believe that these are the key to building a future-ready and sustainable bank. We have been recognised as a 'Great Place to Work' for the second year in a row.

9. Invested in building our brand identity

Building a strong brand identity is one of our 7 strategic priorities as we believe that a strong brand culture and equity are significant enablers of growth and critical to the achievement of our long-term strategic objectives. As we transitioned from an NBFC to a bank, it was challenging for us to establish a distinct brand identity. Being a private sector bank, without a major corporate group badge, we had to develop our unique proposition that would help us establish trust among our existing and prospective customers and other stakeholders. Therefore, right from the beginning, creating a strong brand identity has been one of our core priorities. Brand visibility has also been critical to us while driving growth across our core and new markets. For this, we have curated special brand visibility initiatives and campaigns across various tourist locations, high footfall areas and events.

Some takeaways on asset quality basis the pandemic experience

1. The pandemic experience has further increased our confidence in our borrower and business model

The pandemic was an unprecedented time for India and the world at large, rife with uncertainty. The period taught us some invaluable lessons and also helped us evolve significantly in our branch banking and digital journey, and overall, as an institution.

As illustrated in the section below, our understanding of our borrower and geographies, vintage, and strength of our underwriting, products and collections have been vindicated.

Understanding of borrower situation and behaviour

"I haven't seen a life like this, where everything was shut, everything was fearful, people were really cautious, people were really negative. But still AU customers are willing to talk and willing to pay us. So, I think that is very encouraging for us."

– MD & CEO

"98% customers are under 90-days as on March. So, they have the right intention. They had a right business model because they had paid up in past so well, right? And you will also appreciate that India, as such, never had a great time for business in the last 2 years."

– MD & CEO

"We are into a customer base that can't afford to relax at home, and does not have the luxury of large savings. We have to come on the ground earn and pay"

– MD & CEO

"And people were really supportive on the ground, people were really talking to you, people were really warm. Of course, they are cautious. They are a little bit anxious also. But I believe as of now, once the lock-down has been relaxed, and in this period, in this month, when things become a little normal, and then, of course, June becomes more normal you will find that our collection efficiency going back to the normal levels. And even I believe that customer will come and pay our EMIs because, again,"

– MD & CEO

"People are now taking moratorium, but this does not signify deterioration in the asset quality. Honestly, it's a matter of comfort; it's a matter of choice. And in my opinion, every customer has the right to take moratorium."

– MD & CEO

"I am not worried about my customers as they are my strength. So yes, I know people might say that Uber, or Ola's customers can get a slippage. But I say again, if customer is not paying because his business was shut, it's fine with me. Honestly, I know that as soon as this business comes up, he will pay me."

– MD & CEO

When we said it

4th May 2020 (Q4 FY20 Results Conference Call)

Actual outcome

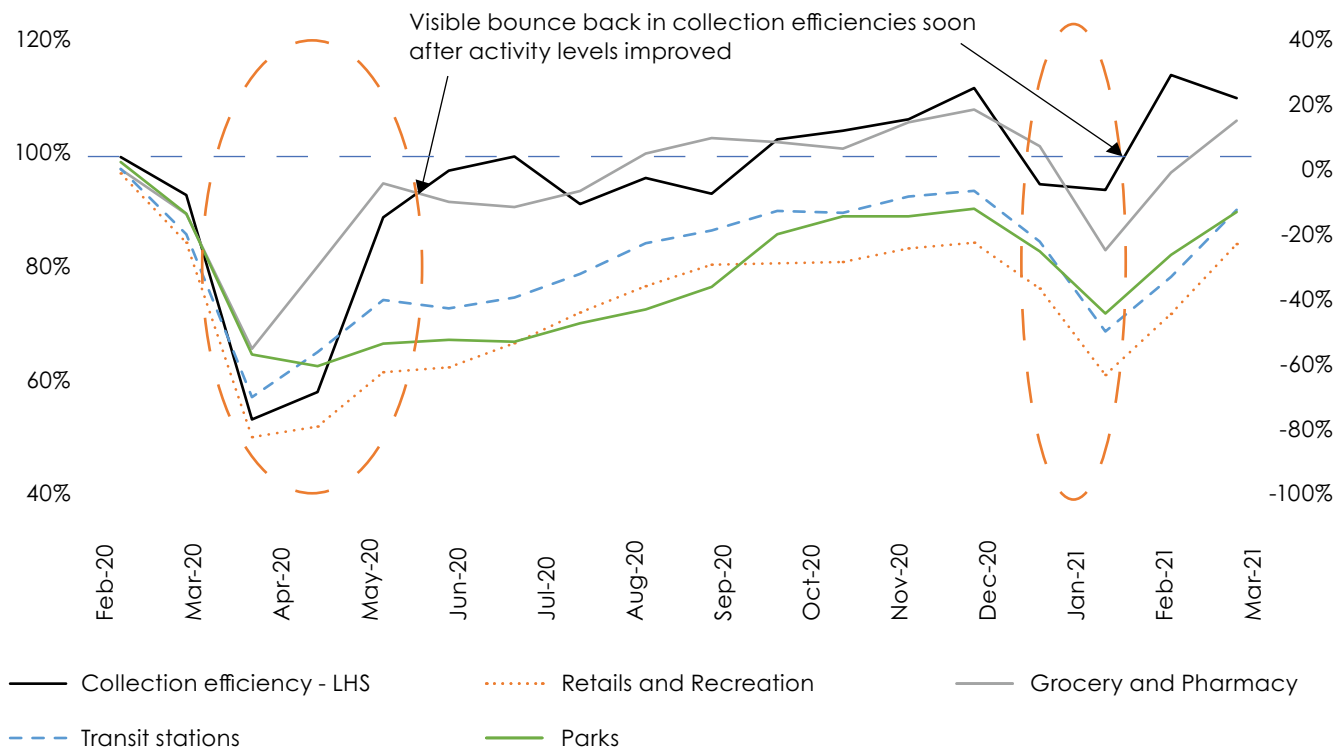
Visible bounce back in collection efficiencies as soon as economic activity improved. Collection efficiencies for June 2020 were 90%

Only 5.5% of borrowers (by advances) availed a moratorium for the entire permissible period of 6 months

- ~2.5% of borrowers from this portfolio became active in September/October 2020

GNPA against restructuring 1.0 advances stood at 16% as on 31st March 2022

Visible improvement in collection efficiencies as borrower situation improved



Source: Worldindata. Google mobility indicators (baseline days are the median value for the 5-week period from 3rd January to 6th February 2020)

Product and underwriting

"At AU, some principles are sacrosanct. So we have certain things that have made us special. First, we do not fund lifestyle businesses. We fund essential businesses. We are more focused on semi-urban and rural areas and 90% of our assets are secured. Security includes the assets that we have given for a business, or where, residential or commercial property has been mortgaged."

– MD & CEO

"Most of these assets, as you know, are the sole earnings or the self-occupied assets, and this factor has enabled us to historically keep our NPLs always under check."

– Senior Management (Investor Relations)

"People ask questions but I personally believe that because of our geographic advantage, our diversification, our yield, and the most important thing, with the way the franchise has been built over the 25 years around sales, credit collection is superb".

– MD & CEO

When we said it

4th May 2020 (Q4 FY20 Results Conference Call)

Actual outcome

Cumulative addition to Gross NPA net of recoveries and upgrades for FY 2020-21 and FY 2021-22 was 2.9% of March 2020 standard advances

Collections, delinquencies and provisioning

"But in worst times, which I can tell you- around the oil prices of 2014, our GNPA was around 4%, right? It is the worst, right? And the oil was touching \$150 per barrel, right? So now there is no oil crisis. Yes, there was a shutdown for 40 days, but I think these vehicles are used for basic purpose. And I have seen in the last 3 weeks, a lot of CV business back on track."

– MD & CEO

"We have seen that this book largely only has some slippages. But in the long run, it does not give you very high credit cost. And now after becoming a bank, we have well diversified our book."

– MD & CEO

When we said it

4th May 2020 (Q4 FY20 Results Conference Call)

"It is also important to note that a significant number of our customers clear all their dues on the collection efforts or security enforcement notices. On the residual part where we need to impose our securities our historical repo loss since FY 2018-19 has been around 35% in the vehicle or any loss on settlement or property disposal in SBL has been around 20%, we feel confident that PCR of 49% is quite likely to be more than sufficient to cover any credit loss arising from this book"

– Senior Management
(Commercial Banking)

When we said it

6th August 2021 (Q1 FY22 Results Conference Call)

"Historically our data base year 18, year 19, year 20, we were around 0.35 to 0.40 (NCLs). We do secured lending; we are around essential funding. We are small in nature, high in collection, high in touch and feel. I am not that worried around the NCL. There can be delay, but not NCLs"

– MD & CEO

When we said it

24th July 2020 (Q1 FY21 Results Conference Call)

"There could be an interim slippage from this pool we believe that the eventual recovery or resolution would not happen and the credit cost would be contained."

– Senior Management
(Investor Relations)

When we said it

29th October 2021 (Q2 FY21 Results Conference Call)

"The availability of legal recourse in July has ensured that customers accord priority to the resolution of their dues, which resulted in some collection activity in 40% of our NPA accounts in July. In my opinion this is the first quarter since March 2020, in which we are able to actually recover our dues on equal terms"

– MD & CEO

When we said it

6th August 2021 (Q1 FY22 Results Conference Call)

Actual outcome

GNPA peaked at 4.31% in June 2021

Net credit losses at ~30-40 bps in both FY 2020-21 and FY 2021-22

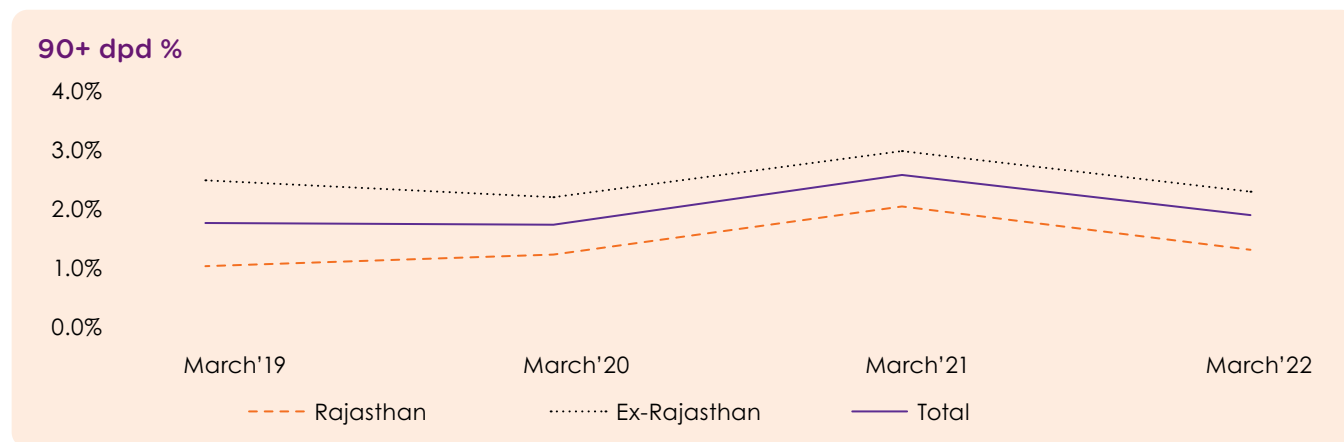
2. Diversification outside of Rajasthan has been accompanied with broadly stable asset quality

While our origins are in Rajasthan, over our 27 years journey, we have expanded in other states and built a credible presence in them. Our approach to entering new states has been driven by a contiguous expansion approach, and focus on preserving the strong credit and collections focus while expanding.

Within the 18 states and 2 Union Territories that we are present in as of 31st March 2022:

- Wheels segment was present in 12 states
- SBL segment was present in 10 states
- Housing loans segment was present in 9 states

The chart below shows the 90+ dpd % for Rajasthan and non-Rajasthan portfolio FY 2016-17 onwards. As can be seen, portfolio asset quality trends in Rajasthan and ex-Rajasthan states have been similar in terms of YoY trajectory. Rajasthan's superior asset quality is explained mainly by the stronger credit culture in Rajasthan observed historically at the system level as well as our vintage in the state.



It is important to note that AU's average vintage in most of ex-Rajasthan states is ~8 years as seen in the table below.

State	Wheels		SBL	
	Commencement of lending	Vintage (yrs.)	Commencement of lending	Vintage (yrs.)
Chhattisgarh	FY 2011-12	10	FY 2016-17	5
Delhi	FY 2012-13	9	FY 2013-14	8
Goa	FY 2010-11	11	-	-
Gujarat	FY 2009-10	12	FY 2010-11	11
Haryana	FY 2012-13	9	FY 2013-14	8
Himachal Pradesh	FY 2013-14	8	FY 2018-19	3
Jammu And Kashmir	FY 2020-21	1	-	-
Madhya Pradesh	FY 2011-12	10	FY 2012-13	9
Maharashtra	FY 2006-07	15	FY 2010-11	11
Punjab	FY 2011-12	10	FY 2014-15	7
Uttar Pradesh	FY 2018-19	3	FY 2018-19	3
Avg. (ex- Rajasthan)		9		7
Rajasthan		> 25	FY 2007-08	14

3. Closer look at portfolio growth in last 2 years augurs well for asset quality

Approximately 70% of our advances as of 31st March were disbursed after 1st April 2020 i.e., around the beginning of the first wave of the pandemic in India. The growth in the past 2 years (FY 2020-21 and FY 2021-22) has been accompanied by tighter underwriting and customer profile selection, and higher growth in products with typically lower net credit losses. This is reflected in:

- Customers with higher credit bureau scores in the sourcing mix for both wheels and SBL in the last 2 years
- Commercial Banking loans (loans where we compete mainly with mainstream banks) with disbursement mix increasing to 25% in FY 2021-22 from 15% in FY 2019-20
- Affordable housing loans with disbursement mix increasing to 6% in FY 2021-22 from 3% in FY 2019-20

The residual 30% of our advances as on 31st March 2022 (which were originated before 1st April 2020) have been tested severely by the pandemic, and potential stress, which could have manifested more gradually has been recognised. These factors together bode well for our asset quality in the near term.

Key financial highlights FY 2021-22

FY 2021-22 began on a somber note as the intensity of the second wave of the pandemic in India caught many by surprise. However, the pandemic situation started easing considerably from the end of May 2022. With the situation normalising, we saw our financial performance in FY 2021-22 showing improvement across all operating metrics in focus, despite the challenging environment. In FY 2021-22:

- Deposits crossed ₹ 50,000 crore and stood at ₹ 52,585 crore as on 31st March 2022 up 46% YoY along with greater granularity

- CASA deposits grew by 137% YoY; CASA ratio stood at 37% as on 31st March 2022 (23% on 31st March 2021)
- Cost of Funds for FY 2021-22 declined by 88 bp YoY to 5.9%
- GNPA reduced to ₹ 924 crore (2.0%) from ₹ 1,503 crore (4.3%) YoY; Net NPA reduced to 0.5% from 2.2% YoY
- PCR increased significantly to 75% as on 31st March 2022 from 51% QoQ
- AUM grew 27% YoY to ₹ 47,831 crore
- Disbursements (fund based) increased 44% YoY to ₹ 25,407 crore
- Bank delivered RoA/RoE of 1.9%/16.4% in FY 2021-22

Deposits

Our deposits base grew by 46% YoY and stood at ₹ 52,585 crore as on 31st March 2022 with improving granularity.

Our focus on quality over quantity was reflected in the increased contribution of retail deposits (CASA+retail TDs), which increased to 66% of deposits from 55% YoY.

Our average cost of funds declined by ~88 basis points to 5.95% for FY 2021-22 whereas our incremental cost of funds declined by ~65 basis points YoY to 5.29% in FY 2021-22.

Disbursements and asset growth

Disbursements for FY 2021-22 grew 44% YoY, driven by growth in all key segments. Notably, home loans contribution to overall mix significantly increased to 5.5% as on end of FY 2021-22 versus 3.7% at the end of FY 2020-21. Contribution of business banking, which is a focus area for the bank increased to 6.0% from 4.7% YoY.

(in ₹ crore)

FY 2021-22 figures	Fund-based disbursements	Growth % (YoY)	AUM	Growth % (YoY)
Wheels	9,279	39%	17,300	16%
SBL-MSME	4,823	3%	16,524	15%
Home loan	1,579	74%	2,654	92%
Commercial Banking	6,367	104%	7,951	61%
- Business Banking	2,121	88%	2,885	64%
- Agri	1,704	153%	2,248	99%
- NBFC	1,693	66%	2,035	43%
- REG	848	191%	783	27%
Others	3,358	53%	3,024	88%
SME*	0	N.A	378	-24%
Total	25,407	44%	47,831	27%

*SME book is in run down

Asset quality performance

Gross NPA and Net NPA stood at 1.98% and 0.50%, respectively (in line with pre-COVID levels), as on 31st March 2022 as compared to 4.25% and 2.18% respectively, as on 31st March 2021. The significant improvement in asset quality was driven mainly by 1) environment increasingly supporting borrowers' cashflows and repayment behaviour, which aided recoveries/resolutions of stressed cases significantly 2) the secured and small ticket nature of our loan book 3) ability to enforce security started coming back June 2021 onwards after over a year since the start of the pandemic in India (March 2020).

Provision Coverage Ratio (PCR) stood at 75% as on 31st March 2022 due to AU adopting a more conservative provisioning policy vis-a-vis 50% as on 31st March 2021. Besides provisions on standard assets, we were carrying ~16% provisioning against restructured loans, an additional ₹ 157 crore of contingency provision and ~₹ 41 crore of floating provisions. Total provisions, including standard assets as % of gross advances stood at 2.5% as on end of March 2022.

Particulars	March'22			
	No.	Loan Amount*	Provisions*	Coverage
GNPA	43,452	924	653	71%
Covid related restructuring (Standard)	18,968	1180	192	16%
Contingency provisions		2,104	157	
Floating provisions			41	
Stressed and contingencies provisions			1,043	
Provisions towards Standard Assets			139	
Total Provisions			1,182	
Provisions as a % of gross advances			2.5%	

* Figures in ₹ crore Reported PCR at 75% as it includes floating provisions

Capital adequacy

During the year under review, our capital adequacy ratio (CRAR) was at 21.0% vs 23.4% a year ago, our tier-I ratio stood at 19.7% as on 31st March 2022 as against 21.5% as on 31st March 2021.

The regulatory requirement for small finance banks is 15% and 7.5% for CRAR and tier-I, respectively.

Liquidity

We prudently managed liquidity – average LCR in FY 2021-22 was at ~135% (versus regulatory requirement of 100% in H1 FY21). We also hold additional liquidity which is invested in high rated corporate bonds.

Distribution

For FY 2021-22, we expanded distribution and opened 173 new bank branches taking total branch count to 902 – entering newer states viz. Bihar, Tamil Nadu, and Uttarakhand. Our touchpoints increased by 175 during the year to 919. Further, we were able to acquire 1 lakh+ customers through the video banking channel launched in Q1 during FY 2021-22.

Earnings

Our total income increased by 21% to ₹ 6,915 crore in FY 2021-22 from ₹ 5,720 crore in FY 2020-21, driven by 20% growth in interest income, 29% growth in other income (excluding gains from sale of equity shares of Aavas Financiers Ltd.). Our net interest income increased by 37% to ₹ 3,234 crore in FY 2021-22 from ₹ 2,365 crore in FY 2020-21, driven by healthy AUM growth of 27% and reduction in cost of funds.

Operational expense

Cost-to-income ratio (excluding income from Aavas) increased to 57.1% in FY 2021-22 from 52.4% in FY 2020-21, mainly due to investing in our digital franchise, building digital capabilities for future (credit card, merchant solutions, video banking), expanding distribution and branch franchise, and investing in brand building. In FY 2021-22, the Bank invested ~₹ 257 crore towards these areas.

Profitability

Profit After Tax (PAT) grew by 88% to ₹ 1,130 crore from ₹ 600 crore, driven by consistent growth, improving cost efficiencies and stable asset quality.

AU delivered a RoA of 1.9% for FY 2021-22 as against 1.3% (excluding the income from Aavas stake sale) in FY 2020-21. In terms of RoE, the Bank delivered an RoE of 16.4% for FY 2021-22 as against 12.0% (excluding the income from Aavas stake sale) in FY 2020-21 (₹ 625.5 crore raised in March 2021 removed from net worth for RoE calculation for FY 2020-21), which reflects the resilience of the portfolio during the pandemic, and the benefit of improving granularity of our deposits base.

Priority sector lending

Informal lending at higher interest rates is still a prevalent practice attributed to lack of formal banking services for a significant portion of the country and therefore, financial inclusion of the deprived has always been government's priority. Priority Sector Lending (PSL) has been one of the most popular and efficient channels for disseminating formal credit to the deprived.

PSL include loans to farmers, agriculture and allied activities, food processing, MSME, housing, social infrastructure, education and loans to certain weaker sections, with a minimum threshold to be mandatorily achieved under certain PSL categories. With an objective of financial inclusion and to ascertain formal credit flow to the bottom of pyramid of the population, small finance banks have been entrusted to achieve at least 75% of their advances to Priority Sector Lending (PSL) norms.

While achievement of Priority sector lending is a regulatory requirement, AU has taken it as an opportunity to serve the unbanked and underserved for fulfilling their credit requirements, and achieve PSL targets simultaneously, with our strong footprints in rural and semi-urban areas, and product offerings designed keeping in view the requirements of rural population and micro entrepreneurs.

Our inherent model helps to generate PSL advances. We are delighted to inform you that AU has been able to over-achieve regulatory PSL requirements YoY and in FY 2021-22, too. We have exceeded the required PSL advances target and achieved 87% in FY 2021-22 against the mandatory requirement of 75%.

Small ticket size loans in unbanked locations pose an inherent credit risk, but with AU has extensive knowledge and insights gained while lending to various types of micro and small businesses over the years, we have been able to create and deliver product offerings, while mitigating the risks, and concurrently achieving the priority sector lending target.

AU has also been playing a key role in helping micro entrepreneurs to get on their feet after the effects of the pandemic, with seamless services and delivery of products at affordable price points, and with quick turnaround time. We continue our endeavour to serve the financial needs of the under-served, cater to their credit requirements, and partner with them in their growth, responsibly and sustainably.

Business performance and highlights

Given below are the performance and highlights for the key segments

1. Branch Banking

Overview

Branch banking is a key pillar of our banking franchise. It is powered by the expansion of our branch network and focuses on granular and stable deposits through targeted acquisition and increasing engagement and deepening.

Please refer to the strategic priority 1 for detailed coverage

➔ Pg. 58

Performance review:

For FY 2021-22, our bank's overall deposit growth was healthy at 46% YoY, driven by higher share of granular deposits. Within these

- Retail deposits share increased to 66% from 55% YoY

- CASA mix ratio increased to 37% from 23% YoY

FY 2021-22 highlights

- Made significant investments in digital campaigns and alliance offers to engage with our digitally native customers, which helped us in increase our monthly transacting base, which has gone up from 46% (in March 21) to 55% (in March 22) on SA and from 65% (in March 21) to 70% (in March 22) on CA.
- With the launch of digital products (such as credit cards, QR, personal loans, among others), we have been able to deepen relationships with our existing customers, which resulted in our PPC metric going up from 1.37 to 1.52 on SA side and 1.34 to 1.90 on CA side

2. Wheels

Overview

Vehicle loan has been our first product and remains a key product. It is the most seasoned book in our portfolio (vintage of over 25 years). We offer this product primarily in rural and semi-urban markets and have one of the widest product ranges in the industry as we extend credit for 2 to 22-wheeler vehicles for personal and commercial use. We offer loans for new and pre owned 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.

In the commercial space, we serve First Time Buyers (FTBs), First-Time Users (FTUs), Small Road Transport Operators (SRTOs) and captive users. In the personal segment, we serve salaried, Self-Employed professionals (SEP), Self Employed Non-professionals (SENP), agri and dairy farmers, among others. The average loan tenure is of 3-4 years in our book and the loan is secured through hypothecation of the vehicle. Our competition in the markets where we compete in are mainly NBFCs and being a Bank gives us a distinct competitive advantage.

Performance review

- Despite the ups and downs in FY 2021-22, the market share gains continued with vehicle financing growing by 16% YoY (3-year CAGR of 19%)
- Asset quality improved and Gross NPA % stood at 2.5% as on 31st March 2022 versus 5.5% as on 31st March 2021
- As of 31st March 2022, we offered our Wheels loan products at ~500 branches

FY2021-22 highlights

- The year witnessed uptick in the used car market, backed by new-age business models, online RTO enablement, increase in finance penetration and changing customer preferences.
- We maintained a multi-product strategy, with lower focus on financing of commercial passenger segment vehicles
- Increased focus on used vehicles given the vast business opportunity and the formalisation of end market in the last few years
- Strengthened our relationship with leading auto OEMs catering to a wide set of vehicle models, driven by clear monitoring of the models, pricing, demand and resale value
- Suitable alignments in products, with customer-first approach.
- Launched green policy for financing on EVs
- Intensified focus in tractor product, due to our long presence in rural sector
- Wheels SBU established with formal organisation structure, to drive future growth
- Digital enablement for customers and employees
- New car customised digital journeys are live on digital bank 0101
- ETB customers are offered pre-approved digital journeys for new cars, used cars, and 2-wheelers
- Mobile onboarding app launched, enabling sales executives to work from anywhere

3.SBL

Overview

MSME sector is the backbone of the Indian economy contributing to ~30% of India's GDP and responsible for providing employment opportunities to 110 million people. There are ~63 million MSMEs engaged in different economic activities across various sectors. These enterprises have various credit needs to be able to scale, expand, counter macroeconomic high and low cycles. Access to credit becomes an important parameter for an enterprise to grow and thrive. As per estimates, the MSME opportunity is pegged at around ~US\$ 500 billion within which ~60% is not yet addressed by formal financiers. AU SFB is focused on creating a diversified portfolio to cater every segment accordingly. With a strong presence in rural/semi-urban markets, and 10 year+ vintage in this product, we are well positioned to cater to this significant opportunity.

As part of our Secured Business Loans (SBL loans business), we primarily extend loans to MSMEs for working capital, expansion, purchase of machines/equipment and infrastructure requirements. Our target customer segment comprises micro and small business customers. Our MSME loan customers typically include kirana stores, wholesalers, distributors, garages, small clinics, coaching centres, skill-based entrepreneurs like electricians/plumbers, and single store pharmaceutical retailers. The MSME customers are mostly unstructured and lack formal documentation, which is essential for getting loans from large banks. Also, ~99% of these businesses are micro in nature, which make it less attractive for large banks. However, there is competition in MSME lending among small finance banks and NBFCs. Apart from these, new-age digital players are trying to enter the MSME lending space using digital medium.

The loans are backed by property with tenures up to 15 years.

Performance review:

- AUM growth for FY 2021-22 was 15% YoY, which was below the 3-year CAGR of 28% due to subdued demand for SBL loans due to the pandemic situation, and our cautious stance in FY 2021-22 (disbursements for FY 2021-22 were at ₹ 4,823 crore, similar to ₹ 4,865 crore in FY 2019-20)
- The average ticket size (AUM basis) of our MSME loans was ₹ 8.4 lakh
- We have witnessed resilient credit behaviour from most of our borrower segments even during the pandemic. Asset quality was stable with Gross NPA 2.6% as on 31st March 2022.
- As of 31st March 2022, we offered our MSME loan products at ~450 branches (83% customer base in core geographies)

FY2021-22 highlights

- The impact of COVID-19 has been varied on different MSME segments. Some sets of businesses were impacted more than others. Similarly, recovery in each segment has been varied. Businesses providing essential services, such as 'kirana' shops, recovered quickly. However, service providers such as tours and travel businesses, restaurants, tent houses, schools, among others are taking longer to get back to pre-COVID levels
- One of the biggest impacts that COVID-19 had on the overall economy is that it accelerated the internet and smartphone adoption in the country. Due to this marked shift, there is also an opportunity for the credit ecosystem to expand their reach and disburse loans through digital mediums.

4.Housing

Overview

There is an acute shortage of affordable housing with the shortage of houses in India estimated at 10 Crore units in 2022, of which 95% shortage is from lower income group (LIG) and economically weaker section (EWS) with the remaining 5% of the shortage emanating from middle income group or above. Total incremental housing loans demand, if this entire shortage is to be addressed, is estimated to be upto - ₹ 50-60 trillion providing opportunity to banks like ours with its nascent presents in the affordable housing segment. (Source: JLL, Crisil, Economic Times, MOHUA). We provide a comprehensive range of affordable 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 starting at ₹ 2 lakh to above ₹ 100 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. With an average disbursement ticket size of ~₹ 12 lakh in FY 2021-22, we are focused on catering to housing needs majorly in tier-2, tier-3, and tier-4 cities where we target salaried as well as business class with or without documented income.

We feel that we can take advantage of this multi-year growth window through our unwavering focus on the tier-2, tier-3, and tier-4 cities natural pull of the Bank platform, and increasing geographical presence.

Performance review:

- Our Gross AUM for home loans business grew from ₹ 1,385 crore as of 31st March 2021 to ₹ 2,654 crore as

of 31st March 2022 at a 3-year CAGR of 184% (and 92% YoY).

- In FY 2021-22, the average ticket size of our housing loans was ₹ 9.7 lakh. Our home loans are secured by property
- Asset quality remained resilient and Gross NPA % stood at 0.4% as on 31st March 2022

FY2021-22 highlights

- We aim to expand the product offering to all our 900+ locations in the years to come, from 230+ locations, where we are currently present
- With major impact of COVID prevalent in urban centres, rural and semi urban areas recovered quickly. Our core strategy has been about penetrating rural/ semi urban areas, we have ~67% funding in these areas with around 39% funding to salaried individuals and 61% to self-employed non-professionals
- India's housing sector is on a strong multi-year growth opportunity, given the growing trend in urbanisation, nuclearisation, work-from-home culture, predominantly young aspiring population, and access to low-cost finance
- We think that given our vintage, growing ETB customer base, power of banking platform and reach, we can take advantage of this multi-year growth window through our unwavering focus in the tier-2, tier-3 and tier-4 cities, by increasing our geographical presence

5. Commercial Banking

Our commercial loans business extends loans to several types of small and medium sized businesses, including MSMEs, asset finance companies, housing finance companies, micro finance institutions and real estate developers. We categorise our commercial loans into:

- (i) Business Banking loans
- (ii) Agri Banking loans
- (iii) Real Estate Group (REG)
- (iv) NBFC lending

The following table sets forth details of our gross AUM and loans disbursed in our commercial loans business, for the periods indicated:

(₹ in crore)

Category	Parameter	As of and for the		
		Fiscal 2022	Fiscal 2021	Fiscal 2020
Business Banking	Gross AUM	2,885	1,761	1,013
	Disbursement	2,121	1,130	723
Agri Banking	Gross AUM	2,248	1,132	690
	Disbursement	1,704	674	597
Real Estate Group (REG)	Gross AUM	783	617	825
	Disbursement	848	291	406
NBFC lending	Gross AUM	2,035	1,425	1,856
	Disbursement	1,693	1,018	940

5.1 Business Banking

Business Banking provides working capital (overdraft, cash credit, letter of guarantee, bank guarantee) and long-term facilities (term loans) to wholesalers, retailers, traders, manufacturers, service providers, contractors, distributors, educational institutes, and healthcare enterprises in the market. The customer segment is primarily in line with the strategic priority as MSMEs will play a vital role as growth engines of the Indian economy. We offer a wide spread of solutions addressing evolving business needs, such as customised offerings, faster turnaround time, transaction convenience (payments and collections), among others. Business Banking has been focused on overall profitability through its diversified portfolio, higher fee income opportunity, cost savings, and reduction of credit cost.

Despite the second/third wave of COVID, our business banking portfolio has outperformed with recovery in existing NPAs, maintaining 99.15% of current book, as collection is taken care of by the sourcing team that operates based on insights from the customers, along with evaluation of portfolio through various credit monitoring parameters during the year. To enhance the portfolio quality, emphasis is on reducing concentration risks through granular and collateralised lending-based growth. During the last year, we introduced Corporate Loan Origination System (LOS), which helps in digitisation of underwriting process with the integration of bank statement analyser, fetching of bureau reports/MCA data, and internal policies.

Business Banking follows the model of a customer-centric approach, with a focus on deeper relationship and value creation for the customers. With our performance, customer loyalty, strong management over years, and powerful crisis management, we are confident to take the lending space to a whole new level.

₹ 2,885 crore

Gross AUM
(₹ 1,761 crore in FY 2020-21)

64%

AUM growth over FY 2020-21

₹ 49.5 lakh

Average ticket size

5.2 Agri Banking

Agri banking aims to meet the finance requirement of all stakeholders engaged in the agri value chain.

Product offerings in agri banking include working capital and term loans requirements of borrowers, involved in agriculture and allied activities. Loans are also provided with varying maturities for construction, acquisition, renovation, and carrying out machinery or equipment upgradation. Loans to renewable energy sectors like solar projects were also funded by the agri banking team.

Agri banking aims to meet the 360-degree requirements of all stakeholders engaged in the agri value chain. Loans were provided to different participants of value chain, including farmers, mandi trader and commission agents, food processing industries, including grain milling (flour, rice, dal, oil, and so on), dairy sector, warehouses, among others.

We have a greater focus on customer segments in non-urban areas, where we can leverage our distribution network. Gross AUM for our agri banking loans stands at ₹ 2,248 crore as on 31st March 2022. The fund-based disbursements done by agri banking during FY 2021-22 was at ₹ 1,704 crore. During FY 2021-22, customers had more than 80% utilisation of sanctioned limits.

The agri banking vertical continues to operate in 7 states, namely: Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Uttar Pradesh, Punjab, Haryana, and 2 union territories of Delhi and Chandigarh. Agri banking loans are available at 227 locations, of which, more than 76% are core locations. We are planning to enter new geographies like Chattisgarh, West Bengal, Telangana, Andhra Pradesh, and Karnataka from the next financial year.

We have disbursed to 7 renewable energy projects in FY 2021-22 amounting to ₹ 33.4 crore. Under Agri Infrastructure Fund (AIF) central scheme of government of India, the Agri Banking vertical disbursed ₹ 34.9 crore to 30 clients.

₹ 2,248 Crore

Gross AUM
(₹ 1,132 crore in FY 2020-21)

99%

AUM growth over FY 2020-21

₹ 49.7 lakh

Average ticket size

AIF customers funded by us



5.3 REG

We cater to the credit needs of developers, who specifically operate in either small-scale projects (majorly 1- or 2-tower projects) or affordable and mid-housing segments. We follow a comprehensive and highly selective sourcing model, largely focused on projects with fast-moving inventory or projects having targeted completion period of 24-36 months.

Further, our internally developed tool for project monitoring helps us closely monitor and take timely action for key monitorables.

One of the unexpected fallouts of the pandemic has been the growth in real estate sector. The sector witnessed progress after a prolonged slowdown, owing to various factors, such as decadal low home loan interest, falling house prices, and demand-induced measures by state governments.

5.4 NBFC lending

NBFCs have established themselves as an integral part of India's financial ecosystem and have played an instrumental role in financing priority sectors. NBFCs are the providers of last-mile financing, with distinctive advantages, in terms of reach, and are nimble-footed to service the end customers. Having functioned for 2 decades as an NBFC, we understand the need for constant stream of funds for NBFCs, which include asset finance companies, housing financial companies, and micro finance institutions. Over the past 8 years, we have established a strong presence in the space through our core underwriting capabilities. We have seen multiple disruptions in this segment, including demonetisation, IL&FS, and pandemic-induced disruptions. The book has been resilient across these events. Our key advantage is our 'ears-to-the ground' approach, and infrastructure in areas where these NBFCs are active.

₹ 2,035 crore

Gross AUM

(₹ 1,425 crore in FY 2020-21)

+43%

AUM growth over FY 2020-21

₹ 6.8 crore

Average ticket size

₹ 783 crore

Gross AUM

(₹ 617 crore in FY 2020-21)

27%

AUM growth over FY 2020-21

₹ 848 crore

Disbursement FY 2020-21

With our customer-centric approach, we are well prepared to serve these financial institutions at various stages in their business life cycles. Our loan book in this segment is well diversified across 10+ states spread across 130+ NBFCs.

A key differentiator for our NBFC business is our self-sustainability i.e., the book is largely funded through own liabilities. We have been successful in growing liability relationship with the financial institutions, and aim to deepen the relationship further, by extending multiple banking products like transaction banking, CMS, CA/SA, and ACH/NACHs, including e-NACHs and corporate salary accounts, among others.

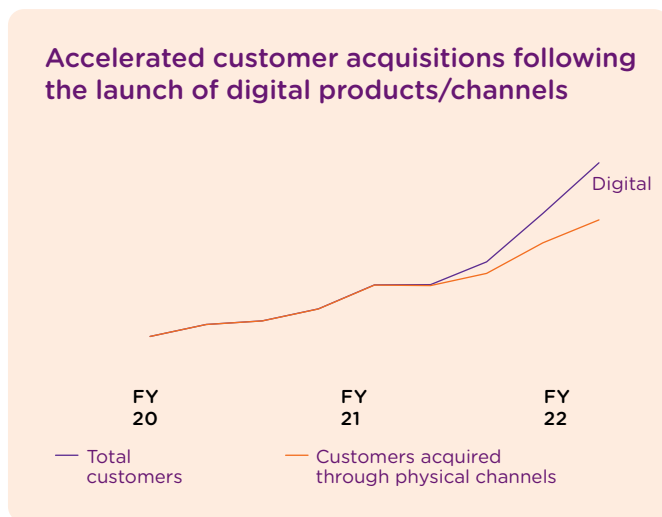
Key aspects regarding our NBFC book:

- The turbulent cycles have not deterred our key portfolio strengths of low concentration risk, portfolio quality, and diversification across asset classes and geographies. Our end borrower profile is largely secured - ~77% on-lending to asset customers with collaterals, including CV, 2Ws, MSME, HFC, gold, among others
- In overall portfolio, 50+ clients witnessed equity events. Within our top 50 exposures, ~72% companies have received equity capital since first lockdown
- Robust and stringent underwriting methodology with focus on retail oriented NBFCs, having comfortable capital adequacy, healthy liquidity profile and strong management pedigree. Over the period, we have developed expertise in taking exposure in companies with strong fundamentals, and nurturing relationships by extending other non-lending products

- Key aspects of our physical due diligence exercise include extensive system verification, customer contract verifications, discussion with end borrowers, bank statement analysis and asset verification. Also, we conduct frequent discussions with managements to understand overall business strategy apart from financial and operation updates
- Selectivity curated book with clients having low leverage and demonstrated track record of raising timely debt and equity. Median leverage and average leverage of our borrowers is ~1.6x and ~1.9X, respectively. We continue to be more focused on investment grade companies and are slowly inching towards a higher rated spectrum. Share of disbursements in 'A and above' category has been ~58% in FY 2021-22

6. Digital Banking

Our digital initiatives are progressing well, and are providing a visible uplift in our pace of customer acquisition, notably 40% of new customers, acquired in Q4 FY 2021-22 were through our recently launched digital channels and products, that is 0101 credit card, video banking, UPI QR, among others.



Please refer to the strategic priority 3 for more detailed coverage

➔ Pg. 66

7. Credit Cards

We launched credit cards for customers in Q1 FY22, and have created multi-channel distributions like branch, direct sales teams, outbound calling centre and digital channel to support the credit card scale. The objective is to provide best possible touch point for the customers and maintain the cost of acquisition to support the scale. Parallely, we have put in a lot of focus on underwriting customer effortlessly with help of technology and providing real-time card decisioning process to achieve more STPs.

As on 31st March 2022, we had issued 1.7+ lakh credit cards, and continue to scale with strong performance across key measurables. Of our customers, 81% have activated their cards and our spends metrics fare better than the industry average with ~₹ 19,000 monthly spends per card.

We have been witnessing growth across their products/ business lines and deposits and the credit card product is well suited to complement the overall growth trajectory.

Please refer to the Strategic Priority 3 for detailed coverage

➔ Pg. 66

8. Merchant Solution Group

Merchant Solution Group caters to all banking and financial needs of the merchant segment (MSMEs). Merchant acquiring is an integral part of acceptance, processing, and settlement of payment transaction processing. Merchant acquirers provide merchants with the necessary infrastructure to accept payments (card (POS)/ UPI QR/ PG) and providing authorisation, clearing and settlement, dispute management, and information services to merchants. Merchant acquiring banks also provide other related value-added services. As of 31st March 2022, merchants account for 59% of existing customer base.

As of 31st March 2022, there were ~4.8+ lakh QR code installed, with 1.2+ lakh installed on new-to-bank customers. In March 2022, we deployed 69k+ QR codes, of which 19K+ were to NTB customers.

Please refer to the strategic priority 3 for detailed coverage

➔ Pg. 66

9. Treasury and Wholesale Liabilities

The treasury function at AU 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 risks, ALM risks, interest rate risks, and liquidity-related risks are effectively monitored and managed. The treasury facilitates 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, NHB and others) with focus on cost optimisation and ALM management.

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

During the year, our treasury has successfully participated in G-sec Acquisition Programme (GSAP) of the RBI, in addition to regular Open Market Operations (OMOs). We have also maintained Net Stable Funding Ratio (NSFR), which was applicable from 1st October 2021, in addition to Liquidity Coverage Ratio (LCR) with sufficient buffers, and well above regulatory requirements. With our continued focus on building our retail franchise, we have not only been able to reduce our reliance on wholesale funding, but have also continuously improved our CASA ratio and Cost of Funds (COF).

Additionally, we also continue to maintain sufficient excess SLR and high-quality non-SLR instruments, which can be readily used for repo or liquidated in the secondary market. We can also resort to rupee borrowing in the form of CDs, term money, IBPC, securitisation of portfolio, and re-finance from various domestic financial institutions (NABARD, SIDBI, MUDRA, NHB, and others) in case of liquidity need.

10. Financial and Digital Inclusion

The vision of the financial and digital inclusion SBU is to build a society where every individual is financially included in a way that enhances livelihoods and drives sustainable development.

The process of ensuring access to and usage of quality financial services at an affordable cost in a transparent manner is called financial inclusion.

Please refer to the strategic priority 7 for detailed coverage

➔ Pg. 94

Human resources

HR at AU takes pride in the best-in-class policies and practices that enable a participatory, collaborative, cohesive, and employee-centric workplace culture with high sense of ownership. We are a 'Great place to work' certified organisation for the second time in a row, and was recognised as one of the 'Top 30 Best Places to work' in the BFSI space. We continuously benchmark our people practices in order to meet business objectives and provide a rich people experience.

Please refer to the strategic priority 5 for detailed coverage.

➔ Pg. 76



Credit management

Credit risk arises as a result of failure or unwillingness on part of customer or counterparties to fulfil their contractual obligations and is defined as the possibility of losses associated with diminution in the credit quality of borrowers or counterparties.

Credit risk framework is defined by credit policies and product policies that set out the principles and control requirements under which credit is extended to customers in various business verticals. The policies and standards cover all stages of the credit cycle, including origination, credit approval, documentation, administration, monitoring and recovery.

The Bank has laid down prudential limits and caps on various aspects to control the magnitude of credit risk. Regular and timely risk reporting with adequate control mechanism is prevalent across the organisation. Loan administration and monitoring is carried out through portfolio profiling, early warning framework and other credit risk activities around asset quality trends and concentration.

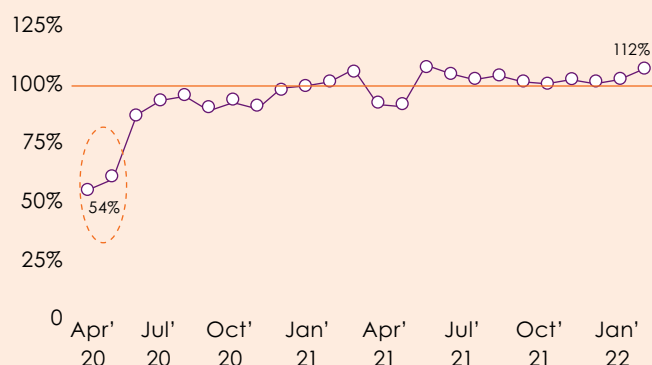
The credit culture of the Bank mandates that lending is based on credit analysis, with full understanding of the purpose of the loan and is commensurate to customer's financials and ability to repay from business operations. Off balance sheet transactions are subjected to the same diligent credit analysis as on balance sheet transactions. Bank has credit approving authorities and committee structures linked to the risk levels of the borrower and transaction. The delegation of authority is reviewed at least annually. Appropriate levels of collateralisation is obtained based upon the nature of the transaction and the credit quality of the borrower.

Despite the gruelling second wave of the pandemic in first quarter of FY 2021-22, our asset quality improved and is expected to remain stable.

Collections

Our collection process has enabled us to demonstrate resilient efficiencies despite recurrent periods of sectoral stress on asset quality, as well as during the COVID-19 pandemic. We have instituted robust mechanisms such as business-level collection teams, real-time tracking dashboards, data analytics driven decision-making, specialised functional teams for handling all aspects of the recovery process and protection through insurance against collection defaults. These measures have ensured that our collection efficiencies remain robust during most of the pandemic period over the last two years. Our asset quality performance is, therefore, partly a reflection of our robust collection management system. Several external factors such as geography, delinquency, products, customer repayment history along with internal factors like our own collection strategy, among others influence collections.

Recovery in collection efficiencies amid COVID-19 as economic activity improved



During FY 2021-22, especially during the second wave, in the first quarter, we provided full support (professionally and emotionally) to field executives, which was also accompanied with increase in senior leadership field visits to motivate ground level staff.

Our robust digital assets strengthen our collections mechanism with effective tools. We generate 100% of our receipts digitally and rigorously track field visits with real-time feedback captured through a mobile app. We are also active on all major payment platforms to drive touch-free collections.

During FY 2021-22, the collections function too, undertook several tech initiatives:

- Introducing data driven contactless collection in initial bucket
- Automation of standard reports/dashboard of collections
- Use of WhatsApp channel for customer communication
- Availability of soft copy of legal notices in system
- Part automation of flagging of vehicle repossession through BOT
- Development of in-house settlement module
- Development started of new collection system - ENCollect

We continue to sharpen our collections methodology further with regular audits, strengthening compliance, and regular training to keep teams and leadership informed on important dos and don'ts of collection.

Internal control systems

We have adequate internal controls, driven through various policies and procedures, which are reviewed periodically, across all processes, units and functions. Business credit teams have their ears on the ground and have built-in processes to identify new risks and mitigate the identified risks. Senior officers of the operating and business units also monitor the mitigating measures taken.

We have various executive-level committees, with participation from various business and control functions, that are designed to review and oversee critical aspects of our operations. The control functions set the standards and lay down policies and procedures by which the functions manage risks, including compliance with regulatory guidelines and applicable laws, adherence to operational controls and relevant standards of conduct. We have implemented the required controls through systems and processes ensuring a robust control framework.

Our internal audit function is responsible for independently evaluating the adequacy and effectiveness of all internal controls, information security controls, risk management, governance systems and processes. Our information systems audit team is in place identifies and addresses Technology and IT-related security issues commensurate with the nature and complexities of our operations.

The internal audit department and compliance function review the business units' adherence to internal processes and procedures as well as to regulatory and legal requirements providing timely feedback to management for corrective action, including minimising the design risk, if any. The Audit Committee of the Board also reviews the performance of the Audit and Compliance functions and reviews the effectiveness of controls and compliance with regulatory guidelines.

In the opinion of the Board, our internal control systems were adequate and operating effectively.

Risk and compliance

Please refer to strategic priority 4 for more details on this subject

➔ Pg. 72



Board's Report

Dear Members,

Your Board of Directors have great pleasure in presenting the Twenty-Seventh Annual Report of the AU Small Finance Bank Limited ("**the Bank**") covering Business and operations together with the Audited Financial Statements, Independent Auditors' Report for the financial year ended 31st March 2022.

A. Financial Summary & Highlights

The summary of the financial performance of your Bank for FY 2021-22 is presented below:

Particulars	(₹ in crore)	
	For the year ended	
	31 st March 2022	31 st March 2021
Total Income	6,915.42	6,370.98
Interest Income	5921.73	4,950.05
Other Income	993.69	1,420.93
Interest Expenditure	2,687.61	2,584.61
Operating Expenses (excluding depreciation)	2,272.60	1,554.06
Profit before Depreciation, Provisions and Tax	1,955.21	2,232.31
Depreciation	140.17	104.37
Provision for Income Tax	324.24	287.82
Other Provisions and Write-offs	360.97	669.44
Net Profit	1,129.83	1,170.68**
Appropriations		
Transfer to Statutory Reserve	282.46	292.67
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961	117.30	77.00
Transfer to Capital Reserve	18.52	28.87
Transfer to Investment Fluctuation Reserve	20.24	(31.65)
Dividend (including tax/cess thereon) pertaining to previous year paid during the year	-	-
Dividend (in ₹) (Per Equity Share)	1*	-
Surplus carried over to Balance Sheet	3,382.42	2,691.10
Earnings Per Share (EPS) (in ₹) (After excluding Exceptional Items not annualised)		
Basic (in ₹)	36.06	38.19
Diluted (in ₹)	35.69	37.86

*The Board recommended dividend of ₹ 1/- per equity shares on pre-bonus share capital for the year ended 31st March 2022 subject to approval of shareholders at the ensuing Annual General Meeting. Further, consequent to approval of the bonus issue by the shareholders, the dividend shall be adjusted proportionately i.e. ₹ 0.50 per equity share on post-bonus share capital.

**Net Profit After Tax for FY 2021-22 increased to ₹ 1,129.83 crore vis-à-vis ₹ 600.23 crore (excluding the sale of investment of Aavas Financiers Limited) for FY 2020-21 registering YoY growth of 88.23%.

Key Performance Highlights

Your Bank witnessed growth and consistent performance in FY 2021-22. The key financial performance indicators for the year is as follows:

- Profit Before Tax for FY 2021-22 increased to ₹ 1454.07 crore vis-à-vis ₹ 807.08 crore for FY 2020-21 (excluding the sale of investment of Aavas Financiers Limited) registering YoY growth of 80.16%.
- Net Profit After Tax for FY 2021-22 increased to ₹ 1,129.83 crore vis-à-vis ₹ 600.23 crore (excluding the

sale of investment of Aavas Financiers Limited) for FY 2020-21 registering YoY growth of 88.23%.

- Balance sheet size grew to ₹ 69,077.80 crore as on 31st March 2022 vis-à-vis ₹ 51,591.31 crore as on 31st March 2021 registering YoY growth of 33.89%.
- Deposits continue to scale driven by increasing brand awareness, granular deposits base, branch expansion, improved digital offerings and launch of credit Cards & QR code thereby enhancing the product offerings. With these measures CASA ratio improved to 37% in

FY 2021-22 from 23% in FY 2020-21 and overall cost of funds reduced by 88 bps to 5.95% in FY 2021-22 from 6.83% in FY 2020-21.

- Gross NPA and Net NPA was 1.98% and 0.50% respectively as on 31st March 2022 as compared to 4.25% and 2.18% respectively as on 31st March 2021, with improvement in collection efficiency and assets quality.

Analysis of Bank's performance is covered in Management Discussion & Analysis section of the Annual Report.

Business Overview

Your Bank completed its 5 years journey as a Bank and made significant strides in its journey over past five years to become a retail focused, tech led, preferred, and trusted Bank. Despite headwinds of demonetisation, GST, NBFC Crisis and battling the pandemic, your Bank has responded adequately through robust Business continuity management by promptly catering to customers and other stakeholder's requirements without fail. The Bank constantly worked to simplify the business processes to become even more customer centric during these times. Your Bank is grateful to the government of India and RBI for their unstinting support in terms of relief, reforms, and packages.

The Bank has its presence in 18 states & 2 UTs and had total 919 touch points (692 Bank Branches, 210 BCBOs & 17 BCs) and 514 (including co-branded) ATMs as on 31st March 2022. During the FY 2021-22, the Bank has expanded its distribution and opened 87 new Bank Branches and entered 3 newer states.

During FY 2021-22, Bank has served 27.5 lakhs+ customer being the largest small finance Bank by offering over 30+ products with a team of 27,800+ employees. In journey as a Small Finance Bank, it was fraught with headwinds but your Bank remain optimistic with cautious approach

while continuously working towards the purpose of developing one of best retail Banking franchise.

Your Bank is Expanding the reach of its branches and density through digital channels leading to Phyigital Branches. With customers utilising digital services – Internet Banking, online transfer, UPI payments, services through Video Banking etc. the need for branch proximity has reduced as a critical criterion for banking. Your Bank is constantly innovating for making Banking simple by providing integrated and tailor- made solutions for its customers with tech-led approach, faster digital adoption, at low cost, supported by robust IT, risk management, governance structure, products, processes, policies, and systems in place.

During the pandemic, your Bank realised that there is a growing need for credit cards, especially in the core markets and how skewed the markets were in the favor of urban markets. The Bank built the entire system and ecosystem from scratch and became the first Small Finance Bank to have its credit card. All digital channels have done phenomenally well with 1.7 lakh plus credit card issued out of which 53% credit card holders are first time credit card users and the Bank have also installed 4.8 lakhs+ UPI QR. Initial trends from the Video Banking experience have been quite encouraging in terms of enhancing reach, acquisition, and engagement. AU0101 continued to see strong traction with 39% quarter-on-quarter growth in user registration, 2 lakhs plus non-bank customers also got registered on AU0101. Your Bank is on the track of empowering India financially, digitally, and socially driving financial inclusion in country as envisaged under Small Finance Bank Licensing Guidelines.

The key business developments and segment wise position of business and its operations are covered in detail under the Management Discussion & Analysis section of the Annual Report.

B. Credit Rating:

The details of credit rating obtained by the Bank for debt instruments issued by Bank and outstanding as on 31st March 2022 along with outlook is provided below, the same is also available on website of the Bank:

Nature of Debt Instrument	Nature of Term	CRISIL ¹	India Ratings ²	CARE ³
Fixed Deposits	Long Term	FAA+/Positive	-	-
Non- Convertible Debentures	Long Term	CRISIL AA-/Positive	IND AA-/Stable	-
Subordinated Debt	Long Term	CRISIL AA-/Positive	-	-
Tier II Bonds	Long Term	CRISIL AA-/Positive	IND AA-/Stable	CARE AA/Stable
Bank Loans/Facilities	Long Term	-	IND AA-/Stable	-
Certificate of Deposits	Short Term	CRISIL A1+	IND A1+	CARE A1+

Note:

¹CRISIL rating revised its rating outlook to 'Positive' from 'Stable' and reaffirmed ratings on 23rd November 2021.

²India Ratings has withdrawn the ratings of Subordinated Debt as the Bank has repaid the term loan (Subordinated Debt) in full and affirmed rating of other instruments on 19th August 2021.

³CARE Ratings on 23rd March 2022 has assigned a rating of CARE AA/Stable for Tier-II Bonds and has Reaffirmed rating of Certificate of Deposits. Further, the CARE ratings withdrawn the ratings of term loan as the Bank has repaid the term loan in full.

ICRA Credit ratings have reaffirmed and withdrawn rating on Subordinated Debt and Non-Convertible Debentures on 6th July 2021 as instruments/ISINs were fully redeemed.

C. Dividend

In terms of regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and Reserve Bank of India ("RBI") guidelines, your Bank has formulated and adopted a Dividend Distribution Policy with an objective to appropriately reward shareholders through dividends for reposing their confidence in the Bank over the years while retaining the sufficient capital required for supporting future business growth requirements. The said Policy was reviewed by the Board from time to time and the same has been hosted on the website of the Bank at <https://www.aubank.in/investors/secretarial-policies>.

Your Board of Directors in its meeting held on 25th-26th April 2022 has recommended a final dividend for its shareholders of 10% i.e. ₹ 1 per equity share on face value of ₹ 10/- each for the financial year 2021-22 and consequent to approval of bonus issue by the shareholders, the dividend shall be adjusted proportionately i.e. ₹ 0.50 per equity share on post-bonus share capital and dividend shall be paid subject to the approval of the members at the 27th Annual General Meeting (AGM). There was no interim dividend declared during the reporting period. The record date for final Dividend will be 30th July 2022 (Saturday) for determining the names of the members who would be entitled to the dividend, for the financial year ended 31st March 2022.

D. Bonus Issue

The Board, at its meeting held on 25th 26th April 2022, approved and recommended the issue of bonus shares to celebrate the 5 years of Bank's operations in Apr-2022 and further to create additional liquidity, making Bank's stock more affordable for retail investors, attract investors attention and develop positive retail investor sentiment. The shareholders approved the issue of bonus shares vide postal ballot dated 29th May 2022 in the proportion of 1:1, i.e. 1 (One) bonus equity share for every 1 (One) fully paid-up equity shares held. The Bank had allotted 31,50,93,233 equity shares of ₹ 10/- each as fully paid-up Bonus Equity Shares to the eligible shareholders as on the record date i.e. 10th June 2022.

E. Change in Nature of Business

During the year under review, there has been no change in the nature of business of the Bank. 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.

F. Transfer to Reserves

In terms of RBI regulations and other applicable regulations, the Bank has proposed to transfer the

following amounts to various reserves for the financial year ended 31st March 2022 as mentioned below:

Amount transferred to	Amount (₹ in Crore)
Statutory Reserve	282.46
Transfer to Special Reserve U/s 36 (1) (viii)	117.30
Transfer to Capital Reserve	18.52
Transfer to Investment Fluctuation Reserve	20.24

The Board of Directors has not proposed to transfer any amount to general reserve for the financial year ended 31st March 2022.

G. Transfer to the Investor Education and Protection Fund (IEPF)

In accordance with Section 124 and 125 of the Companies Act, 2013 read with applicable rules, as amended, there was no unclaimed/unpaid dividend or shares liable to be transferred to the IEPF during the FY 2021-22.

Further, details of the unclaimed / un-encashed dividends lying in the unpaid dividend accounts as on end of the financial year are provided on website of the Bank at <https://www.aubank.in/investors/investor-services>.

H. Deposits

Being a Banking company, the disclosures required as per Rule 8(5)(v) & (vi) of the Companies (Accounts) Rules, 2014 read with Section 73 and 74 of the Companies Act, 2013 and Companies (Acceptance of Deposits) Rules, 2014 are not applicable. The details of the deposits received and accepted by your Bank as a Banking company have been disclosed in the financial statements for the financial year ended 31st March 2022.

I. Capital Structure & Fund Raising

During the period under review, there has been no change in the authorised share capital of the Bank. The Board of Directors allotted 26,86,641 equity shares pursuant to exercise of ESOP under different ESOP Schemes.

Pursuant to the abovesaid ESOP allotments of equity shares, the total issued and paid-up equity share capital of the Bank increased by ₹ 2.69 crore to ₹ 314.90 crore as on 31st March 2022 as compared to ₹ 312.21 crore as on 31st March 2021.

Further, post 31st March 2022 on recommendation of Board, shareholders vide postal ballot dated 29th May 2022 approved the increase in authorised capital from ₹ 350 crore to ₹ 1200 crore and corresponding amendments to the Clause V of the Memorandum of Association of the Bank was carried out.

Further, the Bank has redeemed Non-Convertible Debentures (NCDs) of ₹ 675 crore during the FY 2021-22. Accordingly, total outstanding NCDs stood at ₹ 500 crore as on 31st March 2022 against ₹ 1175 crore as on 31st March 2021 with increased focus on raising fund through retail deposits and repaying loan facilities as per their repayment schedule.

J. Employee Stock Option Schemes

Your Bank has formulated different Employee Stock Option Schemes ("Schemes"), which have 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 read with SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 as amended from time to time.

The Option grants to employees under the schemes are approved by the Nomination and Remuneration Committee in terms of Compensation Policy of the Bank,

as part of Annual Performance Review of employee's performance and at the time of hiring. Several factors including scale, designation, performance, grades, period of service, criticality of role and their contribution for the Bank's overall performance is taken into consideration for deciding number of options to be granted to the employees.

Presently, following are the Employee Stock Option Schemes:

- 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 2018 - (ESOP 2018)
- Employee Stock Option Scheme 2020 - (ESOP 2020)

The details of vesting of various schemes are as follows:

ESOP Scheme & Plan	Vesting Period	% Of vesting of options
ESOP 2015 – Plan A	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	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	Options granted under this scheme would vest after one year but not later than six years from the date of grant of options	100%
ESOP 2018	Options granted under this scheme would vest after one year but not later than six years from the date of grant of options	100%
ESOP 2020	Options granted under this scheme would vest after one year but not later than six years from the date of grant of options	100%

Note: Options granted may be exercised within four years from the date of first vesting of the options under ESOP 2015 and six years from the date of first vesting of the options under ESOP 2016, ESOP 2018, and ESOP 2020. The term of vesting is also mentioned as per terms of grant approved by NRC in the grant letter issued to employees.

The Brief Details of Existing ESOP Schemes as on 31st March 2022 is given below:

Particulars	ESOP Plan A 2015	ESOP Plan B 2015	ESOP Scheme 2016	ESOP Scheme 2018	ESOP Scheme 2020
Date of Shareholders Approval	31-Aug-2015	31-Aug-2015	10-Oct-2016	07-Aug-2018	23-Dec-2020
Total Number of Options approved	38,36,058	49,33,194	21,00,000	49,33,200	50,00,000
Total Number of options outstanding at the Beginning of the period [®]	1,66,036	11,26,727	14,38,280	42,31,257	1,17,177
Total No. of Options granted (during FY 2021-22)	0	10,000	81,750	0	16,05,213
The Pricing Formula	₹ 10.11 per share	₹ 33.37 per share	Market price linked#	Market price linked	Market price linked
Options Vested (during FY 2021-22) [®]	0	2,973	4,26,672	11,25,061	20,596
Options Exercised (during FY 2021-22)	48,036	11,14,727	3,30,259	11,92,319	1,300
Total No of shares arising as a result of exercise of option	48,036	11,14,727	3,30,259	11,92,319	1,300

Particulars	ESOP Plan A 2015	ESOP Plan B 2015	ESOP Scheme 2016	ESOP Scheme 2018	ESOP Scheme 2020
Options lapsed/ Forfeited (during FY 2021-22) (Available for re-issue) [@]	0	0	85,632	1,54,598	97,395
Total No. of options exercisable at the end of the year [@]	1,18,000	2,400	2,75,447	5,80,678	19,296
Total No. of options outstanding at the end of the year[@]	1,18,000	22,000	11,04,139	28,84,340	16,23,695
Variation in terms of options	No Change during the FY 2021-22				
Money realised by exercise of Options (during FY 2021-22) (in ₹)	4,85,644	3,71,98,440	8,45,33,090	78,15,58,849	10,28,300
Total No of Options granted to KMPs	Please 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	Nil	Nil	Nil	Nil	Nil
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	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 2				
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 2				
Weighted average share/exercise price of the shares exercised during the year (in ₹)	10.11	33.37	255.96#	655.49*	791
Weighted average fair values of the outstanding options (in ₹)	Please refer point no. 25 of B. Other Disclosures of Schedule 18 of Notes to accounts to Audited Financial Results for FY 2021-22				

#Pricing for ESOP Scheme 2016 was changed from fixed price of ₹ 140 to market linked price with the approval of shareholders obtained in the Annual General Meeting held on 19th July 2019. 2,49,464 ESOPs were exercised, and equity shares were allotted at the exercise price of ₹ 140 each, 80,795 ESOPs were exercised, and equity shares were allotted at the exercise price of ₹ 614 each under ESOP Scheme 2016.

*500 ESOPs were exercised and equity shares were allotted at the exercise price of ₹ 589 each, 30,164 ESOPs were exercised and equity shares were allotted at the exercise price of ₹ 614 each, 592 ESOPs were exercised and equity shares were allotted at the exercise Price of ₹ 622 each, 2,44,080 ESOPs were exercised and equity shares were allotted at the exercise Price of ₹ 630 each, 26,623 ESOPs were exercised and equity shares were allotted at the exercise price of ₹ 643 each, 8,81,202 ESOPs were exercised and equity shares were allotted at the exercise price of ₹ 664 each, 4,680 ESOPs were exercised and equity shares were allotted at the exercise price of ₹ 668 each and 4,478 ESOPs were exercised and equity shares were allotted at the exercise price of ₹ 724 each under ESOP Scheme 2018 and 1,300 ESOPs were exercised and equity shares were allotted at the exercise price of ₹ 791 each under ESOP Scheme 2020.

@In terms of SEBI circular dated 15th June 2021 regarding relaxation from the requirement of minimum vesting period in case of death of employee(s) and provisions of the SEBI (Share Based Employee Benefit and Sweat Equity) Regulations, 2021, options granted to employees who have demised, have been vested in the legal heirs or nominees of the deceased employees immediately. The numbers given above include the options vested in legal heirs/nominees of deceased employees.

Note 1

Following are the total number of stock options that have been granted to Key Management Personnel (KMP) during the financial year ended 31st March 2022:

S. No.	Name of Official	Designations	No. of ESOPs granted in ESOP Scheme 2020
1	Mr. Uttam Tibrewal	Whole Time Director (Executive Director)	8,585
2	Mr. Vimal Jain	Chief Financial Officer	14,357
3	Mr. Manmohan Parnami	Company Secretary	3,808
Total			26,750

Note 2

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 2022
Risk free interest rate	5.98% - 6.79%
Expected life	3 years - 5.5 years
Expected volatility	42.60% - 43.39%
Expected dividends	0.10%

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 Cr.)	
	Year ended 31 st March 2022	Year ended 31 st March 2021
Profit after tax as reported	1,129.83	1,170.68
Add: ESOP cost using intrinsic value method (net of tax)	13.76	57.46
Less: ESOP cost using fair value method (net of tax)	48.53	92.81
Profit after tax (adjusted)	1,095.06	1,135.33
Earnings Per Share (in ₹)		
Basic		
- As reported	36.06	38.19
- Adjusted for ESOP cost using fair value method	34.95	37.04
Diluted		
- As reported	35.69	37.86
- Adjusted for ESOP cost using fair value method	34.59	36.72

Particulars	As on 31 st March 2022	As on 31 st March 2021
Stock options outstanding (gross)	203.94	188.76
Deferred compensation cost outstanding	26.16	29.35
Stock options outstanding (net)	177.78	159.41

In accordance with SEBI circular no. CIR/CFD/POLICY CELL/2/2015 dated 16th June 2015 necessary disclosures are made in Schedule 18 - Notes forming part of the financial statements for FY 2021-22 and are included in the annual report and also disclosed on the website of the Bank at <https://www.aubank.in/reports/disclosures>.

K. Detail of Directors and Key Managerial Personnel

During the FY 2021-22 and upto the date of this report, following changes took place in the Board of Directors and Key Managerial Personnel of the Bank:

1. Mr. Harun Rasid Khan (DIN: 07456806) was appointed as an Additional Director (Independent) for a period of 3 years with effect from 28th December 2021 to 27th December 2024. Further, shareholders vide resolution passed through postal ballot approved his appointment as Independent Director (Non-Executive) on 9th March 2022.

Mr. Harun Rasid Khan has a vast experience of over four decades in the areas of Banking & Finance, Payment and Settlement systems, Economics, Financial Markets and has handled leadership positions as the Deputy Governor & the Executive Director at the Reserve Bank of India. The Board of Directors of the Bank opined that Mr. Harun Rasid Khan is a person of integrity and has relevant knowledge & experience, skills, and expertise for appointment as Independent Director of the Bank.

2. Mr. Kamlesh Shivji Vikamsey (DIN: 00059620) was appointed as Additional Director (Independent) for a period of 3 years with effect from 25th April 2022 to 24th April 2025. Further, shareholders vide resolution passed through postal ballot approved his appointment as Independent Director (Non-Executive) on 29th May 2022.

Mr. Kamlesh Shivji Vikamsey is fellow member of Institute of Chartered Accountants of India, and he holds bachelor's degree in commerce from the University of Mumbai. He has vast experience of over 35+ years in the areas of Auditing, Taxation, Corporate & Personal Advisory Services, and Business & Management Consulting Services. He also held leadership & directorship positions in various Companies/Institutions nationally & globally. The Board of Directors of the Bank opined that Mr. Kamlesh Shivji Vikamsey is a person of integrity and has relevant knowledge & experience, skills, and expertise for appointment as Independent Director of the Bank.

3. With the approval of shareholders and RBI, Mr. Raj Vikash Verma has been re-appointed as Part-time Chairman of the Bank for a period of 2 (two) years w.e.f. 8th April 2021. Mr. Raj Vikash Verma's vast and diversified experience of over ~40 years in fields of Finance, Economics, Banking, Regulatory Compliances, Housing & Mortgage Finance and the Real Estate Sector shall help the Bank to build a strong foundation on which it can profitably and sustainably scale its operations. Further, his regulatory knowledge, vast experience shall benefit the Bank with enhanced focus on the qualitative and quantitative matters that should be looked by the Board and Committees of Board.
4. On the recommendation of Nomination & Remuneration Committee, the Board of Directors in their meeting held on 28th January 2022 have approved the re-appointment of Mr. Sanjay Agarwal, Managing Director & CEO and Mr. Uttam Tibrewal, Whole Time Director, for a period of Four (4) years, with effect from 19th April 2022 up to 18th April 2026. Further, shareholders vide resolution passed through postal ballot has approved their appointment on 9th March 2022.
5. In accordance with the provisions of section 152 of Companies Act, 2013, Mr. Uttam Tibrewal, Whole Time Director retired by rotation at the previous Annual General Meeting and shareholders approved his re-appointment. Further, Mr. Sanjay Agarwal, Managing Director & CEO of the Bank shall retire by rotation at the ensuing Annual General Meeting and being eligible for reappointment, offers himself for re-appointment.
6. Re-appointment of Mr. Mankal Shankar Sriram, Independent Director and Mr. Pushpinder Singh, Independent Director for a second term for a period of 3 years commencing from 21st October 2022 and Mr. Kannan Gopalaraghavan Vellur, Independent Director for a second term for a period of 3 years commencing from 22nd January 2023 has been approved by the Board of Directors

in their meeting held on 20th July 2022 after taking into the consideration the balance of skills, knowledge, qualifications, experience and 'fit and proper assessment' carried out by the Nomination & Remuneration Committee & Board. Further, their reappointment is subject to approval of shareholders at the ensuing Annual General Meeting.

Mr. M S Sriram has vast experience in financial inclusion, microfinance, understanding of rural economy, co-operatives, agriculture and agriculture Finance and his continuation on Board shall further strengthen the Bank's ability to increase credit flow at the bottom of the pyramid and further deepen the impact of its financial & digital inclusion initiatives.

Mr. Pushpinder Singh's expertise in Banking technology will greatly aid the Bank's aspiration of becoming customer-centric, secured and technology driven Bank in the rapidly changing digital-banking infrastructure, with emergence of newer technologies and fast paced developments around digital & payments eco systems.

Mr. Kannan is a Banking industry veteran with over 40 years of experience in Banking & Financial Services (BFSI) sector and he is acknowledged an authority in credit, treasury, business management, risk, and investment management in the Banking sector.

7. Mr. Deepak Jain, Chief Operating Officer has been designated and appointed as Chief Risk Officer ("**CRO**") for a period of 3 (three) years from 1st September 2021, by the Board on the recommendation of Risk Management Committee and Nomination and Remuneration Committee and in view of his appointment as CRO, he demitted the office of Chief Operating Officer w.e.f. 31st August 2021.

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

Further, none of the directors have been debarred from holding office as director by virtue of any order of the SEBI or any other authority.

L. Code of Conduct for Directors and SMPs

In accordance with Regulation 17(5) of SEBI Listing Regulations, the Bank has adopted the Code of Conduct for the Directors and Senior Management Personnel (SMPs). The code of conduct sets forth the guiding principles for orderly & fair conduct by Board Directors and SMPs. All Board members and SMPs have affirmed the compliance of the code for the FY 2021-22 and a declaration to this effect signed by the MD & CEO

forms part of Corporate Governance Report annexed with Board's Report as **Annexure – I**. The Bank's Code of Conduct for Directors and SMPs is disclosed on the website of the Bank at <https://www.aubank.in/investors/secretarial-policies>.

M. Number of Meetings of Board

During the period under review, fourteen (14) Board meetings were held and the gap between the said meetings did not exceed the limit of 120 days as prescribed under the provisions of Companies Act, 2013, and Rules made thereunder, Secretarial Standard-I Issued by Institute of Company Secretaries of India and provisions of SEBI Listing Regulations. The dates of Board meetings and details of attendance of each director have been disclosed in the Corporate Governance Report annexed with Board's Report as **Annexure-I**.

N. Committees of the Board

The Bank believes that Board Committees are crucial to promote best Corporate Governance practices within the Bank. Accordingly, the Bank has constituted various Board Committees to improve the Board efficiency and to support in decision making. The constitution of these Committees is in acquiescence of provisions of the Companies Act, 2013, and relevant rules made thereunder, SEBI Listing Regulations, the Banking Regulation Act, 1949, RBI Circular & Guidelines, Articles of Association of the Bank and other guidelines issued from time to time. The details of the Board Committees of the Bank including number & date of meetings of Committees held during the FY 2021-22 and attendance thereat are disclosed in the Corporate Governance Report annexed with Board's Report as **Annexure-I**.

O. Meeting of Independent Directors

In terms of Schedule IV of the Companies Act, 2013, the Independent Directors are required to hold at least one meeting in a financial year without the presence of Non- Independent Directors and Members of the Management, to review the matters as set out therein.

During the Financial Year 2021-22, the Independent Directors met on 28th April 2021, inter alia to review the matters statutorily prescribed under the Companies Act, 2013 and SEBI Listing Regulations.

P. Familiarisation Programme for Independent Directors

In accordance with Regulation 25(7) of SEBI Listing Regulations and RBI guidelines, the Bank has organised various familiarisation programme during FY 2021-22 for the Independent Directors to enable them to familiarise with the Bank, its Management, Bank's business, and its operations for better understanding of their roles, rights and responsibilities for effective contribution in growth of the Bank.

The Details of familiarisation programme and other training programme for Independent Directors during FY 2021-22 is disclosed in the Corporate Governance Report annexed with Board's Report as **Annexure-I** and on the website of the Bank under <https://www.aubank.in/investors/secretarial-policies>.

Q. Declaration of Independence

In accordance with provisions of sections 149(6) and 149(7) of the Companies Act, 2013, Schedule IV and Regulation 16(1)(b) and 25(8) of the SEBI Listing Regulations, all the Independent Directors have submitted the declaration of independence, confirming that they meet the criteria of independence. In terms of Regulation 25 of SEBI Listing Regulations, the Board of Directors has examined the veracity of declarations submitted by respective Independent Director. Further, in view of change in definition of Independent Directors as per Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2021, all the Independent Directors of the Bank have furnished the declaration of independence as per revised format.

The Independent Directors have complied with the Code applicable for Independent Directors as stipulated under schedule IV of the Companies Act, 2013. Further, all the Independent Directors have registered in the Independent Directors Databank and have paid the relevant fees. All the compliances of rule 6(1) & (2) of the Companies (Appointment and Qualification of Directors) Rules, 2014 have been complied with.

R. Compensation Policy for appointment and remuneration of Director's, Key Managerial Personnel and Senior Management Personnel

In accordance with the provisions of section 178(3) of the Companies Act, 2013 read with relevant rules made thereunder, SEBI Listing Regulations, RBI guidelines and on the recommendation of the Nomination and Remuneration Committee, the Bank has formulated and adopted a comprehensive compensation policy for appointment and remuneration of its Directors, Key Managerial Personnel, Senior Management Personnel, Material Risk Takers (MRTs) and Control Function Staff.

The proposal for appointment of Directors is put up to the Nomination and Remuneration Committee ("NRC") along with requisite documents/disclosures received in the prescribed format for his/her proposed candidature as a director. The NRC evaluates the balance of skills, knowledge, qualifications, experience and carries out the 'fit and proper assessment' covering the review of the veracity of documents required for the post and if deems fit, the same is recommended for appointment to Board of Directors for their consideration and approval.

During the FY 2021-22, as a part of Annual review, the Board of Directors reviewed the Compensation Policy and the same is disclosed on the website of the Bank at <https://www.aubank.in/investors/secretarial-policies>.

The terms of reference of the Nomination and Remuneration Committee and Compensation Policy have been provided in Corporate Governance Report annexed with Board's Report as **Annexure-I**.

S. Evaluation of the Directors, the Board and Committees

In accordance with the provisions of Section 149(8) read with Schedule IV, Section 178(2), Section 134(3)(p) of the Companies Act, 2013, Regulation 16 and other applicable Regulations of SEBI Listing Regulations, and in consonance with Guidance Note on Board Evaluation issued by the SEBI the Board assesses its own performance with the aim to improve the effectiveness of the Board and the Committees as part of annual performance evaluation process.

The description and process of annual performance evaluation have been provided in Corporate Governance Report annexed with Board's Report as **Annexure-I**.

T. Statutory Auditors and their Report

In accordance with the 'Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)' dated 27th April 2021 ('RBI Guidelines') issued by RBI, Banks shall appoint the Statutory Auditors for a continuous period of three (3) years, subject to the firms satisfying the eligibility norms each year and the approval of RBI on an annual basis.

As the tenure of the M/s. S. R. Batliboi & Associates LLP has ended at the conclusion of 26th Annual General Meeting held on 17th August 2021, M/s Deloitte Haskins and Sells, Chartered Accountants (Registration no. 117365W) and M/s G. M. Kapadia & Co., Chartered Accountants (Registration no. 104767W) were appointed as the Joint Statutory Auditors (SAs) of the Bank for a period of three (3) years from the conclusion of 26th Annual General Meeting until the conclusion of 29th Annual General Meeting of the Bank to be held in the calendar year 2024, at the Annual General Meeting held on 17th August 2021 subject to the approval of the RBI on annual basis. Further, Reserve Bank of India has approved the appointment of the above audit firms as Joint Statutory Auditors (SAs) of the Bank for FY 2021-22 & and thereafter for FY 2022-23 Annually.

There are no qualifications, reservations or adverse remarks made by M/s Deloitte Haskins and Sells, Chartered Accountants and M/s G. M. Kapadia & Co.,

Chartered Accountants, Joint Statutory Auditors of the Bank, in their report on the financial statements for the FY 2021-22. 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.

The Statutory Auditors have confirmed their eligibility under Section 141 of the Companies Act, 2013 and as per the guidelines issued by RBI from time to time. Further, as required under the relevant provisions of SEBI Listing Regulations, 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.

U. Secretarial Auditors and their Report

In accordance with the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Regulation 24A of SEBI Listing Regulations and upon recommendation of the Audit Committee, the Bank has 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 2022.

During the year under review, pursuant to provisions of the Section 143(12) of the Companies Act, 2013, 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 2021-22 in form MR-3 is annexed with Board's Report as **Annexure-IV**.

V. Particulars of Loans, Guarantees and Investments

In accordance with the provisions of Section 186(11) of Companies Act, 2013, the provisions of Section 186 of the Companies Act, 2013, except sub-section (1), do not apply to loans made, guarantees given or securities provided or acquisition of securities by a Banking company in the 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.

W. Related Party Transactions

Your Bank has in place a Board approved Policy on Related Party Transactions & Materiality, which provide for the process, procedure and steps required for approval reporting and disclosure of related party transactions.

The Audit Committee of the Board has given omnibus approval for related party transactions of repetitive nature and entered in the Ordinary Course of Business.

During the FY 2021-22, all transactions with related parties, were in the ordinary course of the business and on an arm's length basis. Further, no material related party transactions entered by the Bank during the FY 2021-22. The transactions entered by the Bank with related parties were reported to 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 financial year ended 31st March 2022.

In line with the requirements of the Companies Act, 2013 and amendment to the SEBI Listing Regulations, your Bank has amended the Policy on Related Party Transactions & Materiality as approved by the Board and the same is disclosed on the website of the Bank at <https://www.aubank.in/investors/secretarial-policies>.

X. Material Changes and Commitments, if any, affecting the Financial Position of the Bank

There are no material changes and commitments affecting the financial position of the Bank which have occurred between the end of the financial year i.e. 31st March 2022 upto the date of this Report.

Y. Conservation of Energy, Technology Absorption & Foreign Exchange Earnings and Outgo

Your Bank is committed for maintaining a balance between growth and optimal utilisation of resources and focused towards undertaking initiatives for absorption of technology with conservation of energy.

(a) Conservation of Energy

Being a responsible institution, your Bank is committed towards saving energy and performing business operations in a sustainable manner. Your Bank has undertaken several energy conservation initiatives & measures by upgrading its systems and by implementing technology innovations in its IT Systems.

Details of the quantity of energy saved by the Bank for few of the IT equipments is given below:

Category	Count of Asset	Total Savings (in units)
Desktop	10,009	25,94,333
Laptop	11,709	12,13,989
Printers	1,983	23,98,637
Wep printers	1,191	14,40,634
Total		76,47,593

Steps taken or impact on conservation of energy, utilising alternate sources of energy and capital investment on energy conservation equipment's

Your Bank strives to employ the best practices of Energy Conservation in Facility Management through robust planning, administration, and maintenance and regular communication and awareness among employees around these measures at Bank level. Your Bank uses energy efficient LED lights in branches, offices and uses maximum of natural light in the office premises during the daytime.

Your Bank also makes use of IT hardware that meets the Environmental Safeguard Agency's (EPA) Power Star Advisory to minimise electricity consumption in the Bank. This optimisation of resources also extends to machines such as workstations, desktops, laptops, and notebooks. Additionally, your Bank also uses machines with multi-core processors that elevate a machine's performance without drawing on too much energy, which in turn results in higher efficiency and performance enhancement.

Your Bank is also driving changes in digital Banking in the sector through the effective use of Paperless for Two-Wheeler Lending Process. To achieve this digitisation, the Bank uses a Tab-based system thereby eliminating the need of paper for documentation of any kind. Your Bank has also introduced Instant Account Opening facility through WhatsApp and other digital channels. This has helped to adopt a smooth, user- friendly approach of account opening. Bank is further focusing & making long term tech investments in Video Banking technologies to provide ease of Banking, where customers' time can be further saved by connecting through Video Banking in place of visiting at Branches/offices, thereby further saving fuel expenses. Such digital initiatives have gone a long way to help your Bank reduce the carbon footprint and moving closer to its goal of digital excellence & automation.

Using power supervision technology and guidelines

Your Bank uses devices with the latest Operating System that work on Advanced Settings Power Use Interface (ACPI) to increase computational efficiency and reduce energy consumption. Using a machine in the power-saving configuration means that it will automatically switch to energy saving mode once left idle for certain amount of time.

Using Cloud based technology and virtualised info center

Your Bank strives to channelise its efforts and investment towards infrastructure development in the digital space. Your Bank makes use of virtual machines and cloud-based technologies to create a virtual ecosystem.

This not only reduces dependency on physical servers thereby reducing operational wattage and space, new, energy efficient, reliable, and vastly advanced cloud-based systems are put into place to enhance the user experience.

Recycling systems and supplies

Your Bank also practices highly efficient management methods to refurbish aging IT systems. This is carried out to avoid sending hazardous materials into huge landfills and scaling down the load on already overburdened junkyards. The Bank also employs a coherent system of recycling slightly older IT systems by assigning them to the staff that does not need to perform heavy data processing on their system. By doing so, the Bank successfully reduces the demand for new desktops and laptops even with the growing workforce.

Scrap Disposal

There is limited scope for Scrap build up & disposal as the Bank is into Financial Services Space. Further, in respect IT Assets, the same were disposed through E-Waste vendor and details are covered in the Business Responsibility and Sustainability Report FY 2021-22 annexed with Board's Report as **Annexure-V**.

(b) Technology Absorption

I) The efforts made towards Technology absorption:

Your Bank is adopting various strategies to enhance its positive impact on the absorption of new technology. The digitisation of the Bank's products and services has helped to make it more convenient for customers and helped to reduce the quantum of resources consumed in banking operations. Bank implemented managed print services (MPS) for PAN INDIA Banking operations. Highly efficient use of technology resulting in less pollution and waste of resources i.e. 'Reuse, Recycle and Reduce waste'. All MFPs are managed through software which helps in saving time, improve efficiency, reduce costs, save money, improve productivity, reduce capital expenditure, improve cashflow, more agile and helps in security of information.

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

Through the advent of digital banking and mobile based initiatives, your Bank has been able to not only enrich the customer experience, but also provide cost effective products & services by focusing on bringing down the transaction & service cost. Your Bank also makes use of efficient end point devices and IT Hardware that makes optimal electric consumption while providing high performance.

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

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

IV) Expenditure incurred on Research and Development

Since financial services is being primarily covered under Service Sector, the details of this clause are not applicable to the Bank.

(c) Foreign Exchange Earnings and Outgo

During the financial year ended 31st March 2022, there were no foreign exchange earnings and the foreign exchange outgo was ₹ 6.18 crore.

Z. Risk Management

Over quite some time, the finance industry witnessed significant transformations due to advancements in technologies, business model transformations, changing regulatory standards, and many other external and internal factors. Risk is the most critical element for the Bank and in the Banking industry this element became 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 & Liquidity Risk, Operational Risk, IT and Cyber Security Risk, Compliance Risk and other risks. Your Bank has adopted a multi-layered risk management process to identify, assess, monitor, and manage risks through the effective use of processes, information, and technology.

The good risk management practices of the Bank have facilitated navigating through pandemic times and its Enterprise Risk Management (ERM) framework has helped us strategically benchmark its practices across different business lines to best-in-class levels.

Your Bank has an integrated risk management function, which is independent of business functions and is entrusted with the responsibility of managing risks prudently. The risk management philosophy and approach are designed to protect depositors, customers' and shareholders' interests.

Risk function of the Bank takes cognisance of risk as an integral part of growth and accordingly integrates its scope in sync with the growth of the Bank. Risk function understands that growth comes with its inherent risk and

same is to be addressed adequately through adequate controls and measures.

For effective risk management across Bank, it ensures that all the officials at leadership level are suitably qualified and experienced as per industry standards, must have necessary skill sets and should remain updated as an ongoing process. Bank also arrange trainings for the officials to enhance their competencies. This helps Bank in better Risk Mitigation and Management.

Bank had developed enterprise risk model (Overall Risk Assessment Scorecard) which is designed to strengthen the Bank's capability to identify, measure, monitor and mitigate and report all the risk on a timely as well as comprehensive manner.

Pursuant, to Regulation 21 of the SEBI Listing Regulations, the Bank has constituted a Risk Management Committee which oversees the implementation of the risk governance framework in line with the guiding principles and as mandated by the regulatory provisions, Bank has appointed a Chief Risk Officer ("CRO"), who administers the risk associated key verticals i.e. Credit Risk, Market & Liquidity Risk, Operational Risk, Fraud Risk, Information Security Risk, Compliance Risk and other Risks 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 and interacts regularly with the Committee Members. The CRO is primarily responsible for making decisions on risk management issues that directly impact the strategic direction of the Bank and monitor the progress of risk management activities. The details of the Risk Management Committee and its terms of reference are set out in the Corporate Governance Report annexed with Board's Report as **Annexure-I**.

The Risk Management framework is a layered structure and broadly consists of the following aspects for effective risk management across the Bank:

(a) Credit Risk Management

Risk: Credit risk arises from business operations that give rise to actual, contingent, or potential claims against any counterparty, borrower, or obligor. The scope of the Credit Risk unit includes measuring, assessing, and monitoring credit risk within the Bank through strengthening underwriting norms, keeping close watch on asset quality trends and concentrations at individual exposures as well as at the portfolio level.

Mitigation: Credit Committee and Credit Risk & NPA Management Committee (CRNPAC) overseas and reviews the credit risk and is responsible for prudential limits on large credit exposures, asset concentration, portfolio management, loan review mechanism, risk

concentration, monitoring and evaluation, provisioning, regulatory and other issues around it. All aspects of credit risk are governed by the Credit Risk Management Policy and other Policies. Your Bank has laid down prudential limits and caps on various aspects to control the magnitude of credit risk. Loan administration and monitoring is carried out through Portfolio Profiling, Early Warning Framework, Rapid Portfolio Review, and Annual Monitoring of High Value Customers.

Credit Risk and NPA Committee follow the guiding principles listed below:

- Ensure that a governance framework is established for an effective oversight, segregation of duties, monitoring and management of Credit Risk in the Bank.
- Ensure that the sourcing and approval of credit proposals are as per the defined strategies, systems, and processes.
- Ensure that guiding principles shall be laid down for the setting up and monitoring of the credit and credit risk appetite and limits.
- Establish standards to facilitate effective identification and assessment of credit risks in the Bank.
- Establish standards for effective measurement and monitoring of credit risk.
- Ensure adherence to the guidelines/policies related to credit, credit risk and NPA management as issued by the Reserve Bank of India (RBI) from time to time.

The Board Delegated Credit Committees submit their updates to Risk Management Committee of the Board at regular intervals.

(b) Operational Risk Management

Risk: Operational Risk has been defined by the RBI as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes Legal Risk but excludes Strategic and Reputational Risk.

Mitigation: The Bank has the Board delegated Operational Risk Management Committee ("ORMC") to oversee implementation of the operational risk management framework across the Bank and advise on implementation of measures for risk mitigation which further reports to Risk Management Committee of the Board. The Bank follows an integrated risk approach, where operational risks and its monitoring folds into Chief Risk Officer (CRO) and ORMC. The Bank has in place a board approved Operational Risk Management Policy which includes 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 also has Risk Containment Unit (RCU) that is guided by a Board approved Fraud 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 ("SFMC") of the Board. The Bank is continuously strengthening its systems, operational practices and processes, 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.

With the launch of Digital Banking, the Bank has seen significant milestones in both at customer facing technologies and internal digitisation. To ensure safe and secure transactions and improve the customer experience at the digital fronts, the Bank monitors the transactions on an ongoing basis. As your Bank prepares for the next step in the world of Digital Banking, it is confident that its technological capabilities will propel the next phase of growth in the coming years.

Your Bank has in place a comprehensive Outsourcing Risk Policy in line with RBI guidelines released on time-to-time basis keeping in view the extensive use of outsourcing by the Bank. Board shall have the ultimate responsibility for the outsourced activity. However, for ease of functioning, the powers have been delegated to the Risk Management Committee of the Board ("RMCB") of the Board and Committee for Outsourcing of IT and Financial Services. The outsourcing policy document of the Bank lays down the framework adopted by the Bank for reviewing and approving outsourcing of services that includes plans and procedures to evaluate, assess, approve, review, control and monitor the risks and materiality of all its vendor/outsourcing activities and serve as a guidance to the Bank to adopt sound and responsive risk management practices for effective oversight, due diligence and management of risks arising from outsourcing activities.

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 and minimising impact on the IT systems of the Bank. The Bank activated its BCP plans even before the lockdown was announced and employees started working remotely from 22nd March 2020. This empowered us to deliver sustenance in our customer offerings and a high degree of uptime in the digital channels. Your

Bank hereby report that the Bank's Business Continuity Management was operating effectively throughout the year.

Your Bank has responded to the COVID-19 pandemic adequately through robust Business continuity management, by promptly catering to customer and other stakeholder's requirements without fail. The Bank make sure that the lessons learnt from the pandemic are not lost and are evolving BCP learnings on the go. Your Bank has been constantly working to simplify the business processes to become even more customer centric during these tough times. Further, Your Bank has Cyber Crisis Management Plan in place to address any disruption due to cyber events.

(c) Market Risk, Liquidity and Asset Liability Management

Risk: 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. Liquidity risk refers to Bank's inability to fund an increase in assets or withdrawal of liabilities and meet both expected and unexpected cash & collateral obligations at reasonable cost without adversely impacting its financial condition.

Mitigation: 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 able 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 Board approved policy captures the risk appetite around the liquidity and market risk 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 and operate within the approved risk appetite by the Board.

(d) IT Risk Management

Risk: Your Bank is growing with digitisation and aimed at leveraging digital technology to provide a best-in-class experience for its customers while simultaneously enhancing productivity and improve on IT risk management. Risk of cyber-attacks on your Bank's systems arises among others from computer viruses, malicious or destructive code, phishing attacks, denial of service or information, application vulnerability and other security breaches resulting in disruption of its services or theft or leak of sensitive internal data or customer information.

Mitigation: Your 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 is reporting to CISO for monitoring of real-time cyber security glitches. Your Bank has also deployed advanced controls at various layers to ensure that cyber security risk is minimised.

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.

(e) Reputation Risk Management

Risk: Reputation risk can negatively impact the Bank's ability to attract or retain customers and expose it to litigation and regulatory action.

Mitigation: Your Bank communicates with its stakeholders regularly through appropriate engagement mechanisms to address stakeholder expectations and assuage their concerns, if any. There is Zero tolerance for knowingly engaging in any activities that are not consistent with values, Code of Conduct, or policies of the Bank.

(f) Compliance Risk Management

Risk: The adoption of effective KYC/AML standards is an essential part of Banks' Risk Management practices. Banks with inadequate Compliance (AML/KYC) risk management programmes may be subject to significant risks, especially legal and reputational risk. Sound Compliance (AML/KYC) policies and procedures not only contribute to a Bank's overall safety and soundness and also protect the integrity of the banking system by reducing the likelihood of Banks becoming vehicles for money laundering, terrorist financing and other unlawful

activities. Recent initiatives to reinforce actions against terrorism in particular have underlined the importance of Banks' ability to monitor their customers wherever they conduct business.

Mitigation: The Bank has a dedicated Compliance Department that continuously monitors new developments and updates the Bank's Board and senior management about its implications. The Bank has a strong compliance culture and have well-articulated policies with regard to conduct, Vigil Mechanism, AML& KYC, and engagement with third party vendors. Compliance & risk department updated status of compliance & controls to Audit Committee Board (ACB) on regular basis to review and advise on implementation of measures for AML /KYC risk mitigation along with effective Transaction monitoring.

AA. Corporate Social Responsibility

The CSR philosophy of the Bank is to make meaningful contribution by empowering socially, economically, financially, and physically excluded, disadvantaged and challenged communities through CSR initiatives and thereby helping them to become self-reliant and achieve sustainable and inclusive development and growth. Bank is focusing on creating opportunities for enhancing livelihood, opportunities, improving quality of education and skills development, creating awareness amongst public at large on topics of financial & digital literacy, sports health, hygiene and preventive health care etc.

Bank is assiduously committed for ensuring the social wellbeing of the communities in the vicinity of Bank's business operations through CSR initiatives that are aligned with the key priority areas identified for CSR initiatives.

Further, In compliance of the provisions of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Bank has a duly constituted CSR Committee which defines the scope of the CSR Projects for the Bank and its implementation as per Board approved CSR policy.

Pursuant to CSR provisions of the Companies Act, 2013, and rules made thereunder, the Bank has transferred ₹ 8.53 Crore in "Unspent Corporate Social Responsibility Account" (Amount of ₹ 8.22 Crore transferred in unspent CSR Account for FY 2021-22 and Balance of ₹ 0.31 Crore in unspent CSR Account of FY 2020-21) for carrying out expenditure on its ongoing CSR Projects and such amount shall be spent in Compliance of CSR Policy towards CSR obligation as per their respective implementation schedule.

The terms of reference of CSR Committee have been disclosed in the Corporate Governance Report and a detailed breakup of expenditure carried out and other

details related to CSR activities has been disclosed in the Corporate Social Responsibility Report annexed with Board's Report as **Annexure-II**. The CSR Policy is disclosed on the website of the Bank at <https://www.aubank.in/investors/secretarial-policies>.

AB. Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

In accordance with the provisions 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 disclosure required under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 is provided in Corporate Governance Report annexed with Board's Report as **Annexure-I**.

AC. Subsidiary & Associate Companies

The Bank does not have any subsidiary or associate. Hence, the details of this clause are not applicable to the Bank. Accordingly, the Bank is also not required to formulate a specific policy on dealing with material subsidiaries.

AD. 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.

AE. Internal Financial Control & their Adequacy

Your Bank has an effective internal financial 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 which is 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 controls were in place and operating effectively for the period under review. Further, in compliance with the requirements of the Companies Act, 2013, joint statutory auditors have issued an opinion

with respect to the adequacy of the internal 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 2021-22.

AF. Cost Records

The provisions for maintenance of cost records as specified by the Central Government under section 148(1) of the Companies Act, 2013, are not applicable to the Bank.

AG. Corporate Governance

The Bank's activities are carried out in accordance with good corporate governance practices and the Bank is constantly striving to make them better with the time. The Bank believes that Governance framework and good practices helps in creating right culture and in turn enhances long-term sustainable value for all its stakeholders. Bank adheres to the Corporate Governance requirements set out by the SEBI.

The Corporate Governance Report for FY 2021-22 along with certificate issued by M/s V. M. & Associates, Company Secretaries confirming the compliance to applicable requirements related to corporate governance as stipulated under the SEBI Listing Regulations, is annexed with Board's Report as **Annexure-I**.

AH. Business Responsibility and Sustainability Report

In accordance with the amendment in Regulation 34(2) (f) of the SEBI Listing Regulations, vide Gazette notification no. SEBI/LAD-NRO/GN/2021/22 dated 05th May 2021, your Bank has adopted the Business Responsibility and Sustainability Report ("BRSR") voluntarily for FY 2021-22 to provide enhanced disclosure on ESG practices and priorities of the Bank. The BRSR is annexed with Board's Report as **Annexure-V** and disclosed on the website of the Bank at <https://www.aubank.in/reports>.

AI. Social Environmental and Management System

The Social Environmental and Management System (SEMS) is a set of policies and procedures that helps in setting guiding principles for identifying and managing financial institution's exposure to the environmental and social risks of its customers. The Bank endeavors to benchmark itself with the best of corporates in India and continued its focus to implement best Environmental, Social and Governance (ESG) practices in its operations with responsible lending approach. The procedures and decision-making process of the SEMS are systematically incorporated at each stage of appraisal and monitoring. Awareness is also created among vendors and customers to comply with applicable social and environmental laws to inculcate right practices in their operations.

AJ. 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, is annexed with Board's Report as **Annexure-III**.

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, as amended is given in an annexure and forms part of this report. In terms of Section 136(1) of the Companies Act, 2013, the annual report is being sent to the Members excluding the aforesaid annexure. The annexure is available for inspection upto the date of Annual General Meeting at the registered office of the Bank and any Member interested in obtaining a copy of the Annexure may write to the Company Secretary of the Bank at investorrelations@aubank.in.

AK. Management Discussion and Analysis

The Management Discussion and Analysis Report as required by Regulation 34(2)(e) of the SEBI Listing Regulations for the FY 2021-22 is covered in a separate section forming part of the Annual Report.

AL. Annual Return

In accordance with the provisions of Section 134(3)(a) read with Section 92(3) of the Companies Act, 2013, the Annual Return for the financial year ended on 31st March 2022 in the prescribed form MGT-7 is disclosed on the website of the Bank at <https://www.aubank.in/reports>.

AM. Whistle Blower Policy & Vigil Mechanism

In accordance with the provisions of Section 177(9) of the Companies Act, 2013, Rules made thereunder and Regulation 4(2)(d) and Regulation 22 of the SEBI Listing Regulations, the Bank has implemented Whistle Blower Policy & Vigil Mechanism which is disclosed on the website of the Bank at <https://www.aubank.in/investors/secretarial-policies>.

The details have been provided in Corporate Governance Report annexed with Board's Report as **Annexure - I**.

AN. Anti-bribery and Anti-corruption Policy

The Bank follows a 'zero-tolerance approach' towards bribery, corruption and other wrong practices. The Bank is resolute to act professionally, fairly, ethically and with integrity in its dealings and operations. The Bank has a Board approved Anti-Bribery and Anti-Corruption Policy laying down the principles for carrying out Banking business in an honest and ethical manner. The said policy

is disclosed on the website of the Bank at <https://www.aubank.in/reports>.

AO. Compliance of Secretarial Standard issued by ICSI

The Bank has complied with the provisions of all the applicable Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI) as notified from time to time.

AP. Status of Ind AS Implementation

As per the 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), The Banks are advised to 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. The Banks in India currently prepare their financial statements as per the guidelines issued by the 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

Pursuant to Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013, the Board of Directors hereby confirm that:

- 1) In the preparation of the annual accounts for the year ended 31st March 2022, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- 2) We have 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 as on 31st March 2022 and of the profit of the Bank for the year ended on that date.
- 3) We have 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) We have prepared the annual accounts on a going concern basis.
- 5) We have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.
- 6) We have laid down internal financial controls to be followed by the Bank and ensured that such internal financial controls are adequate and were operating effectively.

Acknowledgment and Appreciation

The Board places on record its gratitude to the Government of India, various State Governments, RBI, SEBI, MCA, IRDAI, IBA, UIDAI, CERSAI, Bankers, Lenders, Debenture Trustees, Registrar & Share Transfer Agent, Vendors, Service Providers and others for their continued support and faith reposed in the Bank.

The Board would also like to thank BSE Limited, National Stock Exchange of India Ltd, National Securities Depository Limited, Central Depository Services (India) Limited and Credit Rating Agencies for their continued co- operation.

The Board hereby convey its sincere thanks to the Shareholders, Debenture/Bond Holders and esteemed customers of the Bank for their unstinted patronage.

The Board also expresses its deep appreciation for the dedication and commitment of the employees at all levels for their strong work ethics, professionalism, reinforcing customer centricity, and commendable progress made in challenging environment during the year and helping in laying a strong foundation by keeping eyes on horizon and ears to ground.

For and on behalf of the Board of Directors

AU SMALL FINANCE BANK LIMITED

Sd/-

Sanjay Agarwal

Managing Director & CEO

DIN: 00009526

Date: 20th July 2022

Place: Jaipur

CIN: L36911RJ1996PLC011381

Registered Office: 19-A, Dhuleshwar Garden,

Ajmer Road, Jaipur – 302001, Rajasthan

Sd/-

Uttam Tibrewal

Whole Time Director

DIN: 01024940

Date: 20th July 2022

Place: Jaipur

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 31st March 2022 as stipulated in Regulations 17 to 27 and clauses (b) to (i) and (f) 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 and considering the relaxations granted by the Ministry of Corporate Affairs and Securities and Exchange Board of India warranted due to the spread of the COVID-19 pandemic, 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.

For V. M. & Associates
Company Secretaries
(ICSI Unique Code P1984RJ039200)
PR 581 / 2019

CS Manoj Maheshwari

Place: Jaipur
Date: 26th April 2022
UDIN: F003355D000206261

Partner
Membership No.: FCS3355
C P No.: 1971

Annexure I

Report on Corporate Governance

Corporate Governance in the banking sector

Corporate Governance encompasses a set of systems and practices to ensure that the Bank's affairs are conducted in a manner that ensures ethical conduct of business, accountability, independence, transparency and fairness in all transactions in the widest sense. 'Governance' in general terms, means the application of best management practices, compliance of law in letter and spirit, adherence to ethical standards, distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders.

Banking and financial institutions are the backbone of any economy. The functioning of banking and financial Institutions differs from that of other corporate entities in many ways, which makes good Corporate Governance of banks both critical and important. With the increasing trust of the public in the banking system, banks have been entrusted with a greater responsibility so that they conduct their operations in a way that enhances long-term value for stakeholders, protects the interest of depositors, strengthens accountability, credibility, trust, transparency and integrity of the bank.

The Bank's philosophy on Corporate Governance

AU Small Finance Bank Limited ("the Bank") is committed to achieving the highest standards of Corporate Governance by maintaining the right balance between values of fair and timely disclosures, ethical conduct of business, credibility, accountability, independence, sustainability, and transparency. The Bank's efforts are aimed at maximising the value addition for all stakeholders while carrying out its operations in a well-governed manner.

The Bank's business practices are aimed at imbibing and embodying the above-mentioned values in the business operations of the Bank. Its efforts are focused on creating and enlarging value for its stakeholders, maintaining a transparent relation with customers, ensuring sustainable development for all stakeholders and deploying resources effectively and efficiently. The Bank's Code of Conduct for its Directors, Senior Management personnel, employees and other stakeholders is also aligned to its philosophy on Corporate Governance.

The Bank's Corporate Governance philosophy, inter alia, follows below key norms:

- Adhering to the core values of transparency, accountability, independence, and integrity in all its business practices and management
- Timely and accurate communication with all stakeholders
- Focus on upgrading governance practices and compliance measures to effectively address the challenges that are faced by the Bank under an ever-evolving regulatory and business environment
- Adequate risk management and internal controls
- Balanced and diversified Board for effective discharge of responsibilities and duties

AU Bank governance structure

The Bank believes that good Corporate Governance is an essential foundation for strong performance. Its Board, Executive Management, and employees being the flagbearers of its vision and mission, collectively act to maintain the highest level of Corporate Governance with accountability to strengthen its engagement with its key stakeholders.

The Bank has three layers of defense for strong internal controls, wherein control groups and business units are the first layer of defense, supplemented by the Risk and Compliance function as the second layer of defense and Internal Audit and Vigilance function acting as the third line of defense, which is independent from the first and second lines of defense, which provides independent review and objective assurance on the quality and effectiveness of the Bank's internal control system.

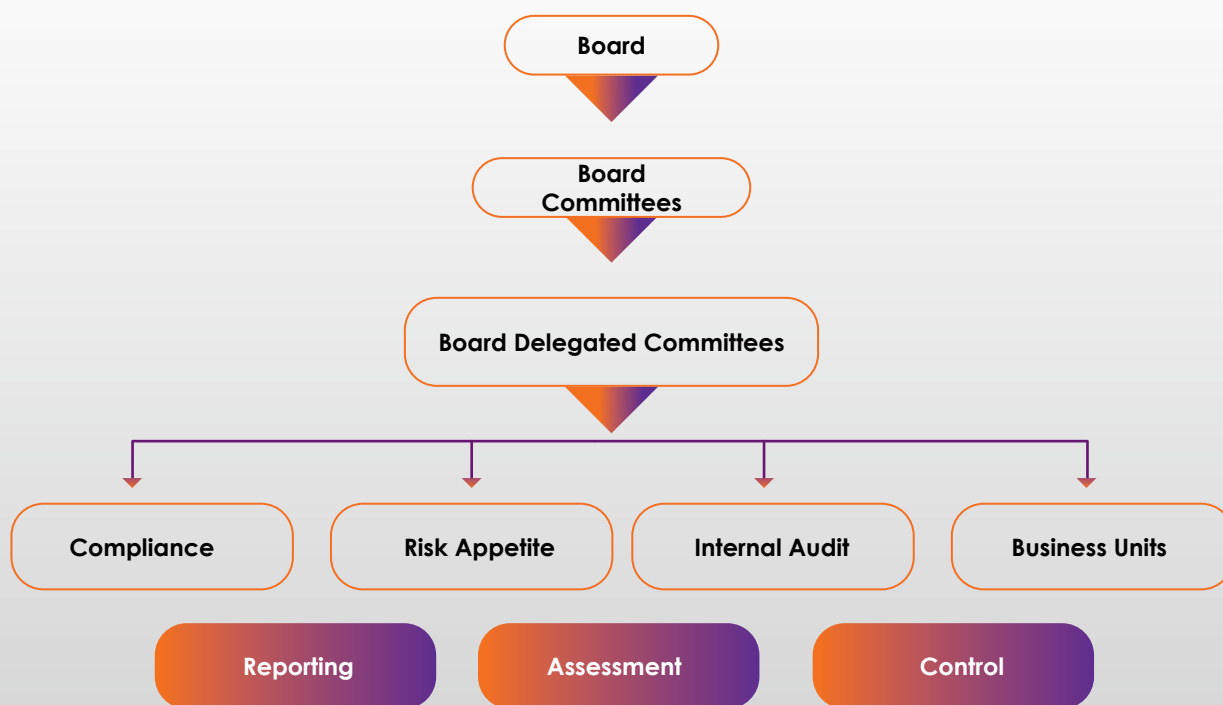
The Board has constituted a number of Board Committees to facilitate the discharge of its responsibilities for monitoring key strategic and operational activities. The Board-delegated committees are administered by the MD & CEO/Whole-Time Director and/or Senior Management personnel of the Bank. These committees are involved in monitoring the operationalisation of the Bank's policies, processes, systems, controls, risk

mitigation measures and provide guidance to the Executive Management w.r.t. business operations and other key matters.

The Bank's Governance practices are consistent with the OECD (Organization for Economic Cooperation and Development) principles is as follows:

OECD principles	Bank's Corporate Governance practices
Effective corporate governance framework	- Well-structured Board and Committees for independent and objective decisioning - Ensuring compliance with all applicable laws and regulations - Integrity and business ethics at all levels
Responsibilities of the Board	- Reviewing and guiding corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans etc. - Monitoring and advising on the effectiveness of the Bank's governance practices - Planning and guidance on succession planning
Rights and equitable treatment of shareholders	- Avoidance of conflict of interest - The Bank has various policies to protect the interest of shareholders and for the redressal of their grievances - All related party transactions are identified and approved by the Audit Committee and the Board, wherever required - Audit Committee reviews all related party transactions for which it has granted omnibus approval.
Disclosure and transparency	- Timely and adequate disclosure of material information to all stakeholders - The Bank's website contains a separate 'Investor' Section wherein financial results, corporate announcement, reports and presentations, Annual Reports, and other disclosures are prominently available; additionally, other press releases, Corporate Governance coverage, CSR, policies and procedures and other details are also displayed on the Bank's website

Governance Structure



Board of Directors ("the Board")

The Bank's diversified and well-balanced Board, consisting of nine (9) Directors with seven (7) Independent Directors, including a woman Independent Director, and two (2) Executive Directors, enhances the quality of discussions and enables effective decision-making. The majority of the Board members, comprising Independent Directors, helps in maintaining its independence.

The composition of the Board conforms to the Banking Regulation Act 1949, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI Listing Regulations**"), the Companies Act, 2013 and the relevant rules made thereunder.

The changes in the composition of the Board of Directors that took place during the year under review was carried out in compliance of the provisions of the the Companies Act, 2013/RBI guidelines and details of appointment/re-appointment during the year under review is covered in the Board's Report.

All non-executive directors on the Board of the Bank are Independent Directors in terms of Regulation 16(1)(b) of the SEBI Listing Regulations and Section 149(6) of the Companies Act, 2013 read with rules framed thereunder. In terms of Regulation 25(8) of SEBI Listing Regulations, Independent Directors have 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. 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, SEBI Listing Regulations, the Banking Regulation Act, 1949, and the guidelines issued by the RBI from time to time and in the opinion of the Board, the Independent Directors meet the criteria of independence laid down thereunder and are independent of the Management.

Key skills/expertise/competence of the Board

The Board of the Bank is diversified in terms of qualification, professional background, knowledge, skills, and experience, thereby enabling long-term sustainable value creation for all the stakeholders. The Board of the Bank comprises qualified members who possess the required skills, expertise and competencies for effective participation in the functioning of the Board and its committees.

The Bank, in compliance with Section 10A(2) of the Banking Regulation Act 1949, read with RBI Notification dated 24th November 2016, has identified the following skills/expertise/ competencies required to be possessed by the Board of Director(s) in the context of its business(es) and the sector(s), for it to function effectively:

Area of expertise	Mr. Raj Vikash Verma	Mr. Harun Rasid Khan	Ms. Jyoti Narang	Mr. Krishan Kant Rath	Mr. Mankal Shankar Sriram	Mr. Pushpinder Singh	Mr. Kannan Gopalaram Vellur	Mr. Sanjay Agarwal	Mr. Uttam Tibrewal
 Accountancy	√	X	X	√	√	X	X	√	√
 Agriculture and rural economy	X	X	X	X	√	X	X	√	√
 Banking	√	√	√	√	√	√	√	√	√
 Co-operation	X	X	X	X	√	X	X	X	X
 Economics	√	√	√	√	√	X	√	√	√
 Finance	√	√	X	√	√	X	√	√	√

Area of expertise	Mr. Raj Vikash Verma	Mr. Harun Rasid Khan	Ms. Jyoti Narang	Mr. Krishan Kant Rath	Mr. Mankal Shankar Sriram	Mr. Pushpinder Singh	Mr. Kannan Gopalagaraghan Vellur	Mr. Sanjay Agarwal	Mr. Uttam Tibrewal
 Law	X	X	X	√	X	X	X	X	X
 Small-scale industry	X	X	X	√	X	X	√	√	√
 Information technology	X	√	X	X	X	√	X	X	X
 Payment and settlement systems	X	√	X	X	X	√	X	X	X
 Human Resources	√	√	√	X	X	X	X	√	X
 Risk Management	√	X	X	√	X	X	√	√	√
 Business Management	√	√	√	√	√	√	√	√	√
 Other expertise	NA	Banking Regulation & Supervision & Financial Inclusion	Hospitality & Customer Service	NA	Financial Inclusion	NA	Treasury	NA	NA

Note: The areas of expertise mentioned in the above table includes skills/expertise/competencies as required to be possessed by the Board members in the context of its business(es) and the sector(s), for it to function effectively.

Apart from the above, the Bank has also identified Customer Service, Treasury, Financial Inclusion and Rural Banking, and Auditing as areas of specialised knowledge and practical experience which, in the opinion of the Board, would be useful for the Bank.

Board's role and functioning

The role of the Board is to provide effective guidance, build trust with all stakeholders and have oversight on the Executive Management of the Bank so that it delivers enduring sustainable value, is fully compliant with extant laws and functions in an ethical and efficient manner.

The Board is responsible for strategic direction, setting of plans and priorities, monitoring corporate performance against strategic business plan, review and approval of the Bank's financial and operating results on a periodic basis, overseeing major capital expenditures, overseeing the Bank's Corporate Governance framework including the functioning of the Board committees, and supervising the succession planning process for Directors and its Senior Management.

The Bank has a three-layer governance structure, wherein the Board is provided with key recommendations and operational updates by the Board committees as per the terms of reference of the respective committees, which is further supported by Board-delegated committees which deal with executive functions and decisioning on key operational matters.

Accordingly, the Board deliberates on matters such as business strategy, risk, financial results, succession planning, compliance, customer service, information technology and human resources as covered under the seven critical themes prescribed by the RBI and such other matters as prescribed under the relevant provisions of the Companies Act, 2013, the relevant rules made thereunder, the SEBI Listing Regulations relating to Corporate Governance and circulars/guidelines issued by the RBI from time to time.

The brief description of the Board of Directors of the Bank, including key qualifications and domain expertise, are given below:

			
	Mr. Raj Vikash Verma Part-time Chairman Independent Director	Mr. Harun Rasid Khan Independent Director	Ms. Jyoti Narang Independent Director
Nationality	Indian	Indian	Indian
Age	67	67	64
Qualification	MA Economics, MBA (Finance) & CAIIB	MA, M.Phil., Diploma in Business Management, CAIIB	BA in Economics, MBA (Finance), Advanced Management Programme - Harvard Business School
Date of appointment in current term	30 th January, 2021	28 th December 2021	30 th March 2020
Term of Directorship	For a term of three years	For a term of three years	For a term of three years
No. of equity shares held	Nil	Nil	5,887
Directorship in other companies	5	Indian	7
Committee position in other public companies			
Chairman	Nil	2	1
Member	Nil	2	3
Directorship in other listed entities including names and category of Directorship)	Nil	Nil	1 Heidelberg Cement India Limited, Independent Director
Profile link	https://www.aubank.in/about-us/Board-of-directors	https://www.aubank.in/about-us/Board-of-directors	https://www.aubank.in/about-us/Board-of-directors

			
	Mr. Krishan Kant Rath Independent Director	Mr. Mankal Shankar Sriram Independent Director	Mr. Pushpinder Singh Independent Director
Nationality	Indian	Indian	Indian
Age	60	59	68
Qualification	CA, CS, B.Com (Hons)	Graduate from IRMA, Fellow-IIMB	B.Sc., CAIIB
Date of appointment in current term	30 th March 2020	21 st October 2019	21 st October 2019
Term of Directorship	For a term of three years	For a term of three years	For a term of three years
No. of equity shares held	68,289	Nil	200
Directorship in other companies	4	4	Nil
Committee position in other public companies			
Chairman	Nil	Nil	Nil
Member	1	1	Nil
Directorship in other listed entities including names and category of Directorship)	1 Future Consumer Limited - Non-Executive – Non-Independent Director	Nil	Nil
Profile link	https://www.aubank.in/about-us/Board-of-directors	https://www.aubank.in/about-us/Board-of-directors	https://www.aubank.in/about-us/Board-of-directors

			
	Mr. Kannan Gopalraghavan Vellur Independent Director	Mr. Sanjay Agarwal Promoter- Managing Director & CEO (Executive)	Mr. Uttam Tibrewal Whole-Time Director (Executive)
Nationality	Indian	Indian	Indian
Age	65	51	51
Qualification	MBA, CAIIB, Organizational Leadership Executive program, Wharton Business School	B. Com, CA	B. Com
Date of appointment in current term	22 nd January, 2020	19 th April 2020	19 th April 2020
Term of Directorship	For a term of three years	For a term of three years	For a term of three years
No. of equity shares held	275	5,67,66,359	63,65,595
Directorship in other companies	2	Nil	Nil
Committee position in other public companies			
Chairman	Nil	Nil	Nil
Member	1	Nil	Nil
Directorship in other listed entities including names and category of Directorship)	1 APTUS Value Housing Finance India Limited - Independent Director	Nil	Nil
Profile link	https://www.aubank.in/about-us/Board-of-directors	https://www.aubank.in/about-us/Board-of-directors	https://www.aubank.in/about-us/Board-of-directors

Note: Above table excludes the Membership & Chairmanship of Committees of the Bank.

Notes:

- I. Mr. Raj Vikash Verma has been re-appointed as Part-Time Chairman (Independent Director) of the Bank w.e.f. 8th April 2021 for another period of 2 years, and the same has been duly approved by the RBI and shareholders.
- II. Mr. Harun Rasid Khan was appointed as an Additional Director (Non-Executive Independent) w.e.f. 28th December 2021 pursuant to the resolution passed by our Board on 27th December 2021, and his appointment was approved by the shareholders as Independent Director pursuant to the resolution passed through postal ballot on 9th March 2022.
- III. Re-appointment of Mr. Sanjay Agarwal – MD & CEO and Mr. Uttam Tibrewal – WTD, for second term was approved by the shareholders via postal ballot on 9th March 2022 for a period of 4 years from 19th April 2022 till 18th April 2026 and RBI approval will be sought on or before 18th April 2023, in accordance with applicable provisions. RBI has earlier approved their tenure till 18th April 2023.
- IV. None of the Directors on the Board hold directorship in more than 10 Public Limited Companies and not exceeding 20 companies in compliance with the requirement of Companies Act, 2013.
- V. None of the Independent Directors serves as an Independent Director on more than Seven Listed Companies.
- VI. 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.

- VII. Audit Committee and Stakeholders Relationship Committee have been considered above for Committee Chairmanship and membership.
- VIII. None of the Independent Directors of the Bank have resigned before the expiry of their tenure and during FY2021-22.
- IX. No inter-se relationship exists between the Directors of the Bank.
- X. Necessary disclosures regarding Committee positions in other public companies as on 31st March 2022 have been made by the Directors.
- XI. None of the Director belong to promoter and promoter group except Mr. Sanjay Agarwal.
- XII. None of the Non-Executive Directors hold any convertible instruments of the Bank.

Board and Committee meetings

The Board meets at regular intervals to discuss and decide on Bank/business policy, strategy and the matters referred under Regulation 17 of the SEBI Listing Regulations read with Part A of Schedule II and matters covered under the Calendar of Reviews. In order to facilitate effective discussions at the meetings, the agenda is bifurcated into items requiring approval and items which are to be taken for noting of/review by the Board. This facilitates better time management, informed decision-making and effective participation at meetings, leading to higher Board effectiveness.

Board/Committee meetings and procedures

Parameters	Details										
Terms of reference for committees	- Calendar of Reviews - Committee(s) charters in line with the regulatory requirements (Terms of reference of Board Committee(s) given below)										
Committee constitution	- An independent Director is the chairperson of all Board committees - Board committees are constituted after considering the applicable regulatory requirements and other aspects like specialised knowledge, experience, and expertise of respective members.										
Details of meetings held during the year	In FY 2021-22, there has been increase in the numbers of meetings of Board Committee(s) for discussion on specific agenda/issues requiring attention and time of Board/Committees. <table> <tr> <th>Meetings</th><th>Nos.</th></tr> <tr> <td>Board meetings</td><td>14</td></tr> <tr> <td>Committee meetings</td><td>68</td></tr> <tr> <td>Independent Directors' meeting</td><td>1</td></tr> <tr> <td>Total Board and committee (s) meetings</td><td>83</td></tr> </table>	Meetings	Nos.	Board meetings	14	Committee meetings	68	Independent Directors' meeting	1	Total Board and committee (s) meetings	83
Meetings	Nos.										
Board meetings	14										
Committee meetings	68										
Independent Directors' meeting	1										
Total Board and committee (s) meetings	83										
Seamless access to Agenda papers and notes	With a view to ensure high standards of confidentiality of agenda, ease of access to Board papers, reduction in paper consumption, agenda papers of Board and Committee meetings are circulated through a web-based application for access by the Directors on iPads and hand-held devices which provide seamless access to Directors such that any agenda of any meeting (basis eligibility) can be accessed at any time by a Director.										

The Board / committee meetings are pre-scheduled, and the notice is circulated to the Directors well in advance for better participation & discussion at the meetings. However, in case of a special and urgent business need, the Bank exceptionally convene meetings physically or through electronic means on shorter notice or place the matter for consideration through circular resolution. The Senior Management including Head of various departments are invited to attend the Board/Committee meetings to present specific details/data as desired by the Board members for their deliberation and decision.

The Bank adheres to the provisions of the Companies Act, 2013 read with the rules issued thereunder, Secretarial Standards and SEBI Listing Regulations with respect to convening and holding the meetings of the Board of Directors, its committees, and the general meetings of the shareholders of the Bank.

Board meeting attendance

During the period under review, the Board of the Directors of the Bank met Fourteen (14) times on 01st April 2021, 29th April 2021, 10th May 2021, 24th June 2021, 8th July 2021, 6th August 2021, 28th August 2021, 21st September 2021, 5th October 2021, 28th and 29th October 2021, 27th December 2021, 28th January 2022, 15th and 16th March 2022 and 30th March 2022.

The requisite quorum was present for all the meetings of the Board held during FY 2021-22.

Board Meeting & AGM Attendance

Name of Director	No. of Board meetings: 14														AGM
	1 st April 2021	29 th April 2021	10 th May 2021	24 th June 2021	8 th July 2021	6 th August 2021	28 th August 2021	21 st September 2021	5 th October 2021	28 th & 29 th October 2021	27 th December 2021	28 th January 2022	15 th & 16 th March 2022	30 th March 2022	17 th August 2021
Mr. Raj Vikash Verma															
Mr. Harun Rasid Khan	NA ¹	NA ¹	NA ¹	NA ¹	NA ¹	NA ¹	NA ¹	NA ¹	NA ¹	NA ¹	NA ¹				NA ²
Ms. Jyoti Narang															
Mr. Krishan Kant Rathi															
Mr. Mankal Shankar Sriram															
Mr. Pushpinder Singh															
Mr. Kannan Gopalaraghavan Vellur															
Mr. Sanjay Agarwal									Leave of absence						
Mr. Uttam Tibrewal															

NA¹: Mr. Harun Rasid Khan was appointed as an Additional Director (Non-Executive Independent) w.e.f. 28th December 2021 pursuant to the resolution passed by the Board on 27th December 2021, and his appointment was confirmed by the shareholders pursuant to the resolution passed through postal ballot on 9th March 2022.

NA²: Joined on Board post the Annual General Meeting, hence not applicable.

The role and the composition of Board committees as of 31st March 2022 is as follows:

1. Audit Committee

Regulatory reference	Date of meetings	Composition of the Committee as on 31 st March 2022
- Section 177 of the Companies Act 2013 - Regulation 18 of SEBI Listing Regulations - Board approved charter of the Audit Committee - RBI circular on Corporate Governance in Banks - Appointment of Directors and Constitution of committees of the Board	The Committee met 14 times during the year under review on: 8th April 2021 29th April 2021 24th June 2021 8th July 2021 4th August 2021 6th August 2021 28th August 2021 21st September 2021 5th October 2021 14th October 2021 28th October 2021 19th January 2022 28th January 2022 16th March 2022 The time gap between any two meetings were less than 120 days.	Mr. Krishan Kant Rathi (Chairman) Ms. Jyoti Narang Mr. Mankal Shankar Sriram Mr. Kannan Gopalaraghavan Vellur The Chairman of the Audit Committee was present in Annual General Meeting to answer the queries to the shareholders.

Terms of reference

The terms of reference of the Audit Committee, inter-alia, include:

- Review and approve the nature and scope of the internal audit function and ensure it has adequate resources, skills, qualifications, and appropriate access to information to enable it to perform its function effectively
- Consider major findings of quarterly, semi-annual, and annual internal audit reviews, LFAR and the Management's response; and review Management letter(s) and Management response to the findings, recommendations of the external auditor(s)
- Oversee relationship with external auditors with respect to their remuneration for services, terms of engagement, assessment of their independence, rotation of auditors, resignation and dismissal of auditors, approval of audit plan in line with the scope of engagement
- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of the Management's investigation and follow-up (including disciplinary action) of any instance of non-compliance, including their policies, procedures, techniques, and other regulatory requirements

- Obtain regular updates from the Management and the Bank's legal counsel regarding compliance matters
- Review and monitor implementation and effectiveness of the policies laid down by the Risk Management Committee and highlight gaps or deviations, if any, to the Board
- Oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient, and credible
- Recommendation for appointment, remuneration and terms of appointment of auditors of the Bank including approval of payment to statutory auditors for any other services rendered
- Appointment of Chief Financial Officer, Head of Internal Audit, Chief Compliance Officer after assessing the qualifications, experience, and background, etc. of the candidate and changes in their terms, if any
- Reviewing, with the Management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter
- Reviewing, with the Management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Directors' responsibility statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013
 - Changes, if any, in accounting policies and practices and reasons for the same;
 - Major accounting entries involving estimates based on the exercise of judgment by the Management;
 - Significant adjustments made in the financial statements arising out of audit findings;
 - Compliance with the listing and other legal requirements relating to financial statements;
 - Disclosure and approval of any related party transactions; and
 - Modified opinion(s) in the draft audit report
- Reviewing and overseeing the functioning of the whistle blower mechanism/vigil mechanism established by the Bank and the Chairperson of the Audit Committee shall directly hear grievances of victimisation of employees and Directors who use vigil mechanism to report genuine concerns
- Approval or any subsequent modification of transactions of the Bank with related parties
- Reviewing, with the Management, the quarterly financial results before submission to the Board for approval

2. Risk Management Committee

Regulatory reference	Date of meetings	Composition of the Committee as on 31 st March 2022
• RBI Guidelines on Risk Management System • Regulation 21 of SEBI Listing Regulations • Board-approved charter of the Risk Management Committee • RBI circular on Corporate Governance in banks - Appointment of Directors and constitution of the committees of the Board	The Committee met 9 times during the year under review on: • 9th April 2021* • 21st April 2021 • 24th June 2021 • 5th August 2021 • 28th August 2021 • 16th October 2021 • 28th October 2021 • 18th January 2022 • 28th January 2022	Mr. Kannan Gopalaraghavan Vellur (Chairman) Mr. Krishan Kant Rathi Ms. Jyoti Narang Mr. Mankal Shankar Sriram The Chief Risk Officer has unfettered access to the Risk Management Committee

*The meeting was adjourned to 17th April 2021

Terms of reference

The terms of reference of the Risk Management Committee, inter-alia, include:

- To formulate, monitor and oversee implementation of a detailed risk management policy
- Review, approve/recommend, periodically update internal/ external policies, regulatory guidelines, strategies, and risk management framework, and seek the Board's approval for the same
- To ensure that appropriate methodology, processes, and systems are in place to monitor and evaluate risks associated with the business of the Bank
- To 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 the 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
- The appointment, removal and terms of remuneration including performance review of the Chief Risk Officer (CRO) and set objectives for the CRO and ensure the CRO has unfettered access to the RMCB
- Oversee statutory/regulatory reporting requirements related to risk management and capital adequacy computation with an understanding of the 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), Operational Risk Management Committee, Information Security Risk Management Committee and Asset & Liability Management Committee (ALCO)
- Provide appropriate and prompt reporting to the Board of Directors in order to fulfil the oversight responsibilities of the Board of Directors

3. Nomination and Remuneration Committee (NRC)

Regulatory reference	Date of meetings	Composition of the Committee as on 31 st March 2022
• Section 178 of the Companies Act, 2013 • Regulation 19 of SEBI Listing Regulations • Board Approved Charter of the NRC. • RBI circular on Corporate Governance in Banks - Appointment of Directors and constitution of committees of the Board	The Committee met 14 times during the year under review on: • 9th April 2021 • 19th May 2021 • 24th June 2021 • 3rd August 2021 • 28th August 2021 • 11th September 2021 • 21st September 2021 • 5th October 2021 • 24th November 2021 • 18th December 2021 • 27th December 2021 • 12th January 2022 • 10th February 2022 • 16th March 2022	Mr. Mankal Shankar Sriram (Chairman) Mr. Krishan Kant Rath Ms. Jyoti Narang The Chairman of the NRC was present in Annual General Meeting to answer the queries to the shareholders.

Terms of reference

The terms of reference of the NRC, inter-alia, include:

- Identifying persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down, and recommend to the Board their appointment and removal
- Formulate comprehensive criteria for the appointment of Directors in terms of qualifications, positive attributes, independence, professional experience, track record and integrity of the person
- Devise a policy on Board diversity based on diversity of thought, experience, knowledge, perspective, and gender
- Conduct appropriate due diligence and scrutinise the declarations made by probable candidates at the time of appointment /re-appointment of the Directors of the Board
- Ensure that the Bank has a detailed succession and Management continuity plan for key positions
- Assist in defining the performance evaluation criteria for Directors and other Key Management Personnel (KMPs), Senior Managerial Personnel (SMPs), Material Risk Takers (MRTs) and Control Function Staff and ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks
- Ensure that the Bank's compensation policy provides a fair and consistent basis for motivating and rewarding

employees appropriately according to their performance, job profile/role size, contribution, skill, and competence and review compensation levels of the Bank's employees vis-à-vis other banks and the banking industry in general

- Ensure that the compensation for Directors, KMPs, SMPs, MRTs) and Control Function Staff is in accordance with the RBI guidelines and other applicable regulatory requirements
- Review and oversee the Employee Benefits Programme of the Bank, including deferred benefit plans and retirement plans
- Perform such functions as are required to be performed by the Compensation Committee under the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, including the following:
 - Administering the ESOP plans;
 - Determining the eligibility of employees to participate under the ESOP plans;
 - Granting options to eligible employees and determining the date of grant;
 - Determining the number of options to be granted to an employee;
 - Determining the exercise price under the ESOP plans; and

- Construing and interpreting the ESOP plans and any agreements defining the rights and obligations of the Bank and eligible employees under the ESOP plans, and prescribing, amending and/or rescinding rules and regulations relating to the administration of the ESOP plans

Performance evaluation

Pursuant to Section 149(8) read with Schedule IV, Section 178(2), Section 134(3)(p) of Companies Act, 2013 and Regulation 17 of SEBI Listing Regulations read with relevant schedule and guidance note issued by the Securities and Exchange Board of India, an annual performance evaluation of the Board is undertaken where the Board formally assesses its own performance with the aim to improve the effectiveness of the Board and the committees.

The Bank has a structured assessment process for evaluation of the performance of the Board, Committees of the Board and individual performance of each Director including the Chairman.

The Independent Directors at their separate meeting reviewed the performance of Executive Directors, Chairman of the Bank and of the Board as a whole. Further, Independent Directors were evaluated by the entire Board with respect to the fulfillment of the independence criteria as specified in SEBI Listing Regulations and the Companies Act, 2013 and their independence from the Management.

The performance evaluation process for Directors, inter alia, includes,

Evaluation of	Performance evaluation process		
	Evaluation at		
	Independent Directors	Nomination & Remuneration Committee	*Board (All Directors)
Independent Directors		√	√
Non-Independent Directors	√	√	√
Chairperson*	√		
Board Committees			√
Board as a whole	√		√

*Chairperson of the Bank is an Independent Director and his evaluation as Independent Director is carried out by NRC & Board of Directors of the Bank.

Performance of Independent Directors was evaluated based on knowledge, competency, commitment, contribution, governance, impartial approach, quality of discussions availability and attendance at the meeting. Independent Directors were also evaluated on the criteria of independence, independent views and judgments.

A questionnaire for the evaluation of the Board, its committees and the individual members of the Board including for the Chairperson has been designed covering various aspects of the performance of the Board and its committees.

The parameters and evaluation framework were discussed by the Independent Directors, Nomination and Remuneration Committee and the Board at their respective meetings. The Board noted the actions taken in improving Board effectiveness based on the feedback given by the Independent Directors. Further, the Board also noted areas requiring more focus in the future, which includes further progress on Board diversity, strategy, especially post COVID-19, discussion on succession planning, and risk management etc. The Directors expressed their satisfaction over the evaluation process.

Compensation Policy

The Bank has an approved Compensation Policy which deals with the compensation and benefits of the employees, MRTs, Whole-Time Directors including Managing Director & CEO, Executive and Non-Executive Directors of the Bank. This policy is in line with the RBI's circular/guideline dated 4th November 2019 bearing number DOR.Appt.BC.No.23/29.67.001/2019-20 on Guidelines on Compensation of Whole-Time Directors/ Chief Executive Officers/Other Risk Takers and Control Function Staff, etc. and guidelines issued by the RBI from time to time, Section 178 of the Companies Act, 2013, the relevant rules made thereunder, and the SEBI Listing Regulations, amended from time to time.

The objective of the Compensation Policy is to ensure effective governance of the compensation of Directors (including Independent Directors), KMPs, MRTs, Control Function Staff, Senior Management Personnel and other employees as per the criteria formulated by the Nomination and Remuneration Committee under the requirement of laws, rules and regulations and other applicable guidelines.

The abovesaid policy covers all aspects of the compensation structure such as fixed pay, variable pay, perquisites, performance bonus, guaranteed bonus, share-linked instruments i.e. employee stock options 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 and can be accessed through the link at <https://www.aubank.in/investors/secretarial-policies>.

Director's remuneration criteria

Remuneration of Executive Directors

On recommendation of the Nomination and Remuneration Committee, the Board of the Bank approves remuneration to Executive Directors subject to shareholders' and the RBI's approvals as applicable. The said remuneration is also governed by the employment agreement executed between the Bank and Executive Directors.

The remuneration details of Executive Directors i.e. Mr. Sanjay Agarwal, MD & CEO and Mr. Uttam Tibrewal, Whole-Time Director of the Bank is as per the terms of approval of the RBI and are given below:

Name	₹ in lakh	
	Fixed pay for FY 2021-22 (including perquisites) *	Variable pay**
Mr. Sanjay Agarwal	186	42.39
Mr. Uttam Tibrewal	168 (Refer Note)	36.85

*The revision in fixed pay of FY 2021-22 of ₹ 244 lakh and ₹ 211 lakh of Mr. Sanjay Agarwal and Mr. Uttam Tibrewal respectively is approved by the Nomination & Remuneration Committee, the Board and shareholders of the Bank and the proposal is pending with the RBI for its approval.

**On receipt of RBI approval, ₹ 42.39 lakh and ₹ 36.85 lakh were released to Mr. Sanjay Agarwal and Mr. Uttam Tibrewal as Performance Bonus of FY 2019-20.

Note: 8585 ESOPs was granted to Mr. Uttam Tibrewal with fair valuation of ₹ 51,75,000 as per the approval of RBI and remuneration details mentioned above is excluding of perquisite amount of ₹ 119.59 Crores for ESOPs exercised during FY 2021-22.

During the year, 38,702 ESOPs under ESOP Scheme 2015 – Plan A, 10,18,758 ESOPs Under ESOP Scheme 2015 – Plan B and 4,00,000 ESOPs Under ESOP Scheme 2018 at exercise price of ₹ 10.11, ₹ 33.37, and ₹ 664.00 each, respectively were exercised by Mr. Uttam Tibrewal.

A proper balance between fixed pay and variable pay is ensured for remuneration of the Executive Directors, the variable pay is a mix of cash and non-cash instrument, which is paid under deferral arrangement. The Executive Directors are duly bound with Malus and claw back clause, which activates in 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 three years from 19th April 2020 and can be terminated by either party by giving one month's notice in writing. There is no provision for payment of severance fees.

Remuneration of Non-Executive Directors

The Non-Executive Directors are paid sitting fees for attending each meeting of the Board of Directors or any committee thereof as approved by the Board, within the permissible limit prescribed under the Companies Act, 2013, and other regulatory guidelines, as amended from time to time.

The RBI vide its Circular no. RBI/2021-22/24DOR.GOV. REC.8/29.67.001/2021-22 on Corporate Governance in Banks - Appointment of Directors and Constitution of Committees of the Board dated 26th April 2021, allowed payment of compensation to Non-Executive Directors

[other than Part-time Chairman (Independent Director)] in the form of a fixed remuneration not exceeding ₹ 20,00,000 (Rupees Twenty Lakhs Only) per annum, in addition to sitting fees and expenses related to attending meetings of the Board and its committees.

In the changing scenario around Corporate Governance, norms brought in by the Companies Act, 2013 as well as SEBI Listing Regulations and the Bank's sustainable growth in past five years in terms of Nos. of products, gain in scale and size, operations of the

Bank and increased in time required of Non-Executive Directors, Board of Directors in their meeting dated 27th December 2021 have approved the sitting fees of ₹ 80,000 and ₹ 40,000 to Non-Executive Directors for every Board and Committee meeting attended, respectively and fixed remuneration was revised to ₹ 15,00,000 for each Non-Executive Director of the Bank [other than Part Time Chairman (Independent Director)]. The sitting fees and commission are within the limits prescribed under the provisions of Companies Act, 2013.

The details of sitting fees for attending the Board and committee meetings and compensation paid to Non-Executive Directors for the financial year ended 31st March 2022 are provided below:

Name of Director	Sitting fees	Compensation / Honorarium	(₹ in lakh)
			Total
Mr. Raj Vikash Verma	15.55	20.00	35.55
Mr. Kannan Gopalaram Vellur	23.55	15.00	38.55
Mr. Krishan Kant Rathi	27.05	15.00	42.05
Ms. Jyoti Narang	26.45	15.00	41.45
Mr. Mankal Shankar Sriram	28.05	15.00	43.05
Mr. Pushpinder Singh	18.15	15.00	33.15
Mr. Harun Rasid Khan	2.40	3.91	6.31
Total			240.11

Note: None of the Non-executive Directors have any pecuniary relationship or transaction with the Bank apart from receiving sitting fee and compensation/ profit related commission/honorarium as applicable.

4. Stakeholders Relationship Committee (SRC)

Regulatory reference	Date of meetings	Composition of the Committee as on 31 st March 2022
- Section 178(5) of the Companies Act, 2013 - Regulation 20 of SEBI Listing Regulations - Board-approved charter of the SRC	The committee met 4 times during the year under review on: 17th April 2021 4th August 2021 14th October 2021 12th January 2022	Mr. Raj Vikash Verma (Chairman) Mr. Krishan Kant Rathi Mr. Uttam Tibrewal The Chairman of the SRC was present in the Annual General Meeting to answer the queries from the shareholders

Terms of reference

The terms of reference of the SRC, inter-alia, include:

- Resolving the grievances of the security holders of the listed entity including complaints related to transfer/ transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/ duplicate certificates, general meetings etc.
- Review of measures taken for effective exercise of voting rights by shareholders
- Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar and Share Transfer Agent ("RTA")
- Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Bank
- Review and address matters pertaining to the RTA, including appointment of new RTA in place of the existing
- Review status of investor complaints on a periodic basis and issue necessary instructions to expedite resolution of pending complaints
- Oversee the performance of RTAs and to recommend measures for overall improvement in the quality of investor services

Investor grievance redressal

The Bank has appointed 'Link Intime India Private Limited' as the RTA of the Bank to carry out the share transfer and other work associated 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 corporate, securities and other applicable laws and within the adopted service standards. The Stakeholder Relationship Committee review/evaluate the performance of RTA on quarterly basis.

For any assistance, request or instruction regarding transfer or transmission of securities, dematerialisation of securities, change of address, non-receipt of annual report, dividend warrant and any other query relating to the securities of the Bank, investors may contact the RTA, Link Intime India Private Limited at rnt.helpdesk@linkintime.co.in. For any escalations,

shareholders may write to the Bank at investorrelations@auBank.in. The addresses and contact details of the RTA are provided in the General Shareholder Information section of the Corporate Governance Report.

During the year, the Bank had not received any complaint from the shareholder/debenture holder. There were no investor complaints pending as at 31st March 2022 which were not solved to the satisfaction of shareholders in compliance with SEBI Listing Regulations. The same has been reported to the stock exchange on a quarterly basis.

Name and designation of Compliance Officer

Pursuant to Regulation 6(1) of SEBI Listing Regulations, Mr. Manmohan Parnami, Company Secretary is designated as Compliance Officer of the Bank.

5. Corporate Social Responsibility (CSR) Committee

Regulatory reference	Date of meetings	Composition of the Committee as on 31 st March 2022
- Section 135 of the Companies Act, 2013 - Companies (Corporate Social Responsibility Policy) Rules, 2014 - Board-approved Charter of the CSR Committee	The Committee met 6 times during the year under review on: 17th April 2021 4th August 2021 8th September 2021 25th October 2021 18th December 2021 30th March 2022	Mr. Mankal Shankar Sriram (Chairman) Mr. Krishan Kant Rath Ms. Jyoti Narang Mr. Pushpinder Singh Mr. Sanjay Agarwal The Report on Corporate Social Responsibility is annexed with this Annual Report

Terms of reference

The terms of reference of the CSR Committee, inter-alia, include:

- To formulate and recommend to the Board, a CSR policy which will indicate the activities to be undertaken by the Bank in accordance with Schedule VII of the Companies Act;
- To consider, review and recommend to the Board the amount of expenditure to be incurred on CSR projects and CSR activities to be undertaken by the Bank in compliance of provisions of Companies' Act, 2013 and rules made thereunder
- To review the Annual Action Plan for CSR of the Bank and recommend the same to the Board
- Ensure the effective implementation of the CSR Policy and evaluate the performance of the CSR projects against the CSR Annual Action Plan
- To review the Impact Assessment Report of an independent agency as applicable
- The CSR Committee shall also report annually:
 - Annual report on the CSR activities covering significant CSR activities and achievements
 - The impact assessment reports which shall be placed before the Board and shall be annexed to the annual report on CSR

6. IT Strategy and Information Systems Security Committee

Regulatory reference	Date of meetings	Composition of the Committee as on 31 st March 2022
- RBI guidelines on information security, electronic banking, technology risk management and cyber frauds - Board-approved charter of the IT Strategy and Information Systems Security Committee	The Committee met 4 times during the year under review on: 8th April 2021 4th August 2021 12th October 2021 13th January 2022	Mr. Pushpinder Singh (Chairman) Mr. Raj Vikash Verma Mr. Kannan Gopalaram Vellur Mr. Sanjay Agarwal

Terms of reference

The terms of reference of the IT Strategy and Information Systems Security Committee, inter-alia, include:

- Review of the IT and Digital 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 that a governance structure is in place for IT systems of the Bank, which include technology, its development, IT operations, IT assurance, supplier and resource management
- Review the IT operational model and ensure it is effective and working as per set policies and processes
- Review IT performance measurement and contribution of IT to the Bank's business
- Ensure that the IT risks and controls are documented and covered, and risk mitigation and monitoring initiatives are taken
- Review IT security incidents and corrective action plans

7. Customer Service Committee (CSC)

Regulatory reference	Date of meetings	Composition of the Committee as on 31 st March 2022
- Master circular of the RBI on customer service in Banks - Board-approved charter of the CSC	The Committee met 4 times during the year under review on: 9th April 2021 4th August 2021 13th October 2021 13th January 2022	Ms. Jyoti Narang (Chairperson) Mr. Mankal Shankar Sriram Mr. Kannan Gopalaram Vellur Mr. Pushpinder Singh Mr. Uttam Tibrewal

Terms of reference

The terms of reference of the CSC, inter-alia, include:

- To review and monitor the effective implementation of customer service related policies, procedures, systems and processes
- Review the statement of complaints along with an analysis of the complaints received with an objective to address the following:
 - To identify customer service areas in which the complaints are frequently received;
 - To identify frequent sources of complaint
 - To identify systemic deficiencies; and
- For initiating appropriate action to make the grievance redressal mechanism more effective
- Review the effectiveness of grievance redressal mechanism within the Bank for redressing complaints received about services rendered by Business Correspondents (BCs)
- Evaluate the trend analysis of customer complaints by product categories/channels/BCs and monitor improvement plans
- Ensure that the products and services are appropriate to the needs of the customers by analysing products and services and associated customer complaints for betterment in customer service quality, and adhere to extant regulations

- 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 3 months to the Board with reasons for delay to facilitate necessary remedial action on priority
- Review the details of the number of claims received pertaining to deceased depositors/locker-hirers/depositors of safe custody article accounts and those pending beyond the stipulated period giving reasons
- Review the performance of Standing Committee for Customer Services and other sub-committees, if any
- Benchmark review of turnaround time for key product offerings and monitoring improvement plans put in place

8. Review of Classification of Wilful Defaulters Committee

Regulatory reference	Date of meetings	Composition of the Committee as on 31 st March 2022
• Master circular of the RBI on 'Wilful Defaulters' • Board-approved charter of the Review of Classification of Wilful Defaulters Committee	The Committee met 4 times during the year under review on: • 17th April 2021 • 4th August 2021 • 14th October 2021 • 12th January 2022	Mr. Raj Vikash Verma (Chairman) Mr. Krishan Kant Rath Mr. Kannan Gopalaraghavan Vellur Mr. Sanjay Agarwal

Terms of reference

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 status of wilful defaulter's cases on periodic basis and highlight unfavourable trends, if any
- Monitor the progress of the agreed action plans in coordination with the Collection department and suggest remedial actions for unresolved issues

9. Special Committee on Fraud Monitoring (SFMC)

Regulatory reference	Date of meetings	Composition of the Committee as on 31 st March 2022
• Master circular of the RBI on Frauds - Classification and Reporting • Board-approved Charter of the SFMC	As the Committee is required to meet for fraud case monitoring of ₹ 1 crore and above only, the Committee met once during the year under review on: • 24th June 2021	Mr. Raj Vikash Verma (Chairman) Mr. Pushpinder Singh Mr. Kannan Gopalaraghavan Vellur Mr. Mankal Shankar Sriram Mr. Sanjay Agarwal

Terms of reference

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 facilitates 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 the top Management of the Bank and the RBI
- Review the efficacy of the remedial action undertaken to prevent recurrence of frauds, such as strengthening of internal controls
- Monitoring progress of police 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 together with other measures to strengthen preventive measures against frauds

10. Disciplinary Committee (DC)

Regulatory reference	Date of meetings	Composition of the Committee as on 31 st March 2022
- RBI circular on Sexual Harassment at Workplace - RBI circular(s) issued on Whistle-Blower policy from time to time - The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 - Board Approved Charter of the DC	The Committee met 2 times during the year under review on: 9th April 2021 12th January 2022	Ms. Jyoti Narang (Chairperson) Mr. Mankal Shankar Sriram Mr. Pushpinder Singh Mr. Uttam Tibrewal

Terms of reference

The terms of reference of the Disciplinary Committee, inter-alia, include:

- To review the policy on Code of Conduct for employees, Whistle Blower policy and Vigil Mechanism and Prevention and Redressal with regard to Sexual Harassment Policy, 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 in the matter
- 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

11. Committee for Financial Inclusion

Regulatory reference	Date of meetings	Composition of the Committee as on 31 st March 2022
Board-approved charter of the Committee for Financial Inclusion and RBI circular(s) issued from time to time	The Committee met 4 times during the year under review on: 17th April 2021 2nd August 2021 16th October 2021 18th January 2022	Mr. Mankal Shankar Sriram (Chairman) Mr. Pushpinder Singh Mr. Kannan Gopalaram Vellur Mr. Uttam Tibrewal

Terms of reference

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 and to ensure the supply of credit to small business units, small and marginal farmers, micro and small industries, and other unorganised sector entities through low-cost operations
- Review of the financial inclusion initiatives and review the plan in this regard. To set targets and monitor achievements in priority sector lending including sub-targets covering lending under agriculture, small & marginal farmers, micro enterprises and to weaker sections of society
- To review and monitor the progress of enrolments under the pro-poor insurance and pension programmes and other government schemes
- To look at effective ways of partnership (including government and non- government network) that provides the power of aggregation and bulk outreach without significant overheads for the Bank
- To review and advise on financial literacy initiatives carried out by banks
- To oversee the functioning of channels of financial inclusion including banking outlets, business correspondents and unbanked branch locations, and to analyse the operational efficiency and sustainability

12. Management Committee

Regulatory reference	Date of meetings	Composition of the Committee as on 31 st March 2022
Board-approved Charter of the Management Committee	The Committee met 2 times during the year under review on: 17th April 2021 18th January 2022	Mr. Raj Vikash Verma (Chairman) Mr. Pushpinder Singh Mr. Sanjay Agarwal Mr. Uttam Tibrewal

Terms of reference

The terms of reference of the Management Committee, inter-alia, include:

- To approve credit facilities and investment exposure above certain threshold to new exposure/loan to existing customers along with existing facility
- Reporting to the Board about no officer or any Committee comprising, inter alia, an officer as member, shall, while exercising powers of sanction of any credit facility, sanction any credit facility to his/her relative
- Reporting to the Board about proposals for credit facilities to the relatives of senior officers of the Bank sanctioned by the appropriate authority through the Management Committee
- Reporting to the Board about any company in which any of the relatives of any senior officer of the Bank holds substantial interest or is interested as a Director or as a guarantor
- To sanction proposals of loans and advances aggregating Rupees twenty-five lakh (₹ 25 lakh) and above to -
 - Directors (including the Chairman / Managing Director) of other banks
 - Any firm in which any of the Directors of other banks is interested as a partner or guarantor; and
 - Any company in which any of the Directors of other banks holds substantial interest or is interested as a Director or as a guarantor

However, for personal loans granted to any Director of other banks, the threshold of ₹ 25 lakh, as mentioned above, has been revised to Rupees five crore (₹ 5 crore)

- To sanction proposals of loans and advances aggregating Rupees five crore (₹ 5 crore) and above to:
 - Any relative other than spouse and minor/dependent children of their own Chairmen/Managing Directors or other Directors;
 - Any relative other than spouse and minor/dependent children of the Chairman/Managing Director or other Directors of other banks;
 - Any firm in which any of the relatives other than spouse and minor/dependent children as mentioned in (a) & (b) above is interested as a partner or guarantor and;
 - Any company in which any of the relatives other than spouse and minor/dependent children as mentioned in (a) & (b) above is interested as a major shareholder or as a Director or as a guarantor or is in control;

Provided that a relative of a Director shall also be deemed to be interested in a company, being the subsidiary or holding company, if he/she is a major shareholder or is in control of the respective holding or subsidiary company.

- Approval of waiver in POS amount for the above amount of ₹ 1 crore

13. Capital Raising Committee

Regulatory reference	Date of meetings	Composition of the Committee as on 31 st March 2022
Board-approved charter of the Capital Raising Committee	As the Committee is required to meet for capital raising related matters, during the year no meeting was held	Ms. Jyoti Narang (Chairperson) Mr. Kannan Gopalraghavan Vellur Mr. Krishan Kant Rath Mr. Sanjay Agarwal

Terms of reference

- To analyse various options for infusion of capital and funds by offering various securities including equity shares, preference shares, debentures, bonds, BASEL

compliant Tier I and Tier II Instruments and other debt securities, etc.

- To approve the issue of securities in one or more tranches to various potential investors within the

overall limit as approved by the Board/ shareholders and determine price/price range for the securities

- To approve and incur the necessary expenditure relating to capital and fund-raising exercise
- To issue receipts/ allotment letters/ confirmations of allotment notes either in physical or electronic mode representing the underlying equity shares
- To perform all activities with regard to fundraising by various methods/ means/options under the authority of the Board and shareholders

Meeting of Independent Directors

Pursuant to Section 149(8) read with Schedule IV of Companies Act, 2013, and Regulation 25 of SEBI Listing Regulations a meeting of the Independent Directors of the Bank is required to be held once a year in absence of Non-Independent Directors.

During the year under review, a meeting of Independent Directors was held on 28th April 2021 chaired by Mr. Raj Vikash Verma and attended by all the Independent Directors of the Bank.

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

Familiarisation programme for Independent Directors

The Bank's Independent Directors are eminent professionals with several decades of experience in the banking and financial services industry, technology, finance, governance and management areas and are fully conversant and familiar with the business of the Bank. In compliance with Regulation 25(7) of SEBI Listing Regulations, the Board Familiarisation Programme covers an induction programme for the new Independent Directors, familiarisation sessions on business and functional issues, external training programmes with IDRBT, CAFRAL and other programmes, knowledge session with subject matter experts and update on recent regulatory changes at regular intervals.

All new Independent Directors are taken through a detailed induction and Familiarisation Programme at the time of their joining the Board. The Managing Director & CEO and Functional Heads explain business strategies, Management structure, past growth trajectory, People Function initiatives, compliance framework, business performance, finance plan, digital strategy, customer experience, review of internal audit, risk management framework, internal financial controls, regulatory updates, etc.

As part of the induction sessions, the Managing Director & CEO presents a brief overview about the organisation, and Senior Management Personnel and Functional

Heads are introduced. The Independent Directors are also briefed 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. Apart from this, the Bank also facilitates continual educational requirements of Directors by updating them about the educational programmes organised by renowned educational institutes and regulatory bodies from time to time and support is provided if they choose to attend the programmes.

The Familiarisation Programme along with details of the same, imparted to the Independent Directors during the year are available on the website of the Bank at <https://www.aubank.in/investors/secretarial-policies>

Director & Officer's Liability Insurance Policy

Pursuant to the Regulation 25(10) of SEBI Listing Regulations, the Bank had undertaken Directors' and Officers' insurance ('D & O insurance') for all its Directors, including Independent Directors, for a quantum and risks as determined by the Board of Directors of the Bank from time to time.

Board Diversity Policy

The Board has framed a policy for Board diversity which lays down the criteria for appointment of Directors on the Board of Bank and guides the organisation's approach to Board diversity.

The Bank believes that Board diversity basis gender, race, age will help build diversity of thought and will set the tone at the top. A mix of individuals representing different geographies, culture, industry experience, qualification and skill set will bring in different perspectives and help the organisation grow. The Board of Directors is responsible for review of the policy from time to time. The Board Diversity Policy is available at the Bank's website at <https://www.aubank.in/investors/secretarial-policies>

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. Succession planning at the Bank ensures that the Bank is prepared with a plan to support operations and business continuity. The Nomination and Remuneration Committee works with the Board on the leadership succession plan to ensure an orderly succession in appointments to the Board and of Senior Management.

Accordingly, the Bank has put in place the policy for orderly succession for appointment to the Board and Senior Management and the same can be accessed through the link at <https://www.aubank.in/investors/secretarial-policies>.

Table- I – Details of number of Committee meetings and participation of Board Members at the meetings during FY 2021-22

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 Willful Defaulter Committee	Special Committee for Fraud Monitoring	Disciplinary Committee	Committee for Financial Inclusion	Management Committee	Capital Raising Committee
No. of meetings held	14	9	14	4	6	4	4	4	1	2	4	2	0
Name of Member	No. of Meeting Attended by Members												
Mr. Raj Vikash Verma	-	-	-	4/4	-	4/4	-	4/4	1/1	-	-	2/2	-
Mr. Harun Rasid Khan	-	-	-	-	-	-	-	-	-	-	-	-	-
Ms. Jyoti Narang	14/14	9/9	14/14	-	6/6	-	4/4	-	-	2/2	-	-	0/0
Mr. Krishan Kant Rathie	14/14	9/9	14/14	4/4	6/6	-	-	4/4	-	-	-	-	0/0
Mr. M S Sriram	14/14	9/9	14/14	-	6/6	-	4/4	-	1/1	2/2	4/4	-	-
Mr. Pushpinder Singh	-	-	-	-	6/6	4/4	4/4	-	1/1	2/2	4/4	2/2	-
Mr. Kannan Gopalaraghavan Vellur	14/14	9/9	-	-	-	4/4	4/4	4/4	1/1	-	4/4	-	0/0
Mr. Sanjay Agarwal	-	-	-	-	5/6	3/4	-	3/4	1/1	-	-	2/2	0/0
Mr. Utham Tibrewal	-	-	-	3/4	-	-	3/4	-	-	1/2	3/4	1/2	-

Corporate Social Responsibility Committee

- Mr. M S Sriram was appointed as the Chairman of the Committee with effect from 6th August 2021.
- Mr. Krishan Kant Rathie ceased to be the Chairman of the Committee with effect from 6th August 2021, however, he continued as a member of the Committee.

Capital Raising Committee

- Ms. Jyoti Narang was appointed as the Chairperson of the Committee with effect from 6th August 2021.
- Mr. Kannan Gopalaraghavan Vellur ceased to be the Chairman of the Committee with effect from 6th August 2021, however, he continued as member of the Committee.

General Body Meetings

A. Location and time of the last three Annual General Meetings (AGMs) and number of special resolutions passed thereat:

S. No.	Year	Particular of Meeting	Date & Time	Location	Special Resolution passed if any
1	2020-21	26 th AGM	17 th August 2021 at 10:30 a.m.	Through Video Conferencing ("VC") and other audio visual means ("OAVM")	- To issue debt securities/bonds/other permissible instruments in one or more tranches. - To raise 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 or such other permissible mode or combinations thereof.
2	2019-20	25 th AGM	21 st July 2020 at 3.30 p.m.	Through VC and other OAVM	- To issue debt securities/bonds/other permissible instruments in one or more tranches. - To approve the amendments in Employee Stock Option Scheme 2015 Plan A & B ("ESOP Scheme 2015"). - To approve the amendments in Employee Stock Option Scheme 2016 ("ESOP Scheme 2016"). - To approve the amendments in Employee Stock Option Scheme 2018 ("ESOP Scheme 2018"). - 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.

S. No.	Year	Particular of Meeting	Date & Time	Location	Special Resolution passed if any
3	2018-19	24 th AGM	26 th July 2019 at 04:00 p.m.	Suryavanshi Mahal – Ground Floor, ITC Rajputana, Palace Road, Jaipur-302006 (Rajasthan)	- To authorise the Board of Directors to borrow money in excess of paid-up capital, free reserves and securities premium of the Bank u/s 180 (1) (c) of the Companies Act, 2013. - To issue securities/bonds/other permissible instruments in one or more tranches. - To alter Article of Association of the Bank. - To approve amendments in Employee Stock Option Scheme 2016.

B. Postal Ballot during FY 2021-22

Pursuant to provisions of Section 110 and other applicable provisions, if any, of the Companies Act, 2013, ("Act") read with Rule 20 and 22 of the Companies (Management and Administration) Rules, 2014, Regulation 44 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), Secretarial Standard on General Meetings ("SS-2") issued by Institute of Company Secretaries of India, General Circulars No.14/2020 dated 8th April 2020, No. 17/2020 dated 13th April 2020, No. 22/2020 dated 15th June 2020, No. 33/2020 dated 28th September 2020, No. 39/2020 dated 31st December 2020, No. 10/2021 dated 23rd June 2021 and No. 20/2021 dated 8th December 2021 issued by the Ministry of Corporate Affairs ("MCA Circulars") and other applicable rules/regulations/guidelines/circulars/notifications, the Bank has sought shareholders' approval on 9th March 2022 through postal ballot by e-Voting. Special Resolution on agenda was sought as below:

Sr. no	Nature of resolution	Agenda heading	Nos. of votes		Percentage (%) of votes	
			In favour	Against	In favour	Against
1	Special resolution	To approve the appointment of Mr. Harun Rasid Khan (H. R. Khan) (DIN: 07456806) as an Independent Director of the Bank	25,71,31,536	3,035	99.999%	0.001%

CS Manoj Maheshwari, Partner of M/s V.M. & Associates, Companies Secretaries was appointed as the scrutiniser for monitoring and scrutinising remote e-Voting and for conducting the postal ballot process in a fair and transparent manner.

None of the special business proposed to be transacted in the AGM requires to be conducted through postal ballot.

Procedure of the postal ballot

The postal ballot procedure followed by the Bank is as stipulated under the provisions of Section 108 and Section 110 of the Companies Act, 2013 read with applicable Rules and SEBI Listing Regulations and the Secretarial Standards issued by Institute of Company Secretaries of India.

Members are provided with the facility to cast their votes through e-Voting. The Board of Directors of the Bank has appointed a scrutiniser for conducting the postal ballot voting process fairly and transparently. The scrutiniser submits his report to the Company Secretary and Compliance Officer as authorised by the Chairman of the Board after the completion of the scrutiny of the e-Voting results.

Considering the results, along with the report of the scrutiniser of the postal ballot, the resolution is considered and approved.

The necessary intimations as required under the applicable SEBI Listing Regulations are submitted to the Stock Exchanges and post declaration of the results, the same are displayed on the website of the Bank and that of National Securities Depositories Limited.

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) Phiroze Jeejeebhoy Towers - 2, Dalal Street, Fort, Mumbai – 400001 National Stock Exchange of India Limited (NSE) Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E) Mumbai – 400 051 Bank has deposited the annual listing fees to the stock exchange(s) where the securities of the Bank are listed. No securities are suspended for trading on any of the exchange viz. BSE and NSE.
7	Stock Code	BSE: 540611 NSE: AUBANK
8	ISIN	INE949L01017
9	Dematerialisation of shares & connectivity	All shares of the Bank were held in dematerialised form and are available for trading in the dematerialised form under both the depositories viz. NSDL and CDSL during the FY 2021-22. 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 NSDL and CDSL for securities of the Bank. No shares were held by Bank in the demat suspense account or unclaimed suspense account.
10	Share Transfer System	The Bank's shares are traded under compulsory dematerialised mode and freely tradable and the share transfer process is monitored by the Registrar and Share Transfer Agent of the Bank. An Annual Certificate of Compliance with the share transfer formalities as required under Regulation 40(9) of the SEBI Listing Regulations 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 Private 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	Catalyst Trusteeship Limited Regd. Office: GDA House, First Floor, Plot No. 85 S. No. 94 & 95, Bhusari Colony (Right), Kothrud, Pune 411038 IN Phone: +91 22-49220555 Email: compliancectl-mumbai@ctltrustee.com
13	27 th Annual General Meeting	• Date & Time: 23rd August 2022 • Venue: Through VC or OAVM
14	Financial Year	The Bank follows the financial year starting from 1 st April to 31 st March every year.

Other disclosures

1. Code of Conduct

The Bank has adopted a Code of Conduct for Directors and Senior Management Personnel and for employees. The Bank through its Code of Conduct provides guiding principles of conduct to promote ethical conduct of business, confirms to equitable treatment of all stakeholders, and to avoid practices like bribery, corruption and anti-competitive practices. The Code is available on the website of the Bank <https://www.aubank.in/investors/secretarial-policies>

All members of the Board and Senior Management Personnel affirmed compliance with the Code of Conduct for Board and Senior Management for FY 2021-22. The declaration to this effect signed by the Managing Director & CEO of the Bank is annexed to this report.

2. Code of Conduct for Prohibition of Insider Trading

The Board has adopted a Code of Conduct - Prohibition of Insider Trading Policy to regulate, monitor and report trading by insiders/designated persons in securities of the Bank. The code, inter alia, requires pre-clearance for trading in the securities and prohibits the purchase or sale of securities while in possession of unpublished price-sensitive information and during the year when the trading window is closed.

Through external agencies, the Compliance Officer organised trainings for the designated person(s) to create and enhance awareness on various aspects of the Prohibition of Insider Trading Code and the SEBI (Prohibition of Insider Trading) Regulations, 2015 and to ensure that the internal controls are adequate and effective.

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 of Fair Disclosure and Conduct and policy for determination and sharing of information for legitimate purpose are available on the website <https://www.aubank.in/investors/secretarial-policies>

3. Related Party Transactions

All Related Party Transactions are placed before the Audit Committee for review and approval and annual omnibus approval is obtained for transactions which are of repetitive nature and/ or entered in the ordinary course of business. There are no materially significant related party transactions entered by the Bank.

Transactions entered into by the Bank with related parties, during FY 2021-22, were in ordinary course of business.

The Bank has policy on Related Party Transactions & Materiality to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Bank and Related Parties.

In line with the requirements of the Companies Act, 2013 and amendment to the SEBI Listing Regulations, the Bank has amended the Policy on Related Party Transactions & Materiality and this is available on the website <https://www.aubank.in/investors/secretarial-policies>

4. Whistle Blower Policy & Vigil Mechanism

The Bank is committed to the highest standards of ethical, moral and legal business conduct. Accordingly, the Bank has adopted a Whistle Blower Policy & Vigil Mechanism in compliance with the relevant provisions of Section 177(9) of the Companies Act, 2013, rules made thereunder and Regulation 4(2)(d) and Regulation 22 of the SEBI Listing Regulations to provide a formal mechanism to employees, customers and stakeholders of the Bank to voice concerns in a responsible and effective manner regarding suspected unethical matters involving serious malpractice, abuse or wrongdoing within the organisation and also provides for adequate safeguards against the victimisation of employees who avail the mechanism. Any incidents that are reported are investigated and suitable action is taken in line with the Whistle Blower Policy. No personnel was denied access to the Audit Committee of the Bank with regard to the above.

The Whistle Blower Policy & Vigil Mechanism have been disclosed on the website <https://www.aubank.in/investors/secretarial-policies>

5. Credit rating

The details of credit rating obtained by the Bank for debt instruments issued by Bank and outstanding as on 31st March 2022 along with outlook is provided below, the same is also available on website of the Bank:

Nature of Debt Instrument	Nature of Term	CRISIL ¹	India Ratings ²	CARE ³
Fixed Deposits	Long Term	FAA+/Positive	-	-
Non- Convertible Debentures	Long Term	CRISIL AA-/Positive	IND AA-/Stable	-
Subordinated Debt	Long Term	CRISIL AA-/Positive	-	-
Tier II Bonds	Long Term	CRISIL AA-/Positive	IND AA-/Stable	CARE AA/Stable
Bank Loans/Facilities	Long Term	-	IND AA-/Stable	-
Certificate of Deposits	Short Term	CRISIL A1+	IND A1+	CARE A1+

Note:

¹CRISIL rating revised its rating outlook to 'Positive' from 'Stable' and reaffirmed ratings on 23rd November 2021.

²India Ratings has withdrawn the ratings of Subordinated Debt as the Bank has repaid the term loan(Subordinated Debt) in full and affirmed rating of other instruments on 19th August 2021.

³CARE Ratings on 23rd March 2022 has assigned a rating of CARE AA/Stable for Tier-II Bonds and has Reaffirmed rating of Certificate of Deposits. Further, the CARE ratings withdrawn the ratings of term loan as the Bank has repaid the term loan in full.

ICRA Credit ratings have reaffirmed and withdrawn rating on Subordinated Debt and Non-Convertible Debentures on 6th July 2021 as instruments/ISINs were fully redeemed.

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

In Compliance of Regulation 17(8) of the SEBI Listing Regulations, the Managing Director & CEO and CFO of the Bank have issued a certificate, 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 with the Corporate Governance Report.

8. Subsidiary company

During the year under review, the Bank does not have any Subsidiary Companies.

9. Declaration of independence

All Independent Directors have provided an annual confirmation that they meet the criteria of independence. Based on the confirmations/disclosures received from the Directors as per the Section 149(7) of the Companies Act, 2013 read with Rule 6 (3) of the Companies (Appointment and Qualification of Directors) Rules, 2014 and Regulation 25(8) of SEBI Listing Regulations, the Board hereby affirms that the Independent Directors fulfil the conditions as specified under Schedule V of the Listing Regulations and are independent of the Management.

The terms and conditions of appointment of Independent Directors have been hosted on the Bank's website and can be accessed through link at <https://www.aubank.in/about-us/Board-of-directors>

10. Accounting treatment

The Bank has adopted accounting policies, which are in line with the Accounting Standards. The financial statements of the Bank have been prepared in accordance with the generally accepted accounting principles in India, including Accounting Standards as per the Companies (Indian Accounting Standards) Rules 2015 as amended and notified under Section 133 of the Companies Act, 2013, read with relevant rules issued thereunder and Banking Regulation Act, Guidelines issued by RBI and SEBI Listing Regulations.

11. Means of communication

The Bank has provided adequate and timely information to its Members, inter-alia, through the following means:

- Publication of quarterly/half yearly/annual financial results:** The quarterly/half yearly and annual financial results of the Bank are published in the English newspaper viz. Business Standard and one leading newspaper in vernacular language viz. Nafanuksan. The same is also reported to the stock exchanges.
- Update on official website:** The Bank's website www.aubank.in contains a separate 'Investor' section wherein financial results, corporate announcement, reports and presentations, Annual Reports, quarterly Corporate Governance Report, shareholding pattern and other disclosures are prominently available for the Bank's investors and other stakeholders. Additionally, other press releases, Corporate Governance coverage, CSR, policies and procedures and other details are also displayed on the Bank's website.

iii) 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.

iv) Management's Discussion and Analysis Report is annexed with this Annual Report.

v) 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.

vi) NSE Electronic Application Processing System (NEAPS): All periodical and other event-based compliance filings of the Bank are filed electronically on this web-based application.

vii) BSE Listing Centre (Listing Centre): All periodical and other event-based compliance filings of the Bank are filed electronically on this web-based application.

viii) SEBI Complaints Redress System (SCORES): Investor complaints received by the Bank are processed at SEBI in a centralised web-based complaints redress system where investors can view online about actions taken on the complaints and their current status.

12. Utilisation of funds

During the year under review, there were no funds raised by the Bank through preferential allotment or qualified institutions placement as specified in Regulation 32(7A) of the SEBI Listing Regulations.

13. Dividend payment

The Board of Directors in its meeting held on 25th-26th April 2022 has recommended a final dividend for its shareholders of 10% i.e. ₹1 per equity share on face value of ₹10/- each for the financial year 2021-22 and consequent to approval of the

bonus issue by the shareholders, the dividend shall be adjusted proportionately i.e. ₹0.50 per equity share on post-bonus share capital and dividend shall be paid subject to the approval of the members at the 27th Annual General Meeting (AGM). There was no interim dividend declared during the reporting period. The record date for final Dividend will be 30th July 2022 (Saturday) for determining the names of the members who would be entitled to the dividend, for the financial year ended 31st March 2022. The dividend on equity shares, if approved by the shareholders, will be paid/dispatched within 30 days of the AGM of the Bank.

14. Details in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Bank has adopted the Prevention and Redressal of Sexual Harassment Policy in compliance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules framed thereunder. The Bank has zero tolerance towards sexual harassment at the workplace. The Bank believes that all employees, including other individuals who are dealing with the Bank, have the right to be treated with dignity. The Bank has constituted the Internal Complaints Committee to review, investigate and take suitable actions on complaints. The Board-level Disciplinary Committee reviews the decisions taken by Internal Complaints Committee.

The following is the summary of sexual harassment complaints received and disposed of by the Bank during FY 2021-22.

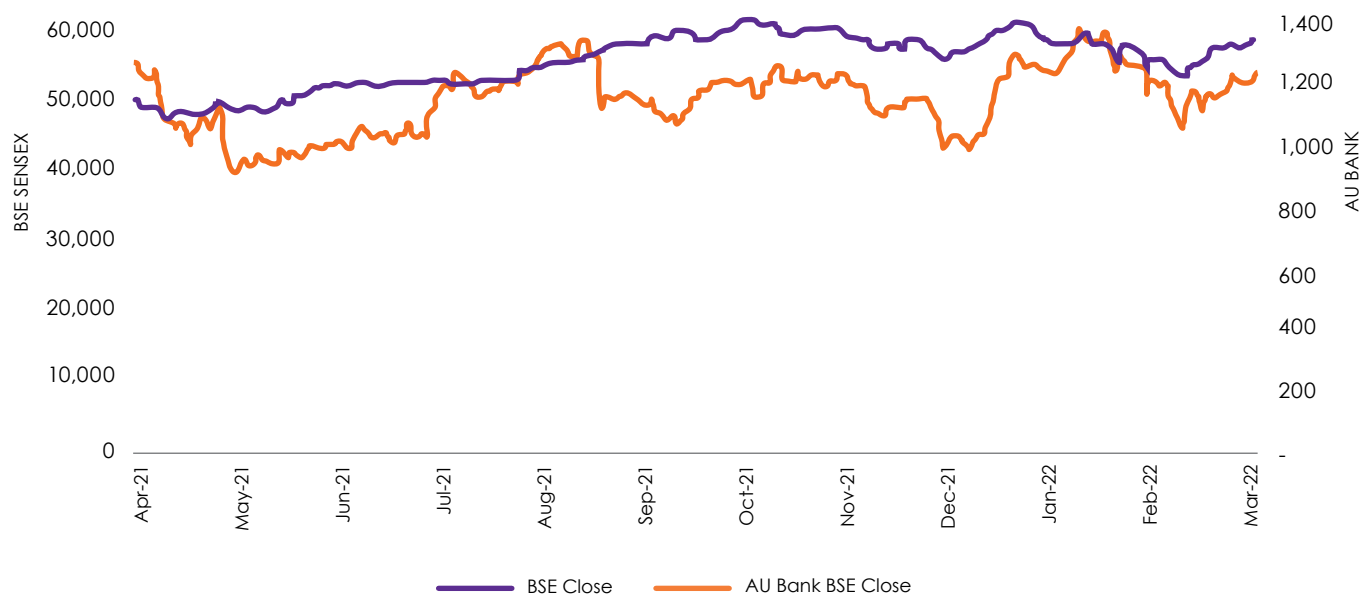
S. No	Particulars	Numbers
1.	Number of complaints filed during the financial year	1
2.	Number of complaints disposed of during the financial year	1
3.	Number of complaints pending as on the end of the financial year	0

15. Market price data

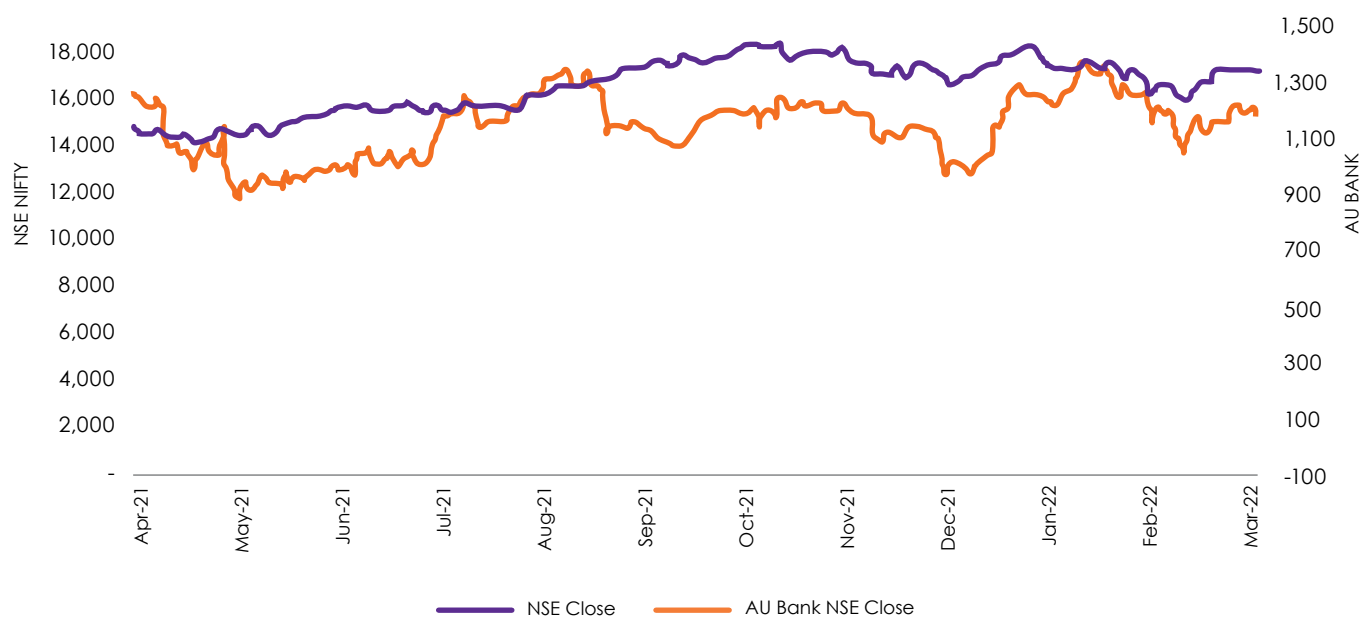
Month	NSE			BSE		
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
Apr-21	1,278	973	3,77,47,123	1,280	975	20,88,819
May-21	1,008	910	3,91,30,484	1,008	910	17,09,372
Jun-21	1,088	976	2,47,55,478	1,088	977	11,71,647
Jul-21	1,260	1,020	3,35,49,089	1,267	1,020	24,58,136
Aug-21	1,390	1,051	4,54,36,207	1,389	1,056	31,35,574
Sep-21	1,213	1,061	4,50,71,289	1,213	1,061	22,06,101
Oct-21	1,300	1,120	2,31,94,812	1,299	1,123	10,10,108
Nov-21	1,262	1,080	1,39,25,604	1,260	1,080	7,04,939
Dec-21	1,195	925	2,57,66,954	1,195	935	11,17,022
Jan-22	1,338	1,040	4,16,74,452	1,338	1,041	13,73,722
Feb-22	1,421	1,165	1,98,07,919	1,421	1,165	7,67,329
Mar-22	1,259	1,050	2,83,54,420	1,259	1,050	10,37,684

Comparison to Broad-Based Indices

AUBANK relative to BSE SENSEX



AUBANK relative to NIFTY



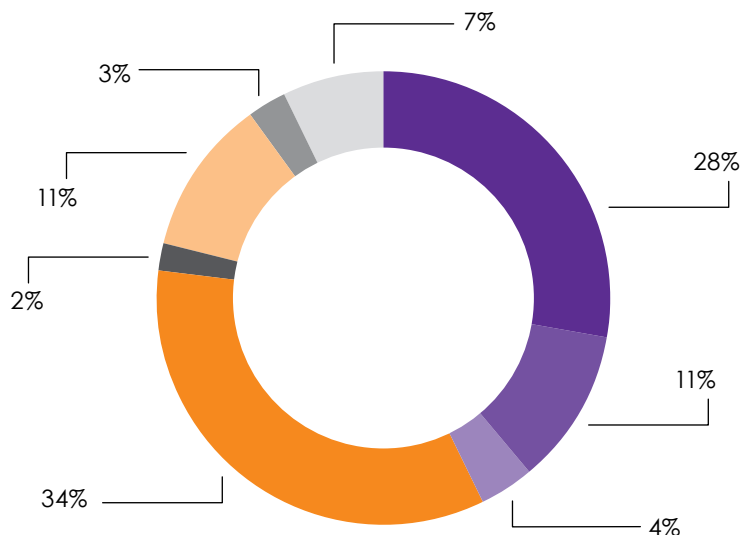
Distribution of shareholding based on nominal value (In ₹) as on 31st March 2022, including categories of shareholders as on 31st March 2022.

AU Small Finance Bank Limited							
Distribution of Shareholding (Rupees)							
Sr. No.	Shareholding of Nominal Shares			Shareholder	Percentage of Total	Total shares	Percentage of Total
1	1	to	5,000	1,45,659	94.47	8,86,54,920	2.82
2	5,001	to	10,000	4603	2.98	3,20,25,560	1.02
3	10,001	to	20,000	1874	1.21	2,59,43,170	0.82
4	20,001	to	30,000	597	0.39	1,45,48,890	0.46
5	30,001	to	40,000	282	0.18	97,09,860	0.31
6	40,001	to	50,000	193	0.13	88,44,310	0.28
7	50,001	to	1,00,000	349	0.23	2,50,09,280	0.79
8	1,00,001	&	above	630	0.41	2,94,42,64,320	93.50
Total				1,54,187	100	3,14,90,00,310	100.00

Categories of shareholders as on 31st March 2022

Particulars	No. of Shares	%
I Promoter & Promoter Group		
Sanjay Agarwal	5,67,66,359	18.03
Shakuntala Agarwal	1,18,20,430	3.75
Jyoti Agarwal	1,18,18,560	3.75
Chiranji Lal Agarwal	18,29,321	0.58
MYS Holding Private Limited	66,64,536	2.12
II Other Institution		
Mutual Fund	3,53,44,899	11.22
Financial Institutions/Bank	107	0.00
Alternative Investment Fund	1,20,98,424	3.84
Insurance Companies	1,16,98,278	3.71
Foreign Portfolio Investors	10,80,55,655	34.31
III Other Non-Institution		
Bodies Corporates	65,01,384	2.06
IV Individuals		
(i) Individuals holding nominal share capital up to 2 lakh	1,83,35,796	5.82
(ii) Individuals holding nominal share capital in excess of 2 lakh	1,50,76,760	4.79
V Non-Resident Indians (Non-Repat)	14,96,761	0.48
Non-Resident Indians (Repat)	10,76,504	0.34
VI Hindu Undivided Family	3,76,112	0.12
VII Clearing Members	7,22,440	0.23
VIII Foreign Company	1,01,04,364	3.21
IX Trust	33,31,287	1.06
X Limited Liability Partnership	17,82,054	0.57
Total	31,49,00,031	100.00

Shareholding pattern as on 31st March 2022



Promoter & Promoter Group	Foreign Portfolio Investors	Foreign Company
Mutual Fund	Bodies Corporates	Others
Insurance Companies	Individuals	

List of shareholders holding more than 1% share in the Bank as on 31st March 2022

AU Small Finance Bank Limited			
List of shareholders holding more than 1 % shares as on 31 st March 2022			
S. No.	Name of Shareholder	No. of Shares held	% of holding
1	Sanjay Agarwal	5,67,66,359	18.03
2	Wasatch Advisors	2,15,35,293	6.84
3	Kotak Flexicap Fund	1,47,49,916	4.68
4	Camas Investments Pte. Ltd.	1,44,34,805	4.58
5	Smallcap World Fund, Inc	1,29,33,400	4.11
6	Shakuntala Agarwal	1,18,20,430	3.75
7	Jyoti Agarwal	1,18,18,560	3.75
8	Westbridge Aif I	1,04,63,446	3.32
9	Nomura India Investment Fund Mother Fund	84,19,483	2.67
10	Nippon Life India Trustee Ltd-A/C Nippon India Growth Fund	66,32,005	2.11
11	MYS Holdings Private Limited	66,64,536	2.12
12	HDFC Life Insurance Company Limited	62,64,274	1.99
13	New World Fund Inc	63,08,752	2.00
14	Uttam Tibrewal	63,65,595	2.02
15	UTI Flexi Cap Fund	46,48,811	1.48
16	Amansa Holdings Private Limited	43,51,147	1.38
17	Motilal Oswal Flexi Cap Fund	43,07,204	1.37
18	Morgan Stanley Investment Funds Emerging Leaders Equity Fund	35,36,438	1.12
19	Motilal Oswal Financial Services Limited - Proprietary Account	32,87,371	1.04

Shareholding of the Directors of the Bank as on 31st March 2022

S. No.	Name of Directors	No. of Shares	% of Shares
1	Mr. Raj Vikash Verma	0	0.00
2	Mr. Krishan Kant Rath	68,289	0.02
3	Ms. Jyoti Ishwar Chandra Narang	5,887	0.00
4	Mr. Mankal Shankar Sriram	0	0.00
5	Mr. Pushpinder Singh	200	0.00
6	Mr. Kannan Gopalaraghavan Vellur	275	0.00
7	Mr. Harun Rashid Khan	0	0.00
8	Mr. Sanjay Agarwal	5,67,66,359	18.03
9	Mr. Uttam Tibrewal	63,65,595	2.02

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 and does not have 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 provided by the Joint Statutory Auditor is ₹ 2.55 crore, excluding taxes 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.

Further, the Secretarial Auditor has also certified on compliance of conditions of Corporate Governance of the Bank for the period under review. The abovesaid certificate(s) are annexed with this Annual Report.

22. SEBI (LODR) Regulations:

During the year under review, the Bank has complied with all the mandatory requirements of Regulation 17 to 27 and 46 and has also complied with the requirement of Schedule V of the SEBI Listing Regulations except for Regulation 24, which is not applicable as the Bank does not have any subsidiary.

Further, among discretionary requirements, as specified in Part E of Schedule II of LODR Regulations and other acts, rules, regulations, and guidelines as applicable, the Bank has adopted the following:

a) Separate office of Non-Executive Part-Time Chairman

The Bank has separated the role of Chairman and the Managing Director & CEO, and the Chairman is not related to the Managing Director or the Chief Executive Officer as per the definition of the term 'relative' defined under the Companies Act, 2013.

Mr. Raj Vikash Verma is the Part-Time Chairman (Non-Executive) and Mr. Sanjay Agarwal is Managing Director & CEO of the Bank. The expenses pertaining to the office of the Non-Executive Chairman is maintained by the Bank along with the reimbursement of all the expenses incurred by the Chairman while performing his duties.

b) Shareholders' rights

The Bank publishes its financial results every quarter on its website at www.aubank.in, which is accessible to the public at large. The same is also available on the websites of the Stock Exchanges, i.e. BSE Limited (BSE) and National Stock Exchange of India Ltd. ('NSE').

Investors' presentations, call transcripts and press releases are also posted on the Bank's website. Further, information pertaining to important developments of the Bank was 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 Bank are listed.

c) Modified opinion(s) in audit report

During the year under review, there is no audit qualification on the Bank's financial statements.

d) Reporting of internal auditor

The internal auditor (Head of Internal Audit) of the Bank reports to and has direct access to the Audit Committee.

CERTIFICATE ON COMPLIANCE WITH THE CODE OF CONDUCT & ETHICS

I confirm that for the year under review, all Directors and Senior Management have affirmed adherence to the provisions of the Code of Conduct of Directors and Senior Management personnel.

Place: Jaipur
Date: 26th April 2022

Sd/-
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 2022 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's 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: 26th April 2022

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 2022 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.	Raj Vikash Verma	03546341
2.	Sanjay Agarwal	00009526
3.	Uttam Tibrewal	01024940
4.	Krishan Kant Rath	00040094
5.	Jyoti Narang	00351187
6.	Mankal Shankar Sriram	00588922
7.	Kannan Gopalraghavan Vellur	03443982
8.	Pushpinder Singh	08496066
9.	Harun Rasid Khan	07456806

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: 26th April 2022
UDIN: F003355D000206327

For V. M. & Associates
Company Secretaries
(ICSI Unique Code P1984RJ039200)
PR 581 / 2019

CS Manoj Maheshwari
Partner
Membership No.: FCS 3355
C P No.: 1971

Annexure II

Annual Report on CSR Activities for Financial Year 2021-22

1. Brief outline on CSR Policy of the Company

Our commitments and approach

The Corporate Social Responsibility (CSR) philosophy of the Bank is to make meaningful contribution by empowering socially, economically, financially, and physically excluded, disadvantaged and challenged communities through CSR initiatives and thereby helping them to become self-reliant and achieve sustainable inclusive development. Bank is focusing on creating opportunities for enhancing livelihood opportunities, improving quality of education and skills development, creating awareness amongst public at large on topics of financial & digital literacy, sports, health, hygiene and preventive health care etc.

Bank is assiduously committed for ensuring the social wellbeing of the communities in the vicinity of its business operations through CSR initiatives that are aligned with Bank's key priority areas identified for CSR initiatives.

Our CSR Activities & Projects

Bank's CSR projects are focused on strategic anchor points such as Geography, Stakeholder and Thematic Area with Geography being the primary anchor for all CSR programs.

Further, guided by the CSR Committee of the Board and in line with its CSR Policy, the primary focus areas of the Bank covered education, skill development, financial and digital literacy, women empowerment, promotion of healthcare, promotion of sports, creation of sustainable livelihood, environmental sustainability and COVID 19 relief & support under the ambit of the activities listed in Schedule VII of the Companies Act, 2013 ("the Act").

The Bank's CSR activities are implemented through Centre of Excellence Project on Skills Development, AU Bank Sports Initiative, AU Udyogini - Women Empowerment, AU Financial & Digital Literacy and AU Jal Bank, amongst others.

Bank also supported self-employable projects for women enhancing their livelihood, self-dependence and empowerment and continued to thrust on social development initiatives both directly and through AU Foundation and other implementing partners for carrying out CSR activities during the year.



AU Skills Academy



AU Udyogini - Women Entrepreneur



AU Bano Champion

Our CSR Governance Framework

The Board has a duly constituted CSR Committee and Board approved CSR policy in accordance with the provisions of Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 ("CSR Rules").

The Bank has a 3-tier structure for taking care of responsibilities for CSR under the Act & CSR Rules comprising of the Management Committee for CSR, CSR Committee and Board which reviews and monitors the progress of the CSR projects covered under the Annual Action Plan as approved by the Board in accordance with Schedule VII of the Act.

2. Composition of CSR Committee:

Sr. No.	Name of Director	Designation/ Nature of Directorship	Number of meetings of CSR Committee held during the year (Entitled to attend)	Number of meetings of CSR Committee attended during the year
1.	Mr. M S Sriram (Refer Note i)	Chairman & Independent Director	5	5
2.	Mr. Krishan Kant Rathi (Refer Note ii and iii)	Independent Director	5	5
3.	Ms. Jyoti Narang	Independent Director	5	5
4.	Mr. Pushpinder Singh (Refer Note iii)	Independent Director	5	5
5.	Mr. Sanjay Agarwal	MD & CEO	5	4

Notes:

- Mr. M S Sriram was appointed as a Chairman and Member of the Committee with effect from 06th August 2021.
- Mr. Krishan Kant Rathi ceased to be the Chairman of the Committee with effect from 06th August 2021 and continued as member of the Committee.
- The Committee was re-constituted with addition of Mr. H R Khan as a member of Committee and cessation of Mr. Krishan Kant Rathi & Mr. Pushpinder Singh as its members with effect from 26th April 2022.

3. Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the Board are disclosed on the website of the Company

Sr. No.	Name of Director	Designation/Nature of Directorship
1.	Composition of CSR committee	https://www.aubank.in/about-us/board-committee
2.	CSR Policy of the Bank	https://www.aubank.in/investors/secretarial-policies
3.	CSR Projects	https://www.aubank.in/csr

4. Provide the details of Impact assessment of CSR Projects carried out in pursuance of sub-rule (3) of Rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report)

Not applicable for the year under review.

5. Details of the amount available for set off in pursuance of sub-rule (3) of Rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any

Sr. No.	Financial Year	Amount available for set-off from preceding financial years (in ₹)	Amount required to be set- off for the financial year, if any (in ₹)
		-----Not Applicable-----	

6. Average net profit of the Company as per Section 135(5): ₹ 738.55 crore

7. (a) Two percent of average net profit of the Company as per section 135(5): ₹ 14.77 crore
 (b) Surplus arising out of the CSR projects or programmed or activities of the previous financial years: NIL
 (c) Amount required to be set off for the financial year, if any: NIL
 (d) Total CSR obligation for the financial year (7a+7b-7c): ₹ 14.77 crore

8. (a) CSR amount spent or unspent for the financial year:

Total Amount Spent for the Financial Year (₹ In crore)	Amount Unspent (₹ In crore)				
	Total Amount transferred to Unspent CSR Account as per Section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
9.70 (Refer note)	8.22	29 th April 2022	-	-	-

Note: An amount of ₹ 9.70 crore was spent during the FY 2021-22 which was inclusive of ₹ 3.15 crore from unspent CSR amount for FY 2020-21 against the overall CSR obligation of ₹ 18.23 crore (inclusive of unspent CSR amount of ₹ 3.46 crore of FY 2020-21).

8. (b) Details of CSR amount spent against Ongoing Projects for the financial year:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)		
Sr. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local Area (Yes/No)	Location of the Project		Project duration	Amount allocated for the project (₹ in Crore)	Amount spent in the current financial year (₹ in Crore)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (₹ in Crore)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	CSR Registration number
				State	District						Name	
1	AU Skills Academy	(ii) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects.	Yes	Rajasthan	Jaipur, Kota, Jodhpur, Sikar, Bhilwara and Bikaner	1 st April 2020 to 31 st March 2022 (Refer note no. 1)	3.78 (Refer note no. 1)	2.11	NIL (Refer note no. 1)	Yes	Direct & through Ambuja Cement Foundation	CSR00006913
2	A Financial and Digital Literacy	(ii) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects.	Yes	Refer note no. 2(a) below		1 st April 2020 to 31 st March 2022 (Refer note no. 2(b))	3.64 (Refer note no. 2(b))	1.54	NIL (Refer note no. 2(b))	Yes	NA	NA
3	AU Bank Water ATM (AU Jal Bank)	(i) Eradicating hunger, poverty, and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.	Yes	Rajasthan, Punjab, J&K, Madhya Pradesh, Himachal Pradesh	Refer note no. 3(a) below	1 st April 2020 to 31 st March 2023	1.24	0.69	NIL (Refer note no. 3(b) below)	Yes	NA	NA
4	Centre of Excellence	(ii) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects.	Yes	Rajasthan & Uttar Pradesh	Alwar, Ajmer, Bharatpur, Pali, Nagaur, Jhunjhnu and Mathura	1 st Sept. 2021 to 31 st March 2025	50.00	1.09	8.01 (Refer note no. 4 below)	No	AU Foundation	CSR00003894

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)		
Sr. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local Area (Yes /No)	Location of the Project		Project duration	Amount allocated for the project (₹ in Crore)	Amount spent in the current financial year (₹ in Crore)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (₹ in Crore)	Mode of Implementation - Direct (Yes/ No)	Mode of Implementation - Through Implementing Agency	CSR Registration number
				State	District						Name	
5	AU Bank Sports Initiative - Bano Champion	(vii) Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports	Yes	Rajasthan	Ajmer, Sikar, Jaipur, Jodhpur, Pali, Jalore, Dausa & Jhunjhunu	1 st Oct 2021 to 31 st March 2024	1.90	0.71	0.21 (Refer note no. 5 below)	Yes	Direct & through HKL Sports Foundation	CSR00027073
Total							60.57	6.14	8.22			

Notes:

1. AU Skills Academy- The Board at its meeting held on 25th & 26th April on recommendation of CSR Committee revised the project duration from 3 years to 2 years and allocated budget from ₹ 3.67 crore to ₹ 3.78 crore and out of the allocated budget of ₹ 3.78 crore, an amount of ₹ 1.67 crore has been spent during the previous FY 2020-21.

2. AU Financial and Digital Literacy:

a. State: Rajasthan, Gujarat, Madhya Pradesh, Maharashtra, Delhi, Haryana, Punjab, Chandigarh, Chhattisgarh, Uttar Pradesh, Himachal Pradesh, Goa, Karnataka, West Bengal, Odisha, Telangana and Jammu & Kashmir.

Districts: Ajmer, Alwar, Baran, Bhilwara, Bikaner, Bundi, Chittaurgarh, Churu, Dausa, Hanumangarh, Jaipur, Jalore, Jhalawar, Jhunjhunu, Jodhpur, Kota, Nagaur, Pali, Rajasmand, Sikar, Sirahi, Sri Ganganagar, Tonk, Udaipur, Agar Malwa, Betul, Bhopal, Chhatarpur, Chhindwara, Dewas, Dhar, Gwalior, Hoshangabad, Indore, Jabalpur, Katni, Khandwa, Khargone (West Nimar), Mandla, Mandsaur, Neemuch, Raisen, Rajgarh, Ratlam, Rewa, Sagar, Satna, Sehore, Shajapur, Tikamgarh, Ujjain, Vidisha, Ahmednagar, Aurangabad, Gondia, Jalna, Kolhapur, Latur, Mumbai, Nagpur, Nanded, Nashik, Osmanabad, Palghar, Pune, Raigarh, Sangli, Satara, Solapur, Thane, Gurgaon, Hisar, Jhajjar, Karnal, Kurukshetra, Mahendragarh, Panchkula, Panipat, Rewari, Rohtak, Sirsa, Sonapat, Ahmedabad, Anand, Banas, Kantha, Bhavnagar, Gandhinagar, Janmnagar, Junagadh, Kachchh, Kheda, Mahesana, Morbi, Rajkot, Vadodara, Bathinda, Fazilka, Mansa, Muktsar, Patiala, Sahibzada Ajit Singh Nagar, Sangrur, Balod, Baloda Bazar, Bemetara, Bilaspur, Dhamtari, Durg, Gariaband, Janjgir, Champa, Kabeertham, Korba, Mahasamund, Mungeli, Raigarh, Raipur, Rajnandgaon, Surguja, Uttar Bastar Kanker, Bilaspur, Hamirpur, Kangra, Mandi, Shimla, Solan, Una, Central Delhi, East Delhi, North Delhi, North-East Delhi, North-West Delhi, South Delhi, West Delhi, Agra, Kanpur, Lucknow, South Goa, North Goa, Bengaluru, Kolkata, Khurda, Hyderabad, Jammu and Chandigarh.

b. The Board at its meeting held on 25th & 26th April on recommendation of CSR Committee has revised the project duration from 3 years to 2 years and allocated budget from ₹ 2.56 crore to ₹ 3.64 crore and out of the allocated budget of ₹ 3.64 crore, an amount of ₹ 2.10 crore has been spent during the previous FY 2020-21.

3. AU Bank Water ATM (AU Jal Bank):

a. Districts: Agar Malwa, Ajeetgarh, Akola, Alot, Alwar, Anupgarh, Barmer, Bharatpur, Bhatinda, Bhopal, Bikaner, Chandigarh, Churu, Dausa, Ghaziabad, Hanumangarh, Indore, Jaipur, Jammu, Jhunjhunu, Jodhpur, Kaurali, Khargone, Mandasaur, Muktsar, Mumbai, Nagaur, Neemuch, Ratlam, Shamgarh, Shri Ganganagar, Shrirampur, Sikar, Suratgarh, Ujjain and Una.

b. An amount of ₹ 0.31 crore will be utilised in the FY2022-23 out of ₹1.0 crore which was transferred to Unspent CSR Account FY2020-21.

4. Centre of Excellence: An amount of ₹ 50 crore was allocated for the entire project which has been segregated year wise. Accordingly, ₹ 9.1 crore was allocated for the FY 2021-22, out of which an amount of ₹ 1.09 crore was spent during the FY 2021-22 and ₹ 8.01 crore was transferred to "Unspent CSR Account FY2021-22" which will be utilised during the remaining tenure of the project.

5. AU Bank Sports Initiative: Bano Champion is Sports initiative as a part of Ongoing project was designed and approved by the Board on recommendation of CSR Committee for a total project duration of 2 years and 6 months and an amount of ₹ 1.90 crore was allocated for the project. Out of the total budget outlay of ₹ 1.90 crore, ₹ 0.71 crore was spent during the FY 2021-22 and remaining amount of ₹ 0.98 crore was re-allocated to other projects and ₹ 0.21 crore was transferred to "Unspent CSR Account FY2021-22" which will be utilised during the remaining tenure of the project.

(c) Details of CSR amount spent against other than ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sr. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local Area (Yes/No)	Location of the Project		Amount spent for the project (₹ in Crore)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration number
1	AU COVID - Medical Equipment Support	(i) Eradicating hunger, poverty, and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.	Yes	Rajasthan & Jaipur, Maharashtra Jodhpur, and Mumbai		0.88	Yes	NA	NA
2	AU COVID - Response & Support	(i) Eradicating hunger, poverty, and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.	Yes	Rajasthan, Gujarat, Madhya Pradesh, Himachal, Maharashtra, Punjab and Delhi	Jaipur, Ahmedabad, Indore, Bikaner, Chiplun, Dausa, Delhi, Firozpur, Jhalandar and Shimla	0.69	Yes	NA	NA
3	AU Udyogini	(ii) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects.	Yes	Rajasthan	Jaipur	0.49	No	a. Gram Chetha Kendra b. Development Initiative Society c. Pure India Trust	CSR00000413 CSR00000381 CSR00000461

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sr. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local Area (Yes/No)	Location of the Project		Amount spent for the project (₹ in Crore)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration number
4	Environmental Sustainability - Tree Plantation - Animal Welfare	(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.	Yes	Rajasthan, Uttar Pradesh, Maharashtra, Punjab, and Madhya Pradesh	Jaipur, Indore, Lucknow, Mumbai, Noida, Pali, and Patiala	0.21	Yes	NA	NA
5	Promoting Education (AU Shiksha) - Support to Govt. Schools for the basic infrastructure - Road Safety	(ii) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects.	Yes	Rajasthan & Punjab	Jaipur, Sikar Bathinda, Nagaur, and Fazilka	0.46	Yes	NA	NA
6	AU Arogya Promoting preventive Healthcare activities - Medical Health Camps - Sanitation Drives - Open Air Gym	(i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.	Yes	Rajasthan, Punjab, Maharashtra, and Madhya Pradesh	Jaipur, Jhunjhunu, Chhindwara, Dholpur, Firozpur, Neemuch, and Zirakpur	0.28	Yes	NA	NA
7	AU Shayog - Support for society upliftment	(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.	Yes	Rajasthan, and Madhya Pradesh	Jaipur, Churu, Jaisalmer, Jhunjhunu, Bikaner, Sikar, Pali, Alwar, Bharatpur, Dausa, Naguar, Hoshiarpur and Indore	0.15	Yes	NA	NA
Total						3.16			

(d) Amount spent in Administrative Overheads – ₹ 0.40 crore

(e) Amount spent on Impact Assessment, if applicable - Not Applicable

(f) Total amount spent for the Financial Year (8b+8c+8d+8e) – ₹ 9.70 crore

(g) Excess amount for set off, if any–

Sr. No.	Particular	Amount (₹ In crores)
(i)	Two percent of average net profit of the Company as per section 135(5)	
(ii)	Total amount spent for the Financial Year	
(iii)	Excess amount spent for the financial year [(ii)-(i)]	Not Applicable
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	

9. (a) Details of Unspent CSR amount for the preceding three financial years:

Sr. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (₹ in Crore)	Amount spent In the reporting Financial Year (₹ in Crore)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any			Amount remaining to be spent in succeeding financial years (in ₹)
				Name of the Fund	Amount (₹ in Crore)	Date of transfer	
1	2020-21	3.46	3.15		NA		0.31
	Total	3.46	3.15		NA		0.31

Notes:

- Details of unspent CSR amount of preceding financial year(s) is available in CSR Report of the Bank available at <https://www.aubank.in/investors/annual-reports>
- Bank has spent ₹ 9.70 Crore in FY 2021-22 (inclusive of ₹ 3.15 crore from unspent CSR amount for FY 2020-21) against the overall CSR obligation of ₹ 18.23 crore (inclusive of unspent CSR amount of ₹ 3.46 crore of FY 2020-21). Further, pursuant to the amendment in the provisions of Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014 which came into force on 22nd January 2021, Bank has transferred ₹ 8.53 Crore in "Unspent Corporate Social Responsibility Account" (Amount of ₹ 8.22 Crore transferred in unspent CSR Account for FY 2021-22 and there was a Balance of ₹ 0.31 Crore in unspent CSR Account FY2020-21) for carrying out expenditure on its Ongoing CSR Projects and such amount shall be spent in Compliance of CSR Policy towards CSR obligation as per their respective implementation schedule.

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sr. No.	Project ID	Name of the Project	Financial Year in which the project was commenced	Project duration	Total amount allocated for the project (₹ in Crore)	Amount spent on the project in the reporting Financial Year (₹ in Crore)	Cumulative amount spent at the end of reporting Financial Year (₹ in Crore)	Status of the project- Completed /Ongoing
1	FY31.03.2021_1	AU Skills Academy	2020-21	1 st April 2020 to 31 st March 2022 (Refer note 1 above)	3.78 (Refer note 1 above)	2.11	3.78	Completed
2	FY31.03.2021_2	AU Financial and Digital Literacy	2020-21	1 st April 2020 to 31 st March 2022 [Refer note 2(b) above]	[Refer note 2(b) of point 8(b)]	1.54	3.64	Completed
3	FY31.03.2021_3	AU Bank Water ATM	2020-21	1 st April 2020 to 31 st March 2023	1.24	0.69	0.93	Ongoing
	TOTAL				8.66	4.34	8.35	

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details):

- (a) Date of creation or acquisition of the capital asset(s). - Not Applicable
- (b) Amount of CSR spent for creation or acquisition of capital asset- Not Applicable
- (c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc. - Not Applicable
- (d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset). - Not Applicable

11. Specify the reason(s), if the Company has failed to spend two per cent of the average net profit as per section 135(5):

Bank has spent ₹ 9.70 crore in FY 2021-22 (inclusive of ₹ 3.15 crore from unspent CSR amount for FY 2020-21) against the overall CSR obligation of ₹ 18.23 crore (inclusive of unspent CSR amount of ₹ 3.46 crore of FY 2020-21).

The CSR Projects other than ongoing Projects for the FY 2021-22 have been timely completed and there was no shortfall in the expenditure incurred on such projects. The amount could not be incurred fully in few CSR projects due to specific nature of the projects and their longer time horizon, where assessment of their strategic location, targeted

impact and other factors requires to be planned meticulously. In these projects, the allocated budget could not be spent completely as planned, and the unspent amount has been transferred to "Unspent CSR Account" and will be spent in accordance with the CSR Amendment Rules.

Further, during the FY 2021-22, two new multi-year projects viz., a flagship program on Skills Development and Promoting Sports in rural and semi urban areas, were initiated by the Bank and significant time was spent on developing the project design with support of an external agency. However, the first six months of the project implementation including the sports program was adversely affected by the second wave of COVID-19 where engagement with community was not permitted due to restrictions imposed by the Government. With relaxation coming in, the projects were resumed in the Q3 FY 2021-22, however, the operations were again interrupted due to the third wave of COVID-19. Hence, major project activities could not be scaled up as per their plans.

Furthermore, for flagship program viz., "Centre of Excellence ("COE") for Skills and Entrepreneurship", Bank is in progress to identify suitable low-cost land/ infrastructure for developing a HUB centre. Since it is a long-term project and HUB location is strategically important for impactful delivery with widespread bearing in areas where Bank operates, the allocated budget could not be incurred in the current FY2021-22 and has resulted in an unspent balance which will be utilised by the Bank during the remaining tenure of the projects.

For and on behalf of Board of Directors
AU SMALL FINANCE BANK LIMITED

Sd/-
M S Sriram
Chairman – CSR Committee
DIN: 00588922

Sd/-
Sanjay Agarwal
Managing Director & CEO
DIN: 00009526

Date: 20th July 2022
Place: Jaipur

Registered Office:
19-A, Dhuleshwar Garden,
Ajmer Road, Jaipur-302001

Annexure III

Disclosure on 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:

Name & Designation of Directors & KMPs	Ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year	Percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary, if any, in the financial year
Mr. Raj Vikash Verma, Chairman & Independent Director	7	-
Mr. Sanjay Agarwal, MD & CEO	68	-
Mr. Uttam Tibrewal, WTD	61	-
Mr. Krishan Kant Rath, Independent Director	5	50.00
Ms. Jyoti Narang, Independent Director	5	50.00
Mr. M S Sriram, Independent Director	5	50.00
Mr. Pushpinder Singh, Independent Director	5	50.00
Mr. V G Kannan, Independent Director	5	50.00
Mr. Harun Rasid Khan, Independent Director	5	50.00
Mr. Kamlesh Shivji Vikamsey, Independent Director	-	-
Mr. Vimal Jain, CFO	NA	9.92
Mr. Manmohan Parnami, CS	NA	9.74

(Refer Note 2)

Sr. No.	Requirements	Disclosure
1	The percentage decrease/increase in the median remuneration of employees in the financial year.	There has been increase of 13.58% in median remuneration of employees and the employees have been taken as on year end. Further, there is increase in number of employees by 5,333 as on year ended 31 st March 2022, vis-a-vis as on 31 st March 2021. Median has been calculated by taking remuneration on annualised basis considering the employees as on year end.
2	The number of permanent employees on the rolls of Bank as on 31 st March 2022.	There were 27,817 employees as on 31 st March 2022.
3	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 increase of 14.16% (excluding bonus, perquisites on ESOPs Exercised) in FY 2021-22 over FY 2020-21 for employees other than in managerial capacity. For managerial personnel, there was increase of 2.54% (excluding bonus, perquisites on ESOPs Exercised) in remuneration of managerial personnel on overall basis in FY 2021-22 over FY 2020-21. The average percentile increase is dependent on the individual's performance, promotions & overall Bank's performance.
4	Affirmation that the remuneration is as per the remuneration policy of the Company.	Yes, it is confirmed.

Notes:

- In above calculation, remuneration of Annual CTC – Fixed Pay as at the year-end have been considered for presenting data on comparable basis for employees including MD & CEO and WTD and the remuneration is exclusive of the variable pay, bonus, value of perquisites on ESOPs.
- In terms of RBI circular on Corporate Governance in Banks - Appointment of Directors and Constitution of Committees of the Board dated 26th April 2021, compensation in form of fixed remuneration for each Independent director [excluding the Part-Time Chairman (Independent Director)] was revised from ₹ 10 Lakh per annum to ₹ 15 Lakh per annum as approved by the Board of Directors.

3. Mr. Harun Rasid Khan was appointed as Independent Director (Non-Executive) with effect from 28th December 2021 and the compensation (fixed remuneration) has been annualised for the whole year for presenting data on comparable basis.
4. The part-time Chairman & Independent Director of the Bank is paid consolidated honorarium of ₹ 20 Lakh per annum.
5. The remuneration of Independent Directors including Part-time Chairman is exclusive of sitting fees and Executive Directors were not eligible to receive sitting fees.
6. Mr. Kamlesh Shivji Vikamsey was appointed as Independent Director (Non-Executive) with effect from 25th April 2022, therefore the amount of compensation (fixed remuneration) is Nil for FY 2021-22.
7. Mr. Deepak Jain, Chief Operating Officer & Key Managerial Personnel was elevated as Chief Risk Officer with effect from 1st September 2021, by the Board on the recommendation of Risk Management Committee and Nomination and Remuneration Committee and his remuneration has not been included above to present the data on comparable basis.

Annexure IV

Form No. MR-3

Secretarial Audit Report

For the Financial Year Ended March 31, 2022

[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, the explanations and clarifications given to us and the representations made by the Management and considering the relaxations granted by the Ministry of Corporate Affairs and Securities and Exchange Board of India warranted due to the spread of the COVID-19 pandemic, we hereby report that in our opinion, the Bank has, during the audit period covering the Financial Year ended on 31st March 2022 ('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 2022 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 (Not applicable to the Bank during the Audit Period);
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (repealed w.e.f. 13th August 2021);
 - (e) The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 notified on 13th August 2021;
 - (f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (repealed w.e.f. 9th August 2021);
 - (g) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 notified on 9th August 2021;
 - (h) 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;
 - (i) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (repealed w.e.f. 10th June 2021) (Not applicable to the Bank during the Audit Period);

- (j) Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 notified on 10th June 2021 (Not applicable to the Bank during the Audit Period);
 - (k) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; (Not applicable to the Bank during the Audit Period);
 - (l) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; and
 - (m) The Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994
- (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 26,86,641 (Twenty-Six Lakhs Eighty-Six Thousand Six Hundred and Forty-One) equity shares upon exercise of options by its eligible employees under its various Employee Stock Option Schemes/ plans;

- (b) Duly passed the resolution pursuant to Section 42 of the Act for approving issue of non-convertible debentures/ bonds 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; and
- (c) Duly passed resolution to raise 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 or such other permissible mode or combinations thereof pursuant to sections 23, 41, 42, and 62(1)(c) of the Act for an aggregate amount not exceeding ₹ 2,500 crore (Rupees Two Thousand Five Hundred Crore Only) or an equivalent amount thereof.

For V. M. & Associates

Company Secretaries
(ICSI Unique Code P1984RJ039200)
PR 581 / 2019

CS Manoj Maheshwari

Partner
Membership No.: FCS 3355
C P No.: 1971

Place: Jaipur
Date: 26th April 2022
UDIN: F003355D000206173

Registered Office:

19-A, Dhuleshwar Garden,
Ajmer Road, Jaipur-302001

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

UDIN: F003355D000206173
(ICSI Unique Code P1984RJ039200)
PR 581 / 2019

CS Manoj Maheshwari
Partner
Membership No.: FCS 3355
C P No.: 1971

Place: Jaipur
Date: 26th April 2022
UDIN: F003355D000206173

Annexure V

Business Responsibility and Sustainability Report

Section A: General Disclosures

I. Details of the listed entity

1 Corporate Identity Number (CIN) of the Listed Entity	L36911RJ1996PLC011381
2 Name of the Listed Entity	AU Small Finance Bank Limited
3 Year of incorporation	1996
4 Registered office address	19-A, Dhuleshwar Garden, Ajmer Road, Jaipur - 302001 (Rajasthan)
5 Corporate Office	5 th Floor, E-Wing, Kanakia Zillion, Junction of CST Road & LBS Marg, Kurla (West), Mumbai – 400070, Maharashtra
6 E-mail	investorrelations@aubank.in
7 Telephone	0141-4110060/61
8 Website	www.aubank.in
9 The financial year for which reporting is being done	1 st April 2021 to 31 st March 2022
10 Name of the Stock Exchange(s) where shares are listed	1. BSE Limited 2. National Stock Exchange of India Limited
11 Paid-up capital	₹ 314.90 Crore
12 Name and contact details (Telephone, email address) of the person who may be contacted in case of any queries on the BRSR report	Mr. Prince Tiwari Head of Investor Relations (IR) 022-62490600 investorrelations@aubank.in
13 Reporting boundary- Are the disclosures under this report made on a standalone basis (i.e., only for the entity), or on a consolidated basis (i.e., for the entity and all the entities which form a part of its consolidated financial statements, taken together)?	This report has been made on standalone basis

II. Products/services

14. Details of business activities (accounting 90% of the turnover)

S. No.	Description of Main Activity	Description of Business Activity	% of Turnover of the entity
1	Financial and Insurance Service	Banking activities by Central, Commercial and Saving banks	100%

15. Products/Services sold by the entity (accounting for 90% of the entity's Turnover)

S. No.	Product/Service	NIC Code	% of total Turnover contributed
1	Retail Banking, Treasury, Wholesale Banking, and other Banking Operations	64191	100%

III. Operations

16. Number of locations where plants and/or operations/offices of the entity are situated:

Location	Number of plants	Number of offices	Total
National	-	919 touchpoints	919
International	-	None	None

17. Markets served by the entity:

a. Number of locations

Locations	Number
National (No. of States)	18 States and 2 Union Territories
International (No. of Countries)	-

b. What is the contribution of exports as a percentage of the total turnover of the entity?

Given the nature of operations, the Bank does not have any exports and these are not applicable in our business operations.

c. A brief on types of customers:

The Bank has a bouquet of customised solutions for meeting the diverse needs of various customer segments of individuals, farmers, small businesses, MSMEs, corporates, government institutions and other segments.

IV. Employees

18. Details as at the end of the financial year:

a. Employees and workers (including differently abled):

S. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B/A)	No. (C)	% (C/A)
			EMPLOYEES			
1	Permanent (D)	27,817	25,887	93.06	1,930	6.94
2	Other than Permanent (E)	NA	NA	NA	NA	NA
3	Total employees (D+E)	27,817	25,887	93.06	1,930	6.94
			WORKERS			
4	Permanent (F)	NA	NA	NA	NA	NA
5	Other than Permanent (G)	NA	NA	NA	NA	NA
6	Total workers (F+G)	NA	NA	NA	NA	NA

b. Differently abled employees and workers:

S. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B/A)	No. (C)	% (C/A)
Differently abled employees						
1	Permanent (D)	12	11	91.67	1	8.33
2	Other than Permanent (E)	NA	NA	NA	NA	NA
3	Total differently abled employees (D + E)	12	11	91.67	1	8.33
Differently abled workers						
4	Permanent (F)	NA	NA	NA	NA	NA
5	Other than permanent (G)	NA	NA	NA	NA	NA
6	Total differently abled workers (F+ G)	NA	NA	NA	NA	NA

19. Participation/Inclusion/Representation of women

	Total (A)	Female	
		No. (B)	% (B/A)
Board of Directors	9	1	11.11
Key Management Personnel	4	0	0

20. Turnover rate for permanent employees and workers (Disclose trends for the past 3 years)

	FY 2021-2022 (Turnover rate in current FY)			FY 2020-2021 (Turnover rate in previous FY)			FY 2019-2020 (Turnover rate in the year prior to the previous FY)		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent Employees	Please refer "Develop a highly empowered and capable team" section in this Annual Report								
Permanent Workers	NA	NA	NA	NA	NA	NA	NA	NA	NA

V. Holding, Subsidiary and Associate Companies (including joint ventures)

21. Names of holding / subsidiary / associate companies / joint ventures

S. No.	Name of the holding/ subsidiary/ associate companies/ joint ventures (A)	Indicate-whether holding/ subsidiary/ Associate/Joint venture	% of shares held by the listed entity	Does the entity indicated at column A, participate in the Business-Responsibility initiatives of the listed entity? (Yes/No)
			NA	

VI. CSR Details

22.

(i) Whether CSR is applicable as per section 135 of Companies Act, 2013: (Yes/No)	Yes
(ii) Turnover (in INR)	6915.42 Crore
(iii) Net Worth (in INR)	7514.01 Crore

VII. Transparency and Disclosures Compliances

23. Complaints/Grievances on any of the principles (Principles 1 to 9) under the National Guidelines on Responsible Business Conduct:

Stakeholder group from whom a complaint is received	Grievance Redressal Mechanism in Place (Yes/No) (If yes, then provide a web link for grievance redress policy)	FY 2021-2022 Current Financial Year			FY 2020-2021 Previous Financial Year		
		Number of complaints filed during the year	Number of complaints pending resolution at the close of the year	Remarks	Number of complaints filed during the year	Number of complaints pending resolution at the close of the year	Remarks
Communities	Yes, Bank's Whistle Blower Policy and Vigil Mechanism https://www.aubank.in/Notice-Slider-4-6-whistle-blower-policy-and-vigil-mechanism.pdf	Nil	Nil	-	Nil	Nil	-
Investors (other than shareholders)	Yes, Investor Grievance Redressal Policy https://www.aubank.in/Notice-Slider-5-8-investor-grivances-redressal-policy.pdf	Nil	Nil	-	Nil	Nil	-
Shareholders	Yes, Investor Grievance Redressal Policy https://www.aubank.in/Notice-Slider-5-8-investor-grivances-redressal-policy.pdf	Nil	Nil	-	Nil	Nil	-
Employees and workers	Yes, Bank's Whistle Blower Policy and Vigil Mechanism https://www.aubank.in/Notice-Slider-4-6-whistle-blower-policy-and-vigil-mechanism.pdf	4	Nil	-	8	Nil	-
Customers	Yes, Customer Grievance Redressal Policy https://www.aubank.in/Notice-Slider-1-9-customer-grievance-redressal-policy.pdf	Please refer the details of customer complaints disclosed in Schedule no. 18 (11) of the notes to accounts of the Audited Financial Statements for FY 2021-22.					
Value Chain Partners	Yes, Bank's Whistle Blower Policy and Vigil Mechanism https://www.aubank.in/Notice-Slider-4-6-whistle-blower-policy-and-vigil-mechanism.pdf	Nil	Nil	-	Nil	Nil	-
(Others) Third Party/Anonymous	Yes, Bank's Whistle Blower Policy & Vigil Mechanism https://www.aubank.in/Notice-Slider-4-6-whistle-blower-policy-and-vigil-mechanism.pdf	8	Nil	-	12	Nil	-

24. Overview of the entity's material responsible business conduct issues

S. No. identified	Material issue	Indicate whether risk or opportunity (R/O)	The rationale for identifying the risk/opportunity	In case of risk, approach to adapt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)
Please refer "Focusing on our priorities" section of this Annual Report					

Section B: Management and Process Disclosures

This section is aimed at helping businesses demonstrate the structures, policies, and processes put in place towards adopting the NGRBC Principles and Core Elements.

Disclosure Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
Policy and management processes									
1. a. Whether your entity's policy/policies cover each principle and its core elements of the NGRBCs. (Yes/No)	Y	Y	Y	Y	Y	Y	N	Y	Y
b. Has the policy been approved by the Board? (Yes/No)	Y	Y	Y	Y	Y	Y	NA	Y	Y
c. Web Link of the Policies, if available	Y	Y	Y	Y	Y	Y	NA	Y	Y
	https://www.aubank.in/notice-board https://www.aubank.in/investors/secretarial-policies								
2. Whether the entity has translated the policy into procedures. (Yes/No)	Y	Y	Y	Y	Y	Y	NA	Y	Y
3. Do the enlisted policies extend to your value chain partners? (Yes/No)	Y	Y	Y	Y	Y	Y	NA	Y	Y
4. Name of the national and international codes/certifications/ labels/ standards (e.g., Forest Stewardship Council, Fairtrade, Rainforest Alliance, Trustee) standards (e.g., SA 8000, OHSAS, ISO, BIS) adopted by your Entity and mapped to each principle	-	-	-	-	-	-	-	-	Y
	AU Bank has adopted and complies with the regulations as prescribed by Reserve Bank of India (RBI), Ministry of Corporate Affairs (MCA), Securities and Exchange Board of India (SEBI), and other regulators. AU Bank has also been certified for its robust data privacy and cyber security capabilities in alignment with ISO 27001:2013 standards.								
5. Specific commitments, goals, and targets set by the entity with defined timelines, if any.	-	-	-	-	-	-	-	-	-
6. Performance of the entity against the specific commitments, goals, and targets along with reasons in case the same are not met.	-	-	-	-	-	-	-	-	-
Governance, leadership, and oversight									
7. Statement by the director responsible for the business responsibility report, highlighting ESG related challenges, targets, and achievements (listed entity has flexibility regarding the placement of this disclosure)	Please refer "MD & CEO's message" in this Annual Report								
8. Details of the highest authority responsible for implementation and oversight of the Business Responsibility policy(ies).									
9. Does the entity have a specified Committee of the Board/ Director responsible for decision-making on sustainability-related issues? (Yes / No). If yes, provide details.	Mr. Sanjay Agarwal MD & CEO, AU Small Finance Bank Limited								

10. Details of Review of NGRBCs by the Company:

Subject for Review	Indicate whether the review was undertaken by the Director / Committee of the Board/ Any other Committee								
	P1	P2	P3	P4	P5	P6	P7	P8	P9
Performance against the above policies and follow up action	Y	Y	Y	Y	Y	Y	-	Y	Y
Compliance with statutory requirements of relevance to the principles, and the rectification of any non-compliances	The Bank follows all the applicable statutory and regulatory guidelines.								
Subject for Review	Frequency (Annually/Half-yearly/ Quarterly/ Any other – please specify)								
	P1	P2	P3	P4	P5	P6	P7	P8	P9
Performance against the above policies and follow up action	The reviews of the policies are done annually. The Bank revises the policy or procedure if there are any significant changes by the authorities to address sustainability related aspects in the Bank's operations.								
Compliance with statutory requirements of relevance to the principles, and the rectification of any non-compliances	The Bank follows all the applicable statutory and regulatory guidelines.								
Subject for Review	Frequency (Annually/Half-yearly/ Quarterly/ Any other – please specify)								
	P1	P2	P3	P4	P5	P6	P7	P8	P9
11. Has the entity carried out an independent assessment/ evaluation of the working of its policies by an external agency? (Yes/No). If yes, provide name of the agency	No	No	No	No	No	No	No	No	No

12. If the answer to question (1) above is "No" i.e., not all Principles are covered by a policy, reasons to be stated:

Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
The entity does not consider the principles material to its business (Yes/No)	-	-	-	-	-	-	Y	-	-
The entity is not at a stage where it is in a position to formulate and implement the policies on specified principles (Yes/No)	-	-	-	-	-	-	NA	-	-
The entity does not have the financial or/human and technical resources available for the task (Yes/No)	-	-	-	-	-	-	NA	-	-
It is planned to be done in the next financial year (Yes/No)	-	-	-	-	-	-	NA	-	-
Any other reason (please specify)	-	-	-	-	-	-	NA	-	-

Section C: Principle Wise Performance Disclosure

Principle 1: Businesses should conduct and govern themselves with integrity, and in a manner that is ethical, transparent, and accountable.

Essential Indicators

1. Percentage coverage by training and awareness programs on any of the Principles during the financial year:

Segment	Total number of training and awareness programs held	Topic/ Principles covered under the training and its impact	% of a person in respective categories covered by the awareness programs
Board of Directors Key Managerial Personnel Employees other than BOD and KMPs	Our core dharma i.e., our value is 'Nurture Talent and Succeed Together' and hence there is immense importance given to Learning & Development, this enables us to develop talent for current and future roles and challenges which the Bank might face in near future. Further, the Bank has devised a method to gauge the learning needs of defined job roles through a survey methodology. Mails and newsletters are being sent to all employees for creating awareness about ESG. For Board of Directors training program, please refer to the Corporate Governance Report under this Annual Report.		
Workers	NA	NA	NA

2. Details of fines/penalties/punishment/ award/ compounding fees/ settlement amount paid in proceedings (by the entity or by directors / KMPs) with regulators/ law enforcement agencies/ judicial institutions, in the financial year, in the following format (Note: the entity shall make disclosures on the basis of materiality as specified in Regulation 30 of SEBI (Listing Obligations and Disclosure Obligations) Regulations, 2015 and as disclosed on the entity's website):

	NGRBC Principle	Monetary		Brief of the Case	Has an appeal been preferred? (Yes/No)
		Name of the regulatory/ enforcement agencies judicial institutions	Amount (in INR)		
Penalty/fine	Nil	Nil	Nil	Nil	Nil
Settlement	Nil	Nil	Nil	Nil	Nil
Compounding fee	Nil	Nil	Nil	Nil	Nil

	NGRBC Principle	Non-Monetary		Brief of the Case	Has an appeal been preferred? (Yes/No)
		Name of the regulatory/ enforcement agencies judicial institutions			
Imprisonment		Nil	Nil	Nil	Nil
Punishment		Nil	Nil	Nil	Nil

3. Of the instances disclosed in Question 2 above, details of the Appeal/ Revision are preferred in cases where monetary or non-monetary action has been appealed

Case Details	Name of the regulatory/ enforcement agencies judicial institutions
NA	NA

4. Does the entity have an anti-corruption or anti-bribery policy? If yes, provide details in brief and if available, provide a web link to the policy.

Yes, the Bank has an Anti-Bribery and Anti-Corruption Policy under this principle that extends to all the stakeholders including customers, regulators, investors, Vendors, or other Governmental agencies. The Bank has a 'zero-tolerance' approach towards bribery and corruption instances. The Bank's policy deals with Anti-corruption measures of the Bank and is a responsibility of the Disciplinary and Audit Committee as applicable that has the responsibility of looking into the acts of misconduct committed by the employees within its control and to take appropriate punitive action. It is also required to take appropriate preventive measures to prevent misconducts by the employees under its control and jurisdiction. 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 the highest ethical standards are followed while transacting and dealing with all external stakeholders, including vendors and suppliers.

<https://www.aubank.in/Notice-Slider-5-9-anti-bribery-and-anti-corruption-policy.pdf>

5. Number of Directors/KMPs/employees/workers against whom disciplinary action was taken by any law enforcement agency for the charges of bribery/ corruption:

There are no cases or incidents of bribery/corruption observed during the reporting period. In case of any cases or incident that may arise in the future, the Bank has appropriate policies and procedures in place to take corrective actions.

Complaints	FY 2021-2022	FY 2020-2021
Directors	Nil	Nil
KMPs	Nil	Nil
Employees	Nil	Nil
Workers	NA	NA

6. Details of complaints with regard to conflict of interest

	FY 2021-2022		FY 2020-2021	
	Numbers	Remarks	Numbers	Remarks
Number of complaints received in relation to issues of Conflict of Interest of the Directors	Nil	NA	Nil	NA
Number of complaints received in relation to issues of conflicts of interest of the KMPs	Nil	NA	Nil	NA

7. Provide details of any corrective action taken or underway on issues related to fines/penalties/action taken by regulators/ law enforcement agencies/ judicial institutions, on cases of corruption and conflicts of interest.

There are no cases or incidents of conflict of interest or corruption observed during the reporting period. In case of any cases or incident that may arise in the future, the Bank has appropriate policies and procedures in place to take corrective actions.

Leadership Indicators

1. Awareness programs conducted for value chain partners on any of the principles during the financial year:

During the reporting year, the Bank has not conducted any awareness programmes for our value chain partners on the sustainability/ESG relevant aspects. The Bank spreads awareness for its value chain partners for the greater good for sustainable operations.

Total numbers of awareness programs held	Topic/principles covered under training	% of value chain partners covered (by the value of business done with such partners) under the awareness programs
NA	NA	NA

2. Does the entity have processes in place to avoid/ manage conflict of interests involving members of the Board? (Yes/No) If yes, provide details of the same.

Yes, the Bank has a Code of Conduct for Directors and Senior Management Personnel and Policy on Related Party Transactions and Materiality which specifies that the Board shall not involve in a situation that directly or indirectly involves conflict with the interest of the Bank.

Principle 2: Businesses should provide goods and services in a manner that is sustainable and safe.

Essential Indicators

1. Percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of products and processes to total R&D and capex investments made by the entity, respectively.

	Current Financial Year	Previous financial year	Details of improvement in environmental and social impact
R&D	Not applicable given the nature of the business and being a financial service sector entity.		
Capex			

2. a. Does the entity have procedures in place for sustainable sourcing? (Yes/No): Yes

b. If yes, what percentage of inputs were sourced sustainably?

Given the nature of the Bank's business activities, sustainable sourcing of inputs is not significant in the Bank's operations. However, the Bank attempts to reduce the environmental impact in its operations through various sustainability initiatives such as integrating digital initiatives in the Bank's products and services. The Bank procures energy efficient appliances and equipments for its branches/offices to reduce energy consumption. Additionally, in big offices, the Bank has invested in making its office buildings more energy and resource efficient, focusing on improved lighting and ventilation, judicious usage of water and better waste management practices.

3. Describe the processes in place to safely reclaim your products for reusing, recycling, and disposing at the end of life, for (a) Plastics (including packaging) (b) E-waste (c) Hazardous waste and (d) other waste

Given the nature of the Bank's business activities, our products and services are intangible in nature. The Bank has limited scope for using recycled material as processed inputs. The Bank disposes of its waste such as paper, dustbin bags through state's municipal authorities and disposing e-waste through authorised vendors. The Bank is reducing the usage of plastics in its offices and branches with the alternatives. The Bank procures furniture from authorised suppliers made from recyclable materials.

4. Whether Extended Producer Responsibility (EPR) is applicable to the entity's activities (Yes / No). If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards? If not, provide steps taken to address the same.

Given the nature of the Bank's operations, Extended Producers Responsibility (EPR) is not applicable to the Bank.

Leadership indicators

1. Has the entity conducted Life Cycle Perspective / Assessments (LCA) for any of its products (for manufacturing industry) or for its services (for service industry)? If yes, provide details in the following format?

NIC Code	Name of Product/Service	% of total turnover contributes	Boundary for which the Life Cycle Perspective / Assessment was conducted	Whether conducted by independent external agency (Yes/No)	Results communicated in public domain (Yes/No)
			NA		

2. If there are any significant social or environmental concerns and/or risks arising from production or disposal of your products / services, as identified in the Life Cycle Perspective / Assessments (LCA) or through any other means, briefly describe the same along-with action taken to mitigate the same.

Name of Product/Service	Description of the risk/concern	Step taken
	NA	

3. Percentage of recycled or reused input material to total material (by value) used in production (for manufacturing industry) or providing services (for service industry).

Indicate input material	Recycled or re-used input material to total material	
	FY 2021-2022	FY 2020-2021
		NA

4. Of the products and packaging reclaimed at end of life of products, amount (in metric tonnes) reused, recycled, and disposed, as per the following format:

	FY 2021-2022			FY 2020-2021		
	Reused	Recycled	Safely Disposed	Reused	Recycled	Safely Disposed
Plastic including packaging	NA	NA	NA	NA	NA	NA
E-waste	NA	NA	9.406	NA	NA	9.414
Hazardous Waste	NA	NA	NA	NA	NA	NA
Other Waste	NA	NA	NA	NA	NA	NA

5. Reclaimed products and their packaging materials (as percentage of products sold) for each product category.

Indicate product category	Reclaimed products and their packaging materials as % of total products sold in respective category
NA	NA

Principle 3: Businesses should respect and promote the well-being of all employees, including those in their value chain.

Essential Indicators

1. a. Details of measures for the well-being of employees:

Category	% of employees covered by										
	Total (A)	Health insurance		Accident insurance		Maternity benefits		Paternity Benefits		Day Care facilities	
		Number (B)	% (B/A)	Number (C)	% (C/A)	Number (D)	% (D/A)	Number (E)	% (E/A)	Number (F)	% (F/A)
	Permanent employees										
Male	25,887	25,887	100	25,887	100	-	-	25,887	100	NA	NA
Female	1,930	1,930	100	1,930	100	1,930	100	-	-	NA	NA
Total	27,817	27,817	100	27,817	100	1,930	100	25,887	100	NA	NA
	Other than Permanent employees										
Male	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Female	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

- b. Details of measures for the well-being of workers:

Category	% of workers covered by										
	Total (A)	Health insurance		Accident insurance		Maternity benefits		Paternity Benefits		Day Care facilities	
		Number (B)	% (B/A)	Number (C)	% (C/A)	Number (D)	% (D/A)	Number (E)	% (E/A)	Number (F)	% (F/A)
	Permanent workers										
Male	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Female	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
	Other than Permanent workers										
Male	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Female	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

2. Details of retirement benefits, for Current financial year and Previous financial year

Benefits	FY 2021-2022 Current Financial Year			FY 2020-2021 Previous Financial Year		
	No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/N/N.A.)	No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/N/N.A.)
PF	91%	NA	Y	88%	NA	Y
Gratuity	91%	NA	Y	88%	NA	Y
ESI	NA	NA	NA	NA	NA	NA
Others	NA	NA	NA	NA	NA	NA

3. Accessibility of workplaces

Are the premises / offices of the entity accessible to differently-abled employees and workers, as per the requirements of the Rights of Persons with Disabilities Act, 2016? If not, whether any steps are being taken by the entity in this regard.

Yes, the Bank has put in place various initiatives and provisions across the Bank's offices and branches to its specially-abled employees as per the requirements of the Rights of Persons with Disabilities Act, 2016.

4. Does the entity have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016? If so, provide a web link to the policy.

The Bank respects and aims for providing a diverse workforce in its workplace and dedicated D&I committee is set up to encourage diversity and inclusion in the Bank. D&I committee majorly lays focus on creating a diverse and inclusive culture. The committee regularly reviews the progress of Bank's initiatives to maintain the diverse culture in the organisation and to ensure equal opportunity for employment.

5. Return to work and Retention rates of permanent employees and workers that took parental leave.

Gender	Permanent employees		Permanent workers	
	Return to work rate	Retention rate	Return to work rate	Retention rate
Male	98.54%	0%	NA	NA
Female	38.75%	21.25%	NA	NA
Total	95.66%	1.02%	NA	NA

6. Is there a mechanism available to receive and redress grievances for the following categories of employees and workers? If yes, give details of the mechanism in brief.

Permanent Workers	NA
Other than Permanent Workers	NA
Employees	Yes
Other than Permanent Employees	NA

The Bank encourages its employees to voice their concerns, if any, related to suspected or occurrence of illegal, unethical inappropriate actions, serious conduct risk, potential misconduct and related concerns, fraudulent transactions, suspicions, etc. without fear of retribution or fear of reprisal or victimisation to the employee raising the concern through its whistle blower policy. The Bank is committed for adhering to the highest standards of ethical, moral, and legal conduct of business operations with transparency, clean business transactions, professionalism, and other procedures to curb opportunities for corruption, if any. Besides, identifying and reporting potential risks allows the Bank to act proactively to evaluate rapidly and eliminate as necessary. The Audit Committee of the Bank reviews the implementation of whistle blower policy along with assessing the effectiveness of the vigil mechanism.

7. Membership of employees and worker in association(s) or Unions recognised by the listed entity:

Category	FY 2021-2022 Current Financial Year			FY 2020-2021 Previous Financial Year		
	Total employees/ workers in the respective category (A)	No. of employees/ workers in respective category, who are part of the association(s) or Union (B)	% (B/A)	Total employees/ workers in respective category (C)	No. of employees/ Workers in respective category, who are part of the association(s) or Union (D)	% (D/C)
Total Permanent Employees	NA	NA	NA	NA	NA	NA
Male	NA	NA	NA	NA	NA	NA
Female	NA	NA	NA	NA	NA	NA
Total Permanent Workers	NA	NA	NA	NA	NA	NA
Male	NA	NA	NA	NA	NA	NA
Female	NA	NA	NA	NA	NA	NA

8. Details of training given to employees and workers:

Category	FY 2021-2022 Current Financial Year					FY 2020-2021 Previous Financial Year				
	Total (A)	On Health and safety measures		On Skill upgradation		Total (D)	On Health and safety measures		On Skill upgradation	
		No. (B)	% (B /A)	No. (C)	% (C/A)		No. (E)	% (E/D)	No. (F)	% (F/D)
	Employees									
Male	25,887	24,819	95.87%	25,196	97.33%	21,242	7,831	36.87%	18,724	88.15%
Female	1,930	1,855	96.11%	1,878	97.31%	1,242	497	40.02%	1,174	94.52%
Total	27,817	26,674	95.89%	27,074	97.33%	22,484	8,328	37.04%	19,898	88.50%
	Workers									
Male	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Female	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

9. Details of performance and career development reviews of employees and workers:

100% of eligible employees have received performance and career development reviews as per the HR policy of the Bank.

10. Health and safety management system:

- a. Whether an occupational health and safety management system has been implemented by the entity? (Yes/ No). If yes, the coverage of such a system?

Yes, all Branches with ATMs and asset offices with cash facility (except Unbanked Category branches) are secured with E-Surveillance System or CMS System, which not only can detect, but also have the capability to generate a real-time alert. Further, all offices are covered under CCTVs and fire alarm systems, including fire extinguishers, which gives the required confidence to our workforce. Moreover, mock drills are also performed regularly.

- b. What are the processes used to identify work-related hazards and assess risks on a routine and non-routine basis by the entity?

It is of prime importance to take care of our employees, in terms of physical and mental health. The Bank strongly believe that it is our duty to provide necessary support in their wellbeing. The Bank assess the risks related to occupational health and safety at periodic intervals and put in place mitigation measures to take corrective action and preventive action against those risks. We also conduct regular trainings on business continuity plan, disaster management, etc. including mock fire drills, in case of an emergency to our employees.

- c. Whether you have processes for workers to report work-related hazards and to remove themselves from such risks. (Yes/No)

At the Bank, it is our duty to provide necessary support to employees in their wellbeing. The Bank assess the risks related to occupational health and safety at periodic intervals and put in place mitigation measures to take corrective and preventive action against those risks.

- d. Do the employees/ worker of the entity have access to non-occupational medical and healthcare services? (Yes/ No)

Yes, the Bank has taken several measures to provide medical coverage for its employees to provide safety against the medical and healthcare emergencies, which includes Group Medical Policy for employees and their families, Group Term Life Insurance and Group Personal Accident Cover.

11. Details of safety related incidents, in the following format:

Safety Incident/Number	Category	FY 2021-2022 Current Financial Year	FY 2020-2021 Previous Financial Year
Lost Time Injury Frequency Rate (LTIFR) (per one million-person hours worked)	Employees	Nil	Nil
	Workers	NA	NA
Total recordable work-related injuries	Employees	Nil	Nil
	Workers	NA	NA
No. of fatalities	Employees	Nil	Nil
	Workers	NA	NA
High consequence work-related injury or ill-health (excluding fatalities)	Employees	Nil	Nil
	Workers	NA	NA

12. Describe the measures taken by the entity to ensure a safe and healthy workplace.

The Bank unlocked the power of its people by securing their safety. During the year, the Bank undertook several activities to ensure health and safety of its people, including the following:

- Addressed employee queries through a designated COVID helpdesk
- Operated open-door offices for minimal contact
- Educated teams about safe behaviour
- Collaborated with various hospitals to get additional discount and benefits for our people
- Conducted annual health check-ups, blood donation camps, eye camps and others
- Organised live yoga sessions in association with the Art of Living Foundation

The Bank has also undertaken several programmes to enhance gender diversity and inclusivity.

13. Number of Complaints on the following made by employees and workers:

	FY 2021-2022 Current Financial Year			FY 2020-2021 Previous Financial Year		
	Filed during the year	Pending resolution at the end of the year	Remarks	Filed during the year	Pending resolution at the end of the year	Remarks
Working Conditions	Nil	Nil	Nil	Nil	Nil	Nil
Health & Safety	Nil	Nil	Nil	Nil	Nil	Nil

14. Assessments for the year:

	% of your plants and offices that were assessed (by the entity or statutory authorities or third parties)
Health and safety practices	NA
Working Conditions	NA

15. Provide details of any corrective action taken or underway to address safety-related incidents (if any) and on significant risks/concerns arising from assessments of health & safety practices and working conditions.

At the Bank, we strive to provide necessary support in the wellbeing of employees. The Bank assess the risks related to occupational health and safety at periodic intervals and put in place mitigation measures to take corrective and preventive action against those risks. However, during the reporting period, there were no significant risks/concerns arising from health and safety practices and working conditions. The Bank has taken adequate measures in responding to COVID-19 pandemic through robust business continuity management, by promptly catering to customer and other stakeholders' requirements. The Bank has been constantly working to simplify the business processes to be more customer-centric organisation during the tough times.

Leadership Indicators

1. Does the entity extend any life insurance or any compensatory package in the event of death of (A) Employees (Y/N) (B) Workers (Y/N)?

Yes, the Bank provides benefits to its employees, such as insurance benefits and a compensatory package to the employees, and their families affected from the COVID-19.

2. Provide the measures undertaken by the entity to ensure that statutory dues have been deducted and deposited by the value chain partners.

The Bank has complied with applicable requirements in this regard. Further, the Bank also sets clear expectations with vendors and suppliers to abide by labour laws, human rights, and regulations for their business.

3. Provide the number of employees / workers having suffered high consequence work-related injury / ill-health / fatalities (as reported in Q11 of Essential Indicators above), who have been rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment:

	Total no. of affected employees/ workers		No. of employees/workers that are rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment	
	FY 2021-2022 (Current Financial Year)	FY 2020-2021 (Previous Financial Year)	FY 2021-2022 (Current Financial Year)	FY 2020-2021 (Previous Financial Year)
Employees	Nil	Nil	Nil	Nil
Workers	NA	NA	NA	NA

4. Does the entity provide transition assistance programs to facilitate continued employability and the management of career endings resulting from retirement or termination of employment? (Yes/ No)

Yes, the Bank has implemented multiple programs to help our employees in their career progression, some of them are:

- **Saksham** – A program which helps employees in getting the right skills for delivering their KRAs, and for enabling their growth.
- **AU Dharma** – A program to build synergy and to reiterate the Bank's work principles. These programs help employees to gel with the organisational culture.
- **Capacity Building** – A program on risk management, facilitated by Indian Institute of Banking and Finance.
- **Behavioural Workshops** – The Bank has developed and delivered multiple behavioural programs to help our employees in building and improving competency.
- **First Time Managers** – A program to help our employees in their transition from officers to managers, and managers to leaders.

5. Details on assessment of value chain partners:

	% of value chain partners (by value of business done with such partners) that were assessed
Health and safety practices	NA
Working Conditions	NA

6. Provide details of any corrective actions taken or underway to address significant risks/concerns arising from assessments of health and safety practices and working conditions of value chain partners.

There are no cases or incidents related to health and safety practices of the value chain partners observed during the reporting period.

Principle 4: Businesses should respect the interests of and be responsive to all its stakeholders.

Essential Indicators

1. Describe the processes for identifying key stakeholder groups of the entity.

Please refer 'Stakeholder engagement' section in this Annual Report

2. List stakeholder groups identified as key for your entity and the frequency of engagement with each stakeholder group.

Stakeholder Group	Whether identified as Vulnerable & Marginalised Group (Yes/No)	Channels of communication (Email, SMS, Newspaper, Pamphlets, advertisements, Community meetings, Notice Board Website) Other	Frequency of engagement (Annually/ Half-yearly/ Quarterly/ others- please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Customers	No	Please refer 'Stakeholder engagement' section in this Annual Report		
Employees	No			
Regulatory authorities	No			
Partners and associates	No			
Society	The Bank has identified women, people with disabilities, children, youth, farmer communities, as its disadvantaged, vulnerable and marginalised stakeholders			
Investors and Shareholders	No			

Leadership Indicators

1. Provide the processes for consultation between stakeholders and the Board on economic, environmental, and social topics, or if consultation is delegated, how is feedback from such consultations provided to the Board.

The Board Committees and Board Delegated Committees through the presentation of the department heads reviews the progress on economic, environmental, and social aspects.

2. Whether stakeholder consultation is used to support the identification and management of environmental, and social topics (Yes / No). If so, provide details of instances as to how the inputs received from stakeholders on these topics were incorporated into policies and activities of the entity.

On the basis of feedback received from the department heads on the economic, environmental, and social aspects, the requisite process and policies are made.

3. Provide details of instances of engagement with, and actions taken to, address the concerns of vulnerable/ marginalised stakeholder groups.

As a Small Finance Bank, our commitment to financial inclusion remains unwavering and goes beyond regulatory requirements. The Bank continue to focus on the priority sector by lending to small and marginal farmers, to the weaker sections and supporting them with government-led initiatives to improve access to financial services. The Bank also provides insurance and pension plans to the disadvantaged, vulnerable, and marginalised stakeholders to take care of their social security needs. Internally, the Bank carries out data mining for analysing its existing customers and classifying them under suitable categories. Further, Bank is committed to support and impart financial literacy and digital education to drive financial inclusion in its true sense in the country.

Further, the Bank makes meaningful contribution by empowering socially, economically, financially, and physically excluded, disadvantaged and challenged communities through CSR initiatives and thereby helping them to become self-reliant and achieve sustainable and inclusive development and growth. The Bank is focusing on creating opportunities for enhancing livelihood, opportunities, improving quality of education and skills development, creating awareness amongst public at large on topics of financial and digital literacy, sports, health, hygiene, and preventive health care, etc.

Principle 5: Businesses should respect and promote human rights.

Essential Indicators

1. Employees and workers, who have been provided training on human rights issues and policy(ies) of the entity, in the following format:

Category	FY 2021-2022 Current Financial Year			FY 2020-2021 Previous Financial Year		
	Total (A)	No. employees' covered (B)	% (B/A)	Total (C)	No. employees' covered (D)	% (D/C)
Employees						
Permanent	Our core dharma i.e., our value is 'Nurture Talent and Succeed Together' and hence there is immense importance given to Learning & Development, this enable us to develop talent for current and future roles and challenges that Bank might face in near future. Further, the Bank has devised a method to gauge the learning needs of defined job roles through a survey methodology. Bank's employees are imparted various training programs including related to human rights and policies in their conduct and offering of services to the customers.					
Other than permanent						
Total Employees						
Workers						
Permanent	NA					
Other than permanent						
Total Workers						

2. Details of minimum wages paid to employees and workers, in the following format:

Category	FY 2021-2022 Current Financial Year					FY 2020-2021 Previous Financial Year				
	Total (A)	Equal to Minimum Wage		More than Minimum Wage		Total (D)	Equal to Minimum Wage		More than Minimum Wage	
		No. (B)	% (B /A)	No. (C)	% (C/A)		No. (E)	% (E/D)	No. (F)	% (F/D)
	Employees									
Permanent	27,817	21	0.08%	27,796	99.92%	22,484	156	0.69%	22,328	99.31%
Male	25,887	14	0.05%	25,873	99.95%	21,242	153	0.72%	21,089	99.28%
Female	1,930	7	0.36%	1,923	99.64%	1,242	3	0.24%	1,239	99.76%
Other Permanent	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Male	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Female	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
	Workers									
Permanent	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Male	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Female	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Other Permanent	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Male	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Female	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

3. Details of remuneration/salary/wages, in the following format:

	Male		Female	
	Number	Median remuneration/ salary/ wages of respective category (In INR)	Number	Median remuneration/ salary/ wages of the respective category (In INR)
Board of Directors (BoD) *#	6	15,00,000	1	15,00,000
Key Managerial Personnel*^	4	1,29,12,966	-	-
Employees other than BoD and KMP	25,883	2,75,004	1,930	3,26,004
Workers	-	-	-	-

* Remuneration of Executive Directors has been considered under KMP Category.

Remuneration of Non-executive Directors has been considered, which is exclusive of Sitting Fees.

^ Remuneration of KMPs as on 31st March 2022 has been considered.

4. Do you have a focal point (Individual/ Committee) responsible for addressing human rights impacts or issues caused or contributed to by the business? (Yes/No)

Yes, the Bank has committee in place to address concerns of employees including human rights issues with respect to its operations. The Bank has also procedures in place to address and take corrective actions through Whistle Blower Policy and Vigil Mechanism policy.

5. Describe the internal mechanisms in place to redress grievances related to human rights issues.

The Bank recognises that human rights are inherent to all human beings and upholds the dignity of every individual associated with it, be it employees, customers, business correspondents, vendors, etc. The Bank's policies and conduct with customers and other stakeholders outline the Bank's philosophy of upholding human rights first. The Bank has structured whistle-blower and vigil mechanism policy which addresses the grievances raised by the stakeholders and is taken up by the respective departments at the Bank to resolve the issues.

6. Number of Complaints on the following made by employees and workers:

	FY 2021-2022 Current Financial Year			FY 2020-2021 Previous Financial Year		
	Filed during the year	Pending resolution at the end of the year	Remarks	Filed during the year	Pending resolution at the end of the year	Remarks
Sexual Harassment	1	Nil	-	8	1	The Pending complaint was resolved on 08th April 2021.
Discrimination at Workplace	Nil	Nil	-	Nil	Nil	-
Child Labour	Nil	Nil	-	Nil	Nil	-
Forced Labour/ Involuntary Labour	Nil	Nil	-	Nil	Nil	-
Wages	Nil	Nil	-	Nil	Nil	-
Other (human rights related) issues	Nil	Nil	-	Nil	Nil	-

7. Mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases.

The 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. The Bank has zero tolerance towards sexual harassment at workplace and persists to uphold and maintain its work environment safe and secure. The 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 and take suitable actions on complaint, and there is a Board level Disciplinary Committee that reviews the decisions taken by Internal Complaints Committee.

Further, the contents of the complaint, the identity, and addresses of the aggrieved employee, respondent and witnesses, any information relating to conciliation and inquiry proceedings, recommendations of the committee and the action taken by Bank are not published, communicated, or made known to the public, press and media in any manner.

8. Do human rights requirements form part of your business agreements and contracts? (Yes/No)

As the Bank recognises that human rights are inherent to all human beings and upholds the dignity of every individual associated with it, the Bank's policies, and code of conduct with the stakeholders ensures the Bank's philosophy of upholding human rights. The Bank procures goods and services from certified vendors. The procedures and decision-making process of the Social Environmental and Management System (SEMS) are systematically incorporated in our business processes and awareness is also created among vendors and customers to comply with applicable social, environmental laws and protection of human rights to inculcate right practices in their operations.

9. Assessments for the year:

	% of your plants and offices that were assessed (by entity or statutory authorities or third parties)
Child labour	NA
Forced/involuntary labour	NA
Sexual harassment	NA
Discrimination at workplace	NA
Wages	NA
Others – please specify	NA

10. Provide details of any corrective actions taken or underway to address significant risks / concerns arising from the assessments at Question 9 above.

There are no cases or incidents related to human rights observed during the reporting period. In case of any cases or incidents that may arise in the future, the Bank has appropriate policies and procedures in place to take corrective actions.

Leadership Indicators

1. Details of a business process being modified/introduced as a result of addressing human rights grievances/ complaints.

There are no cases or incidents related to human rights observed during the reporting period.

2. Details of the scope and coverage of any human rights due diligence conducted.

There is no external due diligence related to human rights conducted in the Bank's operations.

3. Is the premise/office of the entity accessible to differently abled visitors, as per the requirements of the Rights of Persons with Disabilities Act, 2016?

Yes, as a Bank serving the unserved and underserved individuals, the Bank has put in place various initiatives and provisions across its offices and branches to ease the banking services to differently abled visitors as per the requirements of the Rights of Persons with Disabilities Act, 2016.

4. Details on assessment of value chain partners:

	% of value chain partners (by value of business done with such partners) that were assessed
Sexual Harassment	
Discrimination at workplace	
Child Labour	
Forced Labour/Involuntary Labour	NA
Wages	
Others – please specify	

5. Provide details of any corrective actions taken or underway to address significant risks/concerns arising from the assessments at Question 4 above.

There are no cases or incidents related to human rights observed during the reporting period. In case of any cases or incident that may arise in the future, the Bank has appropriate policies and procedures in place to take corrective actions.

Principle 6: Businesses should respect and make efforts to protect and restore the environment.

Essential Indicators

- Details of total energy consumption (in Joules or multiples) and energy intensity, in the following format

Parameter	FY 2021-2022 Current Financial Year	FY 2020-2021 Previous Financial Year
Total electricity consumption (A)	66,021.52	-
Total fuel consumption (B)	2,321.07	-
Energy consumption through other sources (C)	-	-
Total energy consumption (A+B+C)	68,342.59	-
Energy intensity per rupee of turnover (Total energy consumption/ turnover in rupees)	Negligible	-
Energy intensity (optional) – the relevant metric may be selected by the entity	-	-

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency: No

- Does the entity have any sites / facilities identified as designated consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the Government of India? (Y/N) If yes, disclose whether targets set under the PAT scheme have been achieved. In case targets have not been achieved, provide the remedial action taken, if any.

Given the nature of the Bank's business operations, this is not applicable to the Bank.

- Provide details of the following disclosures related to water, in the following format:

Parameter	FY 2021-2022	FY 2020-2021
Water withdrawal by source (in kilolitres)		
(i) Surface water	-	-
(ii) Groundwater	-	-
(iii) Third party water	-	-
(iv) Seawater / desalinated water	-	-
(v) Others	-	-
Total volume of water withdrawal (in kilolitres) (i + ii + iii + iv + v)	-	-
Total volume of water consumption (in kilolitres)	-	-
Water intensity per rupee of turnover (Water consumed / turnover)	-	-
Water intensity (optional) – the relevant metric may be selected by the entity	-	-

Note: 1. Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency: No

2. Given the nature of the Bank's business operations, water consumption and discharge not material to the business. Water consumption is limited to drinking and domestic consumption and the Bank has not measured water consumption so far, however, we have initiated discussions internally on tracking water consumption at some of our large offices.

- Has the entity implemented a mechanism for Zero Liquid Discharge? If yes, provide details of its coverage and implementation.

Given the nature of the Bank's business operations, water consumption and discharge are not material to the business.

5. Please provide details of air emissions (other than GHG emissions) by the entity, in the following format:

Parameter	Please specify unit	FY 2021-2022	FY 2020-2021
NOx			
Sox			
Particulate matter (PM)			
Persistent organic pollutants (POP)		NA	
Volatile organic compounds (VOC)			
Hazardous air pollutants (HAP)			
Others – please specify			

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency: No

6. Provide details of greenhouse gas emissions (Scope 1 and Scope 2 emissions) and its intensity, in the following format:

Parameter	UNIT	FY 2021-2022	FY 2020-2021
Total Scope 1 emissions (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	Metric tonnes of CO ₂ equivalent	861.69	-
Total Scope 2 emissions (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)		7,879.20	-
Total Scope 1 and Scope 2 emissions per rupee of turnover	Metric tonnes of CO ₂ equivalent	Negligible	-
Total Scope 1 and Scope 2 emission intensity (optional) – the relevant metric may be selected by the entity		-	-

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency: No

7. Does the entity have any project related to reducing Green House Gas emission? If yes, then provide details.

We are constantly making efforts to build and nurture a nature-friendly environment for working staff across our operations and efficient usage of energy and sensitivity towards climate change is a vital part of our operations. Our long-term vision to be sustainable by eliminating direct CO₂ emissions from our operations and promoting renewable energy and to reduce the impact of climate change.

We are working towards contributing to SDGs and national commitment of becoming net-zero by 2070. We have undertaken several steps to minimise emissions, which include wide adoption of digital banking channels, energy efficiency measures and paper conservation. This stands as testimony to our commitment towards addressing climate change impacts and managing our environmental footprint. We continue to focus on energy and emissions reduction measures in all our operational outlets.

8. Provide details related to waste management by the entity, in the following format:

Parameter	FY 2021-2022	FY 2020-2021
Total Waste generated (in metric tonnes)		
Plastic waste (A)	-	-
E-waste (B)	9,406	9,414
Bio-medical waste (C)	-	-
Construction and demolition waste (D)	-	-
Battery waste (E)	-	-
Radioactive waste (F)	-	-
Other Hazardous waste. Please specify, if any. (G)	-	-
Other Non-hazardous waste generated. Please specify, if any. (Break-up by composition i.e., by materials relevant to the sector) (H)	-	-
Total (A+B + C + D + E + F + G + H)	9,406	9,414

Parameter	FY 2021-2022	FY 2020-2021
For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (in metric tonnes)		
Category of waste		
(i) Recycled	-	-
(ii) Re-used	-	-
(iii) Other recovery operations	-	-
Total	-	-
For each category of waste generated, total waste disposed by nature of disposal method (in metric tonnes)		
Category of waste		
(i) Incineration	-	-
(ii) Landfilling	-	-
(iii) Other disposal operations	-	-
Total	-	-

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency: No

9. Briefly describe the waste management practices adopted in your establishments. Describe the strategy adopted by your company to reduce usage of hazardous and toxic chemicals in your products and processes and the practices adopted to manage such wastes.

Given the nature of the Bank's business activities, our products and services are intangible in nature. The Bank has limited scope for using recycled material as processed inputs. The Bank disposes of its waste, such as paper, dustbin bags through state's municipal authorities and disposing e-waste through authorised vendors. The Bank is reducing the usage of plastics in its offices and branches with the alternatives. The Bank uses furniture assets from recycled material through authorised suppliers.

10. If the entity has operations/offices in/around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones, etc.) where environmental approvals / clearances are required, please specify details in the following format:

S. No. Location of operations/offices	Type of operations	Whether the conditions of environmental approval/clearance are being complied with? (Y/N) If no, the reasons thereof and Corrective action taken, if any.
		NA

11. Details of environmental impact assessments of projects undertaken by the entity based on applicable laws, in the current financial year:

Name and brief details of project	EIA Notification No	Date	Whether conducted by independent external agency (Yes / No)	Results communicated in public domain (Yes / No)	Relevant Web link
					NA

12. Is the entity compliant with the applicable environmental law/ regulations/ guidelines in India, such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, Environment protection act and rules thereunder (Y/N). If not, provide details of all such non-compliances, in the following format:

S. No. Specify the law / regulation / guidelines which were not complied with	Provide details of the non-compliance	Any fines/penalties / action taken by regulatory agencies such as pollution control boards or by courts	Corrective action taken if any
			NA

Leadership Indicators

1. Provide break-up of the total energy consumed (in Joules or multiples) from renewable and non-renewable sources, in the following format:

Parameter	FY 2021-2022	FY 2020-2021
From renewable sources		
Total electricity consumption (A)	-	-
Total fuel consumption (B)	-	-
Energy consumption through other sources (C)	-	-
Total energy consumed from renewable sources (A+B+C)	-	-
From non-renewable sources		
Total electricity consumption (D)	66,021.52	-
Total fuel consumption (E)	2,321.07	-
Energy consumption through other sources (F)	-	-
Total energy consumed from non-renewable sources (D+E+F)	68,342.59	-

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency: No

2. Provide the following details related to water discharged:

Given the nature of the Bank's business operations, water consumption and discharge are not material to the business.

3. Water withdrawal, consumption, and discharge in areas of water stress (in kilolitres):

For each facility / plant located in areas of water stress, provide the following information:

- (i) Name of the area
- (ii) Nature of operations
- (iii) Water withdrawal, consumption, and discharge in the following format:

Parameter	FY 2021-2022 (Current Financial Year)	FY 2020-2021 (Previous Financial Year)
Water withdrawal by source (in kilolitres)		
(i) Surface water	-	-
(ii) Groundwater	-	-
(iii) Third party water	-	-
(iv) Seawater / desalinated water	-	-
(v) Others	-	-
Total volume of water withdrawal (in kilolitres)	-	-
Total volume of water consumption (in kilolitres)	-	-
Water intensity per rupee of turnover (Water consumed / turnover)	-	-
Water intensity (optional) – the relevant metric may be selected by the entity	-	-
Water discharge by destination and level of treatment (in kilolitres)		
(i) Into Surface water	-	-
- No treatment	-	-
- With treatment – please specify level of treatment	-	-
(ii) Into Groundwater	-	-
- No treatment	-	-
- With treatment – please specify level of treatment	-	-
(iii) Into Seawater	-	-
- No treatment	-	-
- With treatment – please specify level of treatment	-	-

Parameter	FY 2021-2022 (Current Financial Year)	FY 2020-2021 (Previous Financial Year)
(iv) Sent to third parties	-	-
- No treatment	-	-
- With treatment – please specify level of treatment	-	-
(v) Others	-	-
- No treatment	-	-
- With treatment – please specify level of treatment	-	-
Total water discharged (in kilolitres)	-	-

Note: 1. Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency: No

2. Given the nature of the Bank's business operations, water consumption and discharge are not material to the business. Water consumption is limited to drinking and domestic consumption and the Bank has not measured water consumption so far, however, we have initiated discussions internally on tracking water consumption at some of our large offices.

4. Please provide details of total Scope 3 emissions and its intensity, in the following format:

Parameter	UNIT	FY 2021-2022 (Current Financial Year)	FY 2020-2021 (Previous Financial Year)
Total Scope 3 emissions (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	Metric tonnes of CO ₂ equivalent	-	-
Total Scope 3 emissions per rupee of turnover		-	-
Total Scope 3 emission intensity (optional) – the relevant metric may be selected by the entity		-	-

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency: No

5. With respect to the ecologically sensitive areas reported at Question 10 of Essential Indicators above, provide details of significant direct and indirect impact of the entity on biodiversity in such areas along-with prevention and remediation activities.

The Bank's offices and Branches are not operated in and around the ecologically sensitive areas.

6. If the entity has undertaken any specific initiatives or used innovative technology or solutions to improve resource efficiency, or reduce impact due to emissions / effluent discharge / waste generated, please provide details of the same as well as outcome of such initiatives, as per the following format:

The Bank is adopting various strategies to enhance its positive impact through its lending activities, internal operations, and CSR activities. The digitisation of the Bank's products and services has helped to make it more convenient for customers and helped to reduce the quantum of resources consumed in banking operations. Further, the Bank has designed energy efficient infrastructure to save energy and makes optimal utilisation of resources at its branches and other offices. Also, the Bank has installed solar rooftop system in its offices to make clean energy and to reduce its carbon footprint.

For more details, please refer "Pillar 1: Environment" in this Annual Report.

S. No. Initiative undertaken	Details of the initiative (Web-link, if any, may be provided along with summary)	Outcome of the initiative
-	-	-

7. Does the entity have a business continuity and disaster management plan? Give details in 100 words/ web link.

The Bank understands the environment its operates in and the associated risks, hence the Bank has developed and implemented business recovery strategies and infrastructure to ensure recovery and continuity of critical banking operations as per agreed timelines and acceptable service levels. The plan is designed to facilitate the continuity of the critical business processes in the event of defined disaster scenarios. The scenarios address city wide (wide area) disruptions too. The same is evaluated periodically to address any gaps. While the recovery time objectives (RTO) have been defined and documented in the recovery plans, various external factors beyond our control could affect the actual recovery time.

<https://www.aubank.in/Notice-Slider-1-10-Business-Continuity-Plan.pdf>

8. Disclose any significant adverse impact on the environment, arising from the value chain of the entity. What mitigation or adaptation measures have been taken by the entity in this regard?

Given the nature of the operations, services and products, the Bank, doesn't have significant impact on the environment. However, the limited environmental impact such as emissions are being addressed and being environmentally conscious institution, the Bank is continuously taking measures to reduce the impact on the environment.

9. Percentage of value chain partners (by the value of business done with such partners) that were assessed for environmental impacts.

The Bank procures goods and services from certified vendors who are ISO 14001 certified. The Bank is gradually working on including environmental aspects as part of its business practices with its value chain partners.

Principle 7: Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.

Essential Indicators

1. a. Number of affiliations with trade and industry chambers/ associations: 4
b. List the top 10 trade and industry chambers/ associations (determined based on the total members of such body) the entity is a member of/ affiliated to.

S. No	Name of the trade and industry chambers/ associations	Reach of trade and industry chambers/ associations (State/National)
1	Indian Banks' Association	National
2	Association of Small Finance Banks of India (ASFBI)	National
3	Confederation of Indian Industry	National
4	Federation of Indian Chambers of Commerce and Industry	National

2. Provide details of corrective action taken or underway on any issues related to anti- competitive conduct by the entity, based on adverse orders from regulatory authorities

Name of Authority	Brief of the case	Corrective action taken
	NA	

Leadership Indicators

1. Details of public policy positions advocated by the entity:

S. No	Public policy advocated	Method resorted for such advocacy	Whether information is available in the public domain? (Yes/No)	Frequency of review by board (Annually/ Half-yearly/ Quarterly/ other please specify)	Web-link if available
		This is not applicable as the Bank does not engage in policy advocacy.			

Principle 8: Businesses should promote inclusive growth and equitable development.

Essential Indicators

1. Details of Social Impact Assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current financial year.

Name and brief detail of project	SIA Notification No.	Date of Notification	Whether conducted by independent external agency (Yes/No)	Results communicated in the public domain (Yes/No)	Relevant Web-link
			NA		

Note: Impact assessment of CSR projects will be carried out in accordance with provisions of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014 from FY 2022-23 onwards.

2. Provide information on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by your entity, in the following format:

S. No	Name of the project for which R&R is ongoing	State	District	No. of projects Affected Families (PAFs)	% of PAFs covered by R&R	Amount paid to PAFs in the FY (In INR)
				NA		

3. Describe the mechanisms to receive and redress the grievances of the community.

Please refer "Pillar 2: Social" in this Annual Report.

4. Percentage of input material (inputs to total inputs by value) sourced from suppliers:

Parameter	FY 2021-2022	FY 2020-2021
Directly sourced from MSMEs/ small producers	The items which are acquired for consumption at requisite local branch/offices are preferably procured from MSMEs of the respective districts.	
Sourced directly from within the district and neighbouring districts		

Leadership Indicators

1. Provide details of actions taken to mitigate any negative social impacts identified in the Social Impact Assessments (Reference: Question 1 of Essential Indicators above):

Details of negative social impact identified	Corrective action taken
NA	

2. Provide the following information on CSR projects undertaken by your entity in designated aspirational districts as identified by government bodies:

S. No	State	Aspirational District	Amount Spent (in INR)
1	Rajasthan	2	3,85,000
2	Maharashtra	2	78,300
3	Madhya Pradesh	3	2,01,500
4	Chhattisgarh	4	1,49,500
5	Gujarat	1	21,000
Total			8,35,300

3. a. Do you have a preferential procurement policy where you give preference to purchase from suppliers comprising marginalised /vulnerable groups? (Yes/No): No
- b. From which marginalised /vulnerable groups do you procure?
Not Applicable
- c. What percentage of total procurement (by value) does it constitute?
Not Applicable

4. Details of the benefits derived and shared from the intellectual properties owned or acquired by your entity (in the current financial year), based on traditional knowledge:

S. No	Intellectual Property Based on Traditional Knowledge	Owned Acquired (Yes/No)	Benefit Shared (Yes/No)	Basis of Calculating Benefit Share
		NA		

5. Details of corrective actions taken or underway, based on any adverse order in intellectual property-related disputes wherein usage of traditional knowledge is involved.

Name of Authority	Brief of the Case	Corrective action taken
	NA	

6. Details of beneficiaries of CSR Projects:

S. No	CSR Project	No. of persons benefitted from CSR projects	% of beneficiaries from vulnerable and marginalised groups
1	AU Skills Academy	2,691	74%
2	Centre of Excellence	651	87.25%
3	Financial and Digital Literacy	1,16,680	-
4	AU COVID - Medical Equipment Support	10,000	-
5	AU COVID - Response & Support	3,07,600	-
6	AU Bank Sports Initiative	8,000	100%
7	AU Jal Bank	3,08,000	-
8	AU Udyogini	1,346	100%
9	AU Shiksha	40 Direct & 9,950 indirect	-
10	Environmental Sustainability	2,500+ Trees and guards	-
11	AU Shayog - Support for society upliftment	10,093	-
12	AU Arogya- Healthcare	5,435	-

For more details, please refer "Pillar 2: Social" in this Annual Report.

Principle 9: Businesses should engage with and provide value to their consumers in a responsible manner.

Essential Indicators

- Describe the mechanisms in place to receive and respond to consumer complaints and feedback.

The Bank has a comprehensive policy on Customer Grievance Redressal which governs the redressal procedure for handling customer complaints. The policy is well-designed in adherence with applicable regulatory requirements, and applies to all employees of the organisation, regardless of location or business unit. The Bank has a 4-tiered governance framework that ensures prompt and responsive complaint resolution and ensures confidentiality of complainants' information.

- Turnover of products and/ services as a percentage of turnover from all products/service that carry information about:

	As a percentage to total turnover
Environmental and social parameters relevant to the product	NA
Safe and responsible usage	NA
Recycling and/or safe disposal	NA

- Number of consumer complaints in respect of the following:

	FY 2021-22		Remarks	FY 2020-21		Remarks
	Received during the year	Pending resolution at end of year		Received during the year	Pending resolution at end of year	
Data privacy			Please refer the details of customer complaints covering number and categories of complaints disclosed in Schedule no. 18 (11) of the notes to accounts of the Audited Financial Statements for FY 2021-22.			
Advertising						
Cyber-security						
Delivery of essential services						
Restrictive Trade Practices						
Unfair Trade Practices						
Other						

4. Details of instances of product recalls on account of safety issues:

	Number	Reasons for recall
Voluntary recalls		
Forced recalls	NA	

5. Does the entity have a framework/ policy on cyber security and risks related to data privacy? (Yes/No) If available, provide a web-link of the policy.

Yes, the Bank has Cyber Security Risk policy in place which is framed in accordance with relevant RBI circular and guidelines. <https://www.aubank.in/privacy-policy>

6. Provide details of any corrective actions taken or underway on issues relating to advertising, and delivery of essential services; cyber security and data privacy of customers; re-occurrence of instances of product recalls; penalty / action taken by regulatory authorities on safety of products / services.

During the reporting period, there are no instances of issues relating to advertising, cyber security and data privacy. In case of any cases or incident that may arise in the future, the Bank has appropriate policies and procedures in place to take corrective actions.

Leadership Indicators

1. Channels / platforms where information on products and services of the entity can be accessed (provide web link, if available).

Yes, <https://www.aubank.in/>

2. Steps taken to inform and educate consumers about safe and responsible usage of products and/or services.

The Bank always strives to provide seamless services and Bank engage, educate, and organises various customers awareness measures including campaigns, knowledge series to provide information to the customer for safe and responsible use of Bank's products and services.

3. Mechanisms in place to inform consumers of any risk of disruption/discontinuation of essential services.

Please refer to the Business Continuity Plan of the Bank's available at the website at following link:

<https://www.aubank.in/Notice-Slider-1-10-Business-Continuity-Plan.pdf>

4. Does the entity display product information on the product over and above what is mandated as per local laws? (Yes/No/Not Applicable) If yes, provide details in brief. Did your entity carry out any survey regarding consumer satisfaction relating to the major products / services of the entity, significant locations of operation of the entity or the entity as a whole? (Yes/No)

The Bank's products are intangible in nature and thus, product labelling is not applicable. However, the Bank complies with the disclosure requirements relevant for its products and services in all its communication. Additionally, details of the Bank's products, services offered are disclosed through various modes viz. brochures, website, advertisements, print media and social media etc. for information of the customers and other stakeholders.

The Bank carries out survey regarding customer satisfaction and the Bank is using customer experience measurement tools for conducting customer surveys through AU Mobile App, Phone Banking, Branch Servicing, Service Request Resolution Feedback, and ATM Services etc. The feedback received from customers through different surveys is analysed, collated, and shared with respective teams for incorporation of suggestions to improve Bank's products and services.

5. Provide the following information relating to data breaches:

a. Number of instances of data breaches along-with impact: None

b. Percentage of data breaches involving personally identifiable information of customers: None

Independent Auditors' 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, 2022, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and 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, Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act read with the Companies (Accounting Standards) Rules, 2006, as amended ("Accounting Standards") as applicable to banks and other accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2022, 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 specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility 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 (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

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 of the current period. 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

Sl. No.	Key Audit Matter	Auditor's Response
1	Identification of Non-Performing Advances and Provisioning for Advances (Refer Schedule 9 to the financial statements) Advances constitute a significant portion of the Bank's assets and the quality of these advances is measured in terms of ratio of Non-Performing Advances ("NPA") to the gross advances of the Bank. The Bank has gross advances amounting to ₹ 92,43,782 thousands and the gross NPA ratio of Bank is 1.98% as at March 31, 2022. The Reserve Bank of India's (RBI) guidelines on income recognition, asset classification and provisioning ('IRAC norms') and guidelines relating to Resolution Framework for covid-19 related stress (herein after referred as "Relevant RBI guidelines") prescribes the norms for identification and classification of NPAs and the minimum provision required for such assets. The Bank is also required to apply its judgement to determine the identification and provisioning for NPAs by applying quantitative as well as qualitative factors. Additionally, the Bank carries provision on advances that are not classified as NPAs. Further, during the year, the bank has changed its estimates with respect to provision on NPAs by revising the provisioning rates applied for various categories of NPAs. Since the identification of NPAs and provisioning for advances is significant to the overall audit due to stakeholder and regulatory focus, we have ascertained this as a key audit matter.	Our audit approach included testing the design, operating effectiveness of internal controls and substantive audit procedures in respect of income recognition, asset classification and provisioning pertaining to advances. In particular: • We have evaluated and understood the Bank's internal control system in adhering to the Relevant RBI guidelines; • We have analysed and understood key IT systems/ applications used and tested the design and implementation as well as operational effectiveness of relevant controls in relation to income recognition, asset classification, viz., standard, sub-standard, doubtful and loss with reference to relevant RBI guidelines and provisioning pertaining to advances; • We test checked advances to examine the validity of the recorded amounts, underlying loan documentation and statement of accounts, indicators of impairment, impairment provision for NPAs, and compliance with IRAC norms; • We obtained an understanding of implementation of the Regulatory Package and checked that the Bank's board approved policy is in line with the Resolution Framework. On sample basis, tested that restructuring was carried out in accordance with the Resolution Framework and re-computed the provision made in accordance with the Resolution Framework. • We obtained an understanding of the change in the accounting estimate pertaining to provisioning rate for NPAs, checked that the same has been duly approved by the Board of the Bank and that revised NPA provisioning is in compliance with the RBI Guidelines.
2	Key Information technology (IT) systems used in financial reporting process: As a Scheduled Commercial Bank that operates on core banking solution ("CBS") across its branches and asset centres, the reliability and security of IT systems plays a key role in the business operations. 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. The IT infrastructure is critical for smooth functioning of the Bank's business operations as well as for timely and accurate financial accounting and reporting. Due to the pervasive nature and complexity of the IT environment we have ascertained Key Information technology ("IT") systems used in financial reporting process as a key audit matter.	We involved our IT specialists to obtain an understanding of the Bank's IT related control environment. Furthermore, we conducted an assessment and identified key IT applications, databases and operating systems that are relevant for our audit. For the key IT systems used to prepare accounting and financial information, our areas of audit focus included access security (including controls over privileged access), program change controls, database management and network operations. In particular: • We obtained an understanding of the Bank's IT control environment and key changes during the audit period that may be relevant to the audit; • We tested the design, implementation and operating effectiveness of the Bank's General IT controls over the key IT systems that are critical to financial reporting. This included evaluation of Bank's controls to evaluate segregation of duties and access rights being provisioned / modified based on duly approved requests, access for exit cases being revoked in a timely manner and access of all users being recertified access of all users being rectified during the period of audit; • We also tested key automated and manual business cycle controls and logic for system generated reports relevant to the audit; including testing of compensating controls or formed alternate procedures to assess whether there were any unaddressed IT risks that would materially impact the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

- The Bank's Board of Directors is responsible for the preparation of the other information. The other information comprises the Chairman's Statement, the Directors Report including annexures to the Directors report and Corporate Governance Report included in the Annual Report, but does not include the financial statement and our auditors report thereon and the Basel II Disclosures under New Capital Adequacy Framework (Basel II Disclosures). The other information is expected to be made available to us after the date of this auditor's report.
- Our opinion on the financial statements does not cover the other information and Basel II Disclosures and accordingly will 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 the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- When we read the Other Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance as required under SA 720 (Revised) 'The Auditor's responsibilities Relating to Other Information'.

Management's Responsibility 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 Standards and other accounting principles generally accepted in India and the circulars, guidelines and the directions issued by the Reserve Bank of India, from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 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 statement 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 Board of Directors are also responsible for overseeing the financial reporting process of Bank.

Auditor's Responsibility 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 financial 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 system 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 the 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.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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 of the current period 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.

Other Matter

The financial statements as at and for the year ended March 31, 2021, have been audited by the predecessor auditor. The report of the predecessor auditor on the comparative financial statements dated April 29, 2021 expressed an unmodified opinion.

Our opinion on the financial statements and our report on Other Legal and Regulatory Requirements below is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act and Section 30(3) of the Banking Regulation Act, 1949, based on our Audit, 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 and found them to be satisfactory.
 - b) In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the bank.
 - c) As explained in the paragraph 2 below, the financial accounting system of the Bank are centralised and, therefore, accounting returns are not required to be submitted by branches.
 - d) 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.
 - e) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - f) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act as applicable to the Banks.
 - g) On the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2022 from being appointed as a director in terms of Section 164(2) of the Act.

- h) With respect to the adequacy of the internal financial controls with reference to financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Bank's internal financial controls with reference to financial statements.
- i) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the entity being a banking company, section 197 of the Act related to the managerial remuneration is not applicable by virtue of Section 35B(2A) of the Banking Regulation Act, 1949.
- j) 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 Schedule 12 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;
 - iv. (a) The Management has represented that, to the best of its knowledge and belief, as disclosed in the notes to the accounts no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries – Refer note 18.B(10) to the financial statements.
 - (b) The Management has represented, that, to the best of its knowledge and belief, as disclosed in the notes to accounts, no funds (which are material either individually or in the aggregate) have been received by the Bank from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Bank shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries – Refer note 18.B(10) to the financial statements.
 - (c) Based on the audit procedures that has been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material mis-statement.

- v. As stated in note 18.B(8) to the financial statements, the Board of Directors of the Company have proposed final dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting. The amount of dividend proposed is in accordance with section 123 of the Act, as applicable.
2. We report that during the course of our audit we have visited and performed select relevant procedures at 33 branches. Since the Bank considers its key operations to be automated, with the key applications largely integrated to the Core Banking System, it does not require its branches to submit any financial returns. Accordingly, our audit is carried out centrally at Head Office based on the records and data required for the purpose of Audit being made available to us.

For **Deloitte Haskins & Sells**

Chartered Accountants

(Firm Registration No. 117365W)

G. K. Subramaniam

Partner

Membership No. 109839

UDIN: 22109839AHURFG6638

Place: Jaipur

Date: April 26, 2022

For **G.M. Kapadia & Co.**

Chartered Accountants

(Firm Registration No. 104767W)

Atul Shah

Partner

Membership No. 039569

UDIN: 22039569AHVBND7276

Place: Jaipur

Date: April 26, 2022

Annexure “A” to the Independent Auditor’s Report

(Referred to in paragraph 1(h) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

Report on the Internal Financial Controls with reference to Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls with reference to financial statements of **AU Small Finance Bank Limited** (the “Bank”) as of March 31, 2022 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 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, the Banking Regulation Act, 1949 and the guidelines issued by the Reserve Bank of India.

Auditor’s Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to financial statements of the Bank 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”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls with reference to financial statements, 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 Bank’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls with reference to financial statements

A Bank’s internal financial control with reference to financial statements 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 Bank’s internal financial control with reference to financial statements 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 Bank; (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 Bank are being made only in accordance with authorisations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank’s assets that could have a material effect on the financial statements.

Inherent Limitations of internal financial control with reference to financial statements

Because of the inherent limitations of internal financial control with reference to financial statements, 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.

For **Deloitte Haskins & Sells**

Chartered Accountants

(Firm Registration No. 117365W)

G. K. Subramaniam

Partner

Membership No. 109839

UDIN: 22109839AHURFG6638

Place: Jaipur

Date: April 26, 2022

Opinion

In our opinion, to the best of our information and according to the explanations given to us the Bank has, in all material respects, an adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2022, based on the criteria for internal financial control over financial reporting 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 **G.M. Kapadia & Co.**

Chartered Accountants

(Firm Registration No. 104767W)

Atul Shah

Partner

Membership No. 039569

UDIN: 22039569AHVBND7276

Place: Jaipur

Date: April 26, 2022

Balance Sheet

as at March 31, 2022

(₹ in '000)			
Particulars	Schedule	As at March 31, 2022	As at March 31, 2021
CAPITAL & LIABILITIES			
Capital	1	3,149,000	3,122,134
Employees stock options outstanding		413,316	1,031,171
Reserves & Surplus	2	71,577,824	58,598,853
Deposits	3	525,846,206	359,793,142
Borrowings	4	59,907,786	70,296,957
Other Liabilities and Provisions	5	29,883,872	23,070,802
Total		690,778,004	515,913,059
ASSETS			
Cash and Balances with Reserve Bank of India	6	24,684,072	15,693,478
Balances with banks and Money at Call and Short Notice	7	34,601,078	32,119,877
Investments	8	153,065,043	108,154,139
Advances	9	460,952,564	346,089,142
Fixed Assets	10	6,225,713	4,823,685
Other Assets	11	11,249,534	9,032,738
Total		690,778,004	515,913,059
Contingent Liabilities	12	21,076,078	12,208,441
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 **Deloitte Haskins & Sells**
Chartered Accountants
ICAI Firm Registration No.: 117365W

For and on behalf of the Board of Directors
AU Small Finance Bank Limited

G. K. Subramaniam
Partner
Membership No. 109839
Place: Jaipur

Raj Vikash Verma
(Non-Executive Independent
Part Time Chairman)
DIN: 03546341
Place: Jaipur

Sanjay Agarwal
(Managing Director and CEO)
DIN: 00009526
Place: Jaipur

For **G.M. Kapadia & Co.**
Chartered Accountants
ICAI Firm Registration No.: 104767W

Uttam Tibrewal
(Whole Time Director)
DIN: 01024940
Place: Jaipur

Vimal Jain
(Chief Financial Officer)
Place: Jaipur

Atul Shah
Partner
Membership No. 039569
Place: Jaipur

Manmohan Parnami
(Company Secretary)
Membership No. F9999
Place: Jaipur

Date: April 26, 2022

Profit and Loss Account

for the year ended March 31, 2022

(₹ in '000)			
Particulars	Schedule	Year Ended March 31, 2022	Year Ended March 31, 2021
I. INCOME			
Interest earned	13	59,217,307	49,500,515
Other income	14	9,936,943	14,209,326
Total Income		69,154,250	63,709,841
II. EXPENDITURE			
Interest expended	15	26,876,058	25,846,097
Operating expenses	16	24,127,743	16,584,252
Provisions & contingencies {refer note 15 (e) - schedule 18A}		6,852,105	9,572,646
Total Expenditure		57,855,906	52,002,995
III. PROFIT/LOSS			
Net profit/ (loss) for the year		11,298,342	11,706,846
Add: Balance in Profit/Loss Account brought forward from previous year		26,911,021	18,873,181
Total		38,209,363	30,580,027
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		2,824,586	2,926,712
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 (refer schedule 2.III)		1,172,992	770,000
Transfer to Capital Reserve		185,190	288,747
Transfer to / (from) Investment Fluctuation Reserve		202,389	(316,451)
Dividend paid		-	-
Balance carried over to Balance Sheet		33,824,206	26,911,019
Total		38,209,363	30,580,027
V. EARNING PER SHARE (refer note 23- schedule 18B)			
Basic (₹)		36.06	38.19
Diluted (₹)		35.69	37.86
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 **Deloitte Haskins & Sells**
Chartered Accountants
ICAI Firm Registration No.: 117365W

G. K. Subramaniam
Partner
Membership No. 109839
Place: Jaipur

For **G.M. Kapadia & Co.**
Chartered Accountants
ICAI Firm Registration No.: 104767W

Atul Shah
Partner
Membership No. 039569
Place: Jaipur

Date: April 26, 2022

For and on behalf of the Board of Directors
AU Small Finance Bank Limited

Raj Vikash Verma
(Non-Executive Independent
Part Time Chairman)
DIN: 03546341
Place: Jaipur

Uttam Tibrewal
(Whole Time Director)
DIN: 01024940
Place: Jaipur

Manmohan Parnami
(Company Secretary)
Membership No. F9999
Place: Jaipur

Sanjay Agarwal
(Managing Director and CEO)
DIN: 00009526
Place: Jaipur

Vimal Jain
(Chief Financial Officer)
Place: Jaipur

Cash Flow Statement

for the year ended on March 31, 2022

Particulars	(₹ in '000)	
	Year Ended March 31, 2022	Year Ended March 31, 2021
Cash Flow From Operating Activities		
Profit after tax	11,298,342	11,706,846
Add: Provision for tax	3,242,362	2,878,236
Net Profit Before Taxes	14,540,704	14,585,082
Adjustments for:-		
Employee Stock Options Expense	184,834	767,915
Depreciation on Bank's Property	1,401,666	1,043,685
Amortization of Premium on HTM Investments	766,311	356,451
Provision for Employee Expenses	91,281	(88,187)
Provision for Non Performing Assets, Standard Assets and Other Provisions	3,605,012	5,682,866
Loss on sale of Fixed Assets	6,366	9,304
Operating profit before working capital changes	20,596,175	22,357,116
Movement in working capital		
Decrease / (Increase) in Investments (other than HTM Investments)	(953,618)	6,366,180
Decrease / (Increase) in Advances	(114,325,107)	(81,233,914)
Decrease / (Increase) in Other Assets	(1,800,989)	(1,786,122)
(Decrease) / Increase in Deposits	166,053,064	98,153,857
(Decrease) / Increase in Other Liabilities and Provisions	2,768,858	9,847,181
Cash Flow from Operating Activities	72,338,383	53,704,298
Direct Taxes Paid (Net of refunds)	(3,848,564)	(3,143,287)
Net Cash Flow from Operating Activities (A)	68,489,819	50,561,011
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(2,824,892)	(1,412,263)
Proceeds from Sale of Fixed Assets	14,832	15,570
Investments in HTM securities (Net)	(44,723,597)	(8,500,756)
Net cash flow (used) in Investing Activities (B)	(47,533,657)	(9,897,449)
Cash Flow from Financing Activities		
Proceeds from /(Repayment of) borrowings	(10,389,171)	(33,056,279)
Money received on exercise of Stock Options / Issue of Shares	904,804	6,579,785
Share Issue Expenses	-	(70,499)
Net cash flow (used in) Financing Activities (C)	(9,484,367)	(26,546,993)
Net Increase in Cash and Cash Equivalents (A + B + C)	11,471,795	14,116,569

Cash Flow Statement

for the year ended on March 31, 2022

Particulars	(₹ in '000)	
	Year Ended March 31, 2022	Year Ended March 31, 2021
Cash and Cash Equivalents at the beginning of the year (Refer Note Below)	47,813,355	33,696,786
Cash and Cash Equivalents at the end of the year (Refer Note Below)	59,285,150	47,813,355
Note:		
Balance with Banks in India in Fixed Deposit (As per Sch 7 I (i) (b))	234,041	2,214,111
Balance with Banks in India in Current Account (As per Sch 7 I (i) (a))	1,517,037	955,766
Money at Call and Short Notice in India (as per Sch 7 I (ii))	32,850,000	28,950,000
Cash in hand (including foreign currency notes) (As per Sch 6 I)	4,536,032	4,182,772
Balance with RBI in Current Accounts (As per Sch 6 II)	20,148,040	11,510,706
Cash and Cash Equivalents at the end of the year	59,285,150	47,813,355

As per our attached Report of even date.

For **Deloitte Haskins & Sells**
Chartered Accountants
ICAI Firm Registration No.: 117365W

G. K. Subramaniam
Partner
Membership No. 109839
Place: Jaipur

For **G.M. Kapadia & Co.**
Chartered Accountants
ICAI Firm Registration No.: 104767W

Atul Shah
Partner
Membership No. 039569
Place: Jaipur

Date: April 26, 2022

For and on behalf of the Board of Directors
AU Small Finance Bank Limited

Raj Vikash Verma
(Non-Executive Independent
Part Time Chairman)
DIN: 03546341
Place: Jaipur

Uttam Tibrewal
(Whole Time Director)
DIN: 01024940
Place: Jaipur

Manmohan Parnami
(Company Secretary)
Membership No. F9999
Place: Jaipur

Sanjay Agarwal
(Managing Director and CEO)
DIN: 00009526
Place: Jaipur

Vimal Jain
(Chief Financial Officer)
Place: Jaipur

Schedules

forming part of the Balance Sheet as at March 31, 2022

SCHEDULE 1 : CAPITAL

Particulars	(₹ in '000)	
	As at March 31, 2022	As at March 31, 2021
Authorized shares		
35,00,00,000 (March 31, 2021: 35,00,00,000) equity shares of ₹ 10/- each	3,500,000	3,500,000
Issued Subscribed and paid up capital		
I. 31,22,13,390 equity shares of ₹ 10/- each (March 31, 2021: 30,41,23,327 equity shares)	3,122,134	3,041,233
II. Add: 26,86,641 equity shares of ₹ 10/- each (March 31, 2021: 30,90,063 equity share) in pursuant to exercise of employee stock option	26,866	30,901
III. Add: Nil equity shares of ₹ 10/- each (March 31, 2021: 50,00,000 equity shares) in pursuant to QIP allotment	-	50,000
Total	3,149,000	3,122,134

SCHEDULE 2 : RESERVES & SURPLUS

Particulars	(₹ in '000)	
	As at March 31, 2022	As at March 31, 2021
I. Statutory Reserve		
Opening Balance*	9,217,175	6,290,463
Additions during the year under the Banking Regulation Act, 1949	2,824,586	2,926,712
Deductions during the year	-	-
Sub- Total	12,041,761	9,217,175
*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	19,252,946	12,566,577
Add: Allotment of equity shares	1,680,627	6,756,868
Less: Utilised for share issue expenses	-	70,499
Sub- Total	20,933,573	19,252,946
III. Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		
Opening Balance	2,023,000	1,253,000
Additions during the year	1,172,992	770,000
Deductions during the year	-	-
Sub- Total	3,195,992	2,023,000
IV. Capital Reserve		
Opening Balance	385,615	96,868
Additions during the year	185,190	288,747
Deductions during the year	-	-
Sub- Total	570,805	385,615
V. Investment Fluctuation Reserve		
Opening Balance	809,098	1,125,549
Additions during the year	202,389	-
Deductions during the year (Excess of 2% of AFS and HFT portfolio)	-	316,451
Sub- Total	1,011,487	809,098
VI. Balance in Profit and Loss Account		
Balance in Profit and Loss Account	33,824,206	26,911,019
Sub- Total	33,824,206	26,911,019
Total	71,577,824	58,598,853

Schedules

forming part of the Balance Sheet as at March 31, 2022

SCHEDULE 3 : DEPOSITS

Particulars	(₹ in '000)	
	As at March 31, 2022	As at March 31, 2021
A.I Demand Deposits		
(i) From Banks	388,603	349,642
(ii) From Others	25,303,456	15,972,597
Sub- Total	25,692,059	16,322,239
A.II Savings Bank Deposits	170,390,664	66,432,170
A.III Term Deposits		
(i) From Banks	67,654,789	56,751,950
(ii) From Others	262,108,694	220,286,783
Sub- Total	329,763,483	277,038,733
Total	525,846,206	359,793,142
B.I Deposits of branches in India	525,846,206	359,793,142
B.II Deposits of branches outside India	-	-
Total	525,846,206	359,793,142

SCHEDULE 4 : BORROWINGS

Particulars	(₹ in '000)	
	As at March 31, 2022	As at March 31, 2021
I. Borrowings in India		
(i) Reserve Bank of India	-	-
(ii) Other Banks	4,854,498	3,439,092
(iii) Other Institutions and Agencies	55,053,288	66,857,865
Sub Total	59,907,786	70,296,957
II. Borrowings outside India	-	-
Total	59,907,786	70,296,957
Secured Borrowings (Includes Refinance) other than CBLO, Tri-Party Repo, Repo and LAF	50,553,288	58,957,865
Borrowings included in I above		
Tier II Debt included in I above	5,000,000	6,150,000
Tier II Debt included in II above	-	-

SCHEDULE 5 : OTHER LIABILITIES AND PROVISIONS

Particulars	(₹ in '000)	
	As at March 31, 2022	As at March 31, 2021
I. Bills Payable	1,884,695	968,530
II. Interest Accrued	2,505,483	3,338,804
III. Provision for Taxation	13,067	203,463
IV. Standard Asset provision	2,772,650	1,881,293
V. Others (including Provisions)*	22,707,977	16,678,712
Total	29,883,872	23,070,802

*Includes an additional contingency provision of ₹ 211.17 crores as at March 31, 2022 (previous year: 101.88 crore), of which the additional provision for the accounts restructured under RBI Resolution framework is at ₹ 53.62 crore as at March 31, 2022 (previous year: 31.88 crore).

Schedules

forming part of the Balance Sheet as at March 31, 2022

SCHEDULE 6 : CASH AND BALANCES WITH RESERVE BANK OF INDIA

Particulars	(₹ in '000)	
	As at March 31, 2022	As at March 31, 2021
I. Cash in Hand (including Foreign Currency Notes - NIL)	4,536,032	4,182,772
II. Balances with Reserve Bank of India		
a. in Current Account	20,148,040	11,510,706
b. in Other Account	-	-
Total	24,684,072	15,693,478

SCHEDULE 7 : BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE

Particulars	(₹ in '000)	
	As at March 31, 2022	As at March 31, 2021
I. In India		
i) Balances with banks in		
(a) Current Accounts	1,517,037	955,766
(b) Other Deposit Accounts	234,041	2,214,111
ii) Money at call and short Notice		
(a) with Banks	32,850,000	28,950,000
(b) with Other Institutions	-	-
Sub- Total	34,601,078	32,119,877
II. Outside India		
i) in Current Accounts	-	-
ii) in Other Deposit Accounts	-	-
iii) in Money at Call and Short Notice	-	-
Sub- Total	-	-
Total	34,601,078	32,119,877

SCHEDULE 8 : INVESTMENTS

Particulars	(₹ in '000)	
	As at March 31, 2022	As at March 31, 2021
I. Investments in India in (net of Provision)		
i) Government Securities	110,543,135	77,807,715
ii) Other Approved Securities	-	-
iii) Shares	88,106	88,106
iv) Debentures and Bonds	23,877,964	22,336,920
v) Subsidiaries and /or Joint Venture	-	-
vi) Others [Units, Mutual Fund, Certificate of Deposits (CD), Commercial Paper (CP), Pass Through Certificates (PTC), Security Receipts (SR)]	18,555,838	7,921,398
Sub- Total	153,065,043	108,154,139
II. Investments outside India (net of provision)	-	-
Total	153,065,043	108,154,139

Schedules

forming part of the Balance Sheet as at March 31, 2022

SCHEDULE 9 : ADVANCES

Particulars	(₹ in '000)	
	As at March 31, 2022	As at March 31, 2021
A i) Bills Purchased and Discounted	2,473,245	109,588
ii) Cash Credits Overdrafts and Loans repayable on Demand	63,375,728	37,883,647
iii) Term loans	395,103,591	308,095,907
Total	460,952,564	346,089,142
B i) Secured by Tangible Assets (includes advances against Book debts)	418,263,584	325,023,352
ii) Covered by Bank / Government Guarantees (includes Advance to Banks)	8,912,662	5,658,677
iii) Unsecured	33,776,318	15,407,113
Total	460,952,564	346,089,142
C.I Advances in India		
i) Priority Sectors*	327,069,821	243,389,369
ii) Public Sector	-	-
iii) Banks	3,013,090	5,423,021
iv) Others	130,869,653	97,276,752
Total	460,952,564	346,089,142
C.II Advances outside India	-	-
Total	460,952,564	346,089,142

*Priority sectors for the current year includes ₹ 18,000.00 crore (previous year: ₹ 14,700.00 crore), in respect of which the Bank has sold Priority Sector Lending Certificates (PSLC).

Above Advances are net of provisions.

SCHEDULE 10 : FIXED ASSETS

Particulars	(₹ in '000)	
	As at March 31, 2022	As at March 31, 2021
I. Premises (including Land)		
Gross Block		
At Cost as on 31 st March of the preceding year	632,403	589,876
Additions during the year	1,266	42,527
Deductions during the year	3,579	-
Sub- Total	630,090	632,403
Depreciation		
As at 31 st March of the preceding year	28,334	21,776
Add: charge during the year	6,856	6,558
Deductions during the year	1,794	-
Sub- Total	33,396	28,334
Net Block	596,694	604,069
II. Other Fixed Assets (including Furniture & Fixtures)		
Gross Block		
At Cost as on 31 st March of the preceding year	7,334,352	5,999,930
Additions during the year	2,734,571	1,417,186
Deductions during the year	88,801	82,764
Sub- Total	9,980,122	7,334,352

Schedules

forming part of the Balance Sheet as at March 31, 2022

SCHEDULE 10 : FIXED ASSETS (CONTD.)

Particulars	(₹ in '000)	
	As at March 31, 2022	As at March 31, 2021
Depreciation		
As at 31 st March of the preceding year	3,164,687	2,185,450
Add: charge during the year	1,394,810	1,037,127
Deductions during the year	69,388	57,890
Sub- Total	4,490,109	3,164,687
Net Block	5,490,013	4,169,665
III. Capital Work in Progress	139,006	49,951
Total	6,225,713	4,823,685

SCHEDULE 11 : OTHER ASSETS

Particulars	(₹ in '000)	
	As at March 31, 2022	As at March 31, 2021
i) Interest Accrued	5,583,965	4,999,528
ii) Tax paid in Advance / Tax Deducted at Sources (Net of Provisions)	26	46
iii) Deferred Tax Assets (Net)	1,421,556	1,005,729
iv) Advance for expenses	382,924	252,390
v) Security Deposits	479,866	366,543
vi) Others	3,381,197	2,408,502
Total	11,249,534	9,032,738

SCHEDULE 12 : CONTINGENT LIABILITIES

Particulars	(₹ in '000)	
	As at March 31, 2022	As at March 31, 2021
I. Claims against the Bank not acknowledged as Debts	365,158	188,660
II. Guarantees given on behalf of Constituents		
a) In India	14,651,112	6,728,556
b) Outside India	-	-
III. Acceptances Endorsements and Other Obligation	711,914	318,662
IV. Other items for which the Bank is Contingently Liable		
(a) Credit enhancements provided by the Bank towards assets assignment/securitisation	3,783,734	3,826,375
(b) Capital commitments not provided	1,139,230	1,040,853
(c) Other Guarantees	424,930	105,335
Total	21,076,078	12,208,441

Schedules

forming part of the Profit and Loss Account for the Year Ended March 31, 2022

SCHEDULE 13 : INTEREST EARNED

Particulars	(₹ in '000)	
	Year Ended March 31, 2022	Year Ended March 31, 2021
I. Interest / Discount on Advances / Bills	48,815,523	39,473,625
II. Income on Investments	7,805,320	7,730,430
III. Interest on Balances with RBI and Other Inter-Bank Funds	870,812	850,066
IV. Others	1,725,652	1,446,394
Total	59,217,307	49,500,515

SCHEDULE 14 : OTHER INCOME

Particulars	(₹ in '000)	
	Year Ended March 31, 2022	Year Ended March 31, 2021
I. Commission, Exchange and Brokerage	6,126,405	4,282,869
II. Profit / (Loss) on sale of Investments (net)	1,429,695	8,542,009
III. Profit / (Loss) on sale of Land Building & Other Assets (net)	(6,366)	(9,304)
IV. Miscellaneous Income (refer note 16- schedule 18B)	2,387,208	1,393,752
Total	9,936,942	14,209,326

SCHEDULE 15 : INTEREST EXPENDED

Particulars	(₹ in '000)	
	Year Ended March 31, 2022	Year Ended March 31, 2021
I. Interest on Deposits	22,635,367	18,572,104
II. Interest on Reserve Bank of India /Inter Bank Borrowings	109,913	495,916
III. Others	4,130,778	6,778,077
Total	26,876,058	25,846,097

SCHEDULE 16 : OPERATING EXPENSES

Particulars	(₹ in '000)	
	Year Ended March 31, 2022	Year Ended March 31, 2021
I. Payments to and Provision for Employees	13,789,217	9,801,731
II. Rent, Taxes and Lighting	1,376,167	989,303
III. Printing and Stationery	221,302	104,157
IV. Advertisement and Publicity	789,469	237,760
V. Depreciation on Bank's Property	1,401,666	1,043,685
VI. Directors' fees- allowances and expenses	26,697	18,151
VII. Auditors' Fee and expenses	20,079	14,082
VIII. Law charges (includes Professional Fees)	333,901	226,204
IX. Postages, Telegrams, Telephones etc.	642,942	381,873
X. Repairs and Maintenance (includes AMC)	1,253,464	923,072
XI. Insurance	451,783	321,718
XII. Direct marketing expenses (Payout expenses)	1,308,202	927,848
XIII. Travelling & Conveyance	566,832	326,035
XIV. Other Expenditure	1,946,022	1,268,633
Total	24,127,743	16,584,252

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

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 commenced its operations as a Small Finance Bank from April 19, 2017 pursuant to the approval received from the RBI 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 the 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 the 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 as amended from time to time 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 except for its share based payments as stated in para 4 (R) below.

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 results could differ due to these estimates. Any revision in the accounting estimates is recognized 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 the 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. Provisions in respect of credit card receivables classified into sub-standard and doubtful assets are made at rates which are higher than those prescribed by the RBI.

The floating provisions are made in conformity with RBI guidelines and is netted off against advances and not disclosed separately under Other liabilities.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 17 : Basis of preparation and significant Accounting Policies (CONTD.)

During the current year, the Bank has revised its NPA provisioning estimate with the approval of the Board. Accordingly, the bank has created a provision of ₹ 142.81 crore.

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 the RBI guidelines on the prudential framework for resolution of stressed assets and the resolution framework for COVID-19 related stress, the Bank in accordance with its Board approved policy, carried out one-time restructuring of eligible borrowers. The asset classification and necessary provisions thereon are done in accordance with the said 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 at 1.00%, restructured standard advance at 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 transferred (conditions as prescribed in the Reserve Bank of India (Securitisation of Standard Assets) Directions 2021 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 the 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 portfolios of receivables are assigned directly to the purchaser and are not represented by Pass Through Certificates ('PTCs').

In accordance with the Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021, 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 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 tenor of the loans.

In accordance with RBI guidelines on sale of nonperforming advances, if the sale is at a price below the net book value (i.e., book value less provisions held), the shortfall is charged to the Profit and Loss Account and if the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year the amounts are received.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 17 : Basis of preparation and significant Accounting Policies (CONTD.)

The Bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances. Advances exclude derecognised securitised advances, inter-bank participation certificates issued.

C. Priority Sector Lending Certificates (PSLCs)

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.

D. 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 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.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 17 : Basis of preparation and significant Accounting Policies (CONTD.)

(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 ('FBIL') 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 FBIL/FIMMDA.

Security receipts are valued as per the net asset value provided by the issuing Asset Reconstruction Company from time to time.

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 ('FBIL') and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each 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 18 months prior to the date of valuation). In case the latest balance sheet is not available the shares are to be valued at Re.1 per company, 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 is valued at the NAV of the respective scheme.

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

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 17 : Basis of preparation and significant Accounting Policies (CONTD.)

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 is 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.

E. 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.

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.

F. Employee Benefits

Employee benefits include provident fund, gratuity and compensated absences.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 17 : Basis of preparation and significant Accounting Policies (CONTD.)

Defined contribution plan:

Provident Fund

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.

New Pension Scheme (NPS)

In respect of employees who opt for contribution to the NPS, the Bank contributes certain percentage of the basic salary of employees to the aforesaid scheme, a defined contribution plan, which is managed and administered by pension fund management companies. The Bank has no liability other than its contribution, and recognises such contributions as an expense in the year incurred.

Defined Benefits Plan

Gratuity

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.

Compensated absences - 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.

Other 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.

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 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 recognized 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.

In accordance with the RBI circular RBI/2021-22/95 DOR.GOV.REC.44/29.67.001/2021-22 "Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff – Clarification" dated August 30, 2021, Share-linked instruments granted to Whole Time Directors/ Chief Executive Officers/ Material

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 17 : Basis of preparation and significant Accounting Policies (CONTD.)

Risk Takers and Control Function staff after the accounting period ending March 31, 2021, shall be fair valued on the date of grant using Black-Scholes model.

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.

G. Revenue recognition

- i) Interest Income is recognized 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 recognized only when realized as per the IRAC norms of RBI. Any such income recognized and remaining unrealized, before the asset became non-performing or before disposal of assets in custody of the company, is reversed. Overdue interest is recognized 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) in case of CCOD and Credit card, Service charges, fees and commission income are recognised when due. Commission income on guarantee and letter of credit is recognised over the period of contract.
- 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 Emi bounce charges, 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 recognized 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) 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 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 and amortised on quarterly basis.

H. Credit Card Reward Points

The Bank estimates the probable redemption of credit card reward points and cost per point using an actuarial method by employing an independent actuary, which includes assumptions such as mortality, redemption and spends.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 17 : Basis of preparation and significant Accounting Policies (CONTD.)

I. 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.

J. 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 Bank 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.

K. Accounting for provisions, contingent liabilities and contingent assets

A provision is recognised when the Bank 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. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Provisions for liabilities on the outstanding reward points on credit card are made based on an independent actuarial valuation as at the Balance Sheet date and included in other liabilities and provisions.

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 where there is a liability that cannot be recognised because it cannot be measured reliably. The Bank does not recognize a contingent liability but discloses its existence in the financial statements. Contingent assets are neither recognised nor disclosed in the financial statements.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 17 : Basis of preparation and significant Accounting Policies (CONTD.)

L. 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.

M. 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.

N. Fixed Assets

(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 derecognized.

(ii) Depreciation on Property, Plant and Equipment (PPE) and software:

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 lives 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 own by the bank	60
Furniture and Fixtures	10
Vehicles	8
Software	4-7
Computers, Printers, 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.

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.

Profit on sale of immovable property net of taxes and transfer to statutory reserve, are transferred to capital reserve account.

The residual values, useful lives 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

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 17 : Basis of preparation and significant Accounting Policies (CONTD.)

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 including Software under development are stated at the amount incurred up to the date of Balance Sheet.

O. 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 accordance with guidelines issued by RBI vide DBOD.No.BP.BC.81/21.01.018/2006-07 dated April 18, 2007 and in compliance with the Accounting Standard 17 – "Segment Reporting". 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 and income from credit card operation 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, 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.

(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 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.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 17 : Basis of preparation and significant Accounting Policies (CONTD.)

P. Share Issue Expenses

Share issue expenses are adjusted from Securities Premium Account as permitted by Section 52 of the Companies Act, 2013.

Q. 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 30 March 2016.

R. Change in Accounting policies

The Bank has applied its significant accounting policies in the preparation of these financial results consistent with those followed in the annual financial statements for the year ended March 31, 2021 except for its share based payments. In accordance with the RBI circular RBI/2021-22/95 DOR.GOV.REC.44/29.67.001/2021-22 "Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff – Clarification" dated August 30, 2021, Share-linked instruments granted to Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff after the accounting period ending March 31, 2021, has fair valued on the date of grant, using Black-Scholes model instead of Intrinsic value method. As a result, 'Employee cost' is higher by ₹ 2.80 crore for the year ended March 31, 2022.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022

Amounts in notes forming part of the financial statements for the year ended March 31, 2022 are denominated in rupee crore to conform to extant RBI guidelines.

A. Disclosures as Laid Down by RBI Circulars

1 Regulatory Capital

a) Composition of Regulatory Capital

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, 2022 is 20.99% (previous year: 23.37%) against the regulatory requirement of 15.00% as prescribed by 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, 2022	March 31, 2021
(i)	Common Equity Tier 1 capital ratio (net of deductions, if any)	7,171.70	6,024.36
(ii)	Additional Tier 1 capital	-	-
(iii)	Tier 1 capital (i + ii)	7,171.70	6,024.36
(iv)	Tier 2 capital	472.39	513.52
(v)	Total capital (Tier 1 + Tier 2)	7,644.09	6,537.88
(vi)	Total Risk Weighted Assets (RWAs)	36,416.69	27,972.82
(vii)	CET 1 Ratio (CET 1 as a percentage of RWAs)	19.69%	21.53%
(viii)	Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	19.69%	21.53%
(ix)	Tier 2 Ratio (Tier 2 capital as a percentage of RWAs)	1.30%	1.84%
(x)	Capital to Risk Weighted Assets Ratio (CRAR) (Total Capital as a percentage of RWAs)	20.99%	23.37%
(xi)	Leverage Ratio	9.99%	11.19%
(xii)	Percentage of the shareholding of Government of India	-	-
(xiii)	Amount of paid-up equity capital raised during the year*	2.69	8.09
(xiv)	Amount of non-equity Tier 1 capital raised during the year, of which:		
	a) Perpetual Non Cumulative Preference Shares (PNCPS)	-	-
	b) Perpetual Debt Instruments (PDI)	-	-
(xv)	Amount of Tier 2 capital raised during the year, of which		
	a) Perpetual Non Cumulative Preference Shares (PNCPS)	-	-
	b) Perpetual Debt Instruments (PDI)	-	-

* During the year ended March 31, 2022, the Bank allotted 26,86,641 equity shares (previous year: 30,90,063 equity shares) aggregating to paid up share capital of ₹ 2.69 crore (previous year: ₹ 3.09 crore). Further the reserves of the Bank have increased by ₹ 87.79 crore (previous year: ₹ 29.39 crore) in respect of stock options exercised.

During the previous year ended March 31, 2021, the Bank has received an amount of ₹ 625.50 Crore upon allotment of 50,00,000 equity shares of face value ₹ 10 each, at an issue price of ₹ 1251 per share pursuant to Qualified Institutional Placement (QIP).

b) Draw down from reserves

There has been no draw down from reserves during the year ended March 31, 2022 and March 31, 2021 other than those disclosed under Schedule 2.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

2 Asset Liability Management

a) Maturity pattern of certain items of assets and liabilities

As at March 31, 2022

Particulars	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	Over 2 months and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	1,302.90	1,410.34	1,077.29	1,661.97	3,171.66	1,834.18	5,347.72	10,198.98	25,710.90	623.36	245.32	52,584.62
Advances	5.08	277.13	1,182.72	555.22	1,532.40	1,286.11	3,097.81	5,661.52	18,174.19	6,986.15	7,336.93	46,095.26
Investments	3,155.15	176.85	353.67	372.79	763.42	429.92	1,684.10	2,491.81	5,373.93	351.44	153.42	15,306.50
Borrowings	0.39	-	63.34	91.50	134.49	87.30	981.64	1,128.41	2,600.97	744.14	158.60	5,990.78
Foreign Currency assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-	-	-	-

As at March 31, 2021

Particulars	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	Over 2 months and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	175.51	1,792.06	1,484.88	1,213.48	1,776.92	1,262.08	3,477.58	8,994.13	15,361.24	317.05	124.38	35,979.31
Advances	16.97	454.41	579.55	361.79	825.03	919.59	2,417.18	4,530.84	13,380.38	5,622.26	5,500.91	34,608.91
Investments	2,720.16	136.93	236.32	268.85	330.88	525.44	1,109.69	1,510.83	3,763.82	120.63	91.86	10,815.41
Borrowings	1.51	251.26	379.01	95.20	742.50	276.38	1,370.22	1,310.58	1,793.54	764.04	45.46	7,029.70
Foreign Currency assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-	-	-	-

Classification of non-maturing assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

b) Liquidity Coverage ration (LCR)

i) Quantitative disclosure on Liquidity Coverage Ratio (LCR) for year ended March 31, 2022:

Particular	(₹ in Crore)							
	Quarter ended March 31, 2022		Quarter ended December 31, 2021		Quarter ended September 30, 2021		Quarter ended June 30, 2021	
	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								
1 Total High Quality Liquid Assets (HQLA)		11,888.57		10,699.49		10,996.05		9,396.75
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:								
(i) Stable deposits	4,757.80	237.89	4,135.16	206.76	3,580.86	179.04	3,278.33	163.92
(ii) Less stable deposits	20,548.86	2,054.89	18,006.51	1,800.65	15,832.19	1,583.22	13,897.07	1,389.71
3 Unsecured wholesale funding, of which:								
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non operational deposits (all counterparties)	10,980.08	6,761.99	8,592.01	5,727.48	7,318.16	5,259.10	6,896.27	5,042.03
(iii) Unsecured debt	164.82	164.82	211.52	211.52	374.03	374.03	451.70	451.70
4 Secured wholesale funding	-	-	-	109.24	-	-	-	-
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	998.52	998.52	900.46	900.46	797.27	797.27	663.04	663.04
7 Other contingent funding obligations	6,430.15	290.78	5,626.34	252.52	4,597.50	206.18	4,531.46	200.83
8 Total Cash Outflows		10,508.89		9,208.63		8,398.84		7,911.23
Cash Inflows								
9 Secured lending (e.g. reverse repos)	2,609.72	-	2,331.90	-	2,470.72	-	1,328.56	-
10 Inflows from fully performing exposures	1,054.77	695.97	1,079.34	755.45	1,157.21	882.64	1,072.68	784.11
11 Other cash inflows	624.98	312.49	587.63	293.82	501.42	250.71	502.90	251.45
12 Total Cash Inflows		1,008.46		1,049.27		1,133.35		1,035.56
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
13 Total HQLA		11,888.57		10,699.49		10,996.05		9,396.75
14 Total Net Cash Outflows		9,500.43		8,159.36		7,265.49		6,875.67
15 Liquidity Coverage Ratio (%)		125.14%		131.13%		151.35%		136.67%

* The average weighted and unweighted amounts are calculated taking simple average based on daily observation for the respective quarters.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

i) Quantitative disclosure on Liquidity Coverage Ratio (LCR) for year ended March 31, 2021:

Particular	Quarter ended March 31, 2022			Quarter ended December 31, 2021			Quarter ended September 30, 2021			Quarter ended June 30, 2021		
	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												
1 Total High Quality Liquid Assets (HQLA)		8,851.65			8,680.54			9,153.13			9,626.83	
Cash Outflows												
2 Retail deposits and deposits from small business customers, of which:												
(i) Stable deposits	2,945.04	147.25		2,553.08	127.65		2,172.56	108.63		1,860.01	93.00	
(ii) Less stable deposits	12,066.36	1,206.64		10,483.27	1,048.33		9,153.64	915.36		7,681.62	768.16	
3 Unsecured wholesale funding, of which:												
(i) Operational deposits (all counterparties)	-	-		-	-		-	-		-	-	
(ii) Non operational deposits (all counterparties)	7,852.97	6,094.21		7,147.86	5,808.64		6,634.09	5,397.08		7,288.09	5,885.27	
(iii) Unsecured debt	381.80	381.80		351.50	351.50		350.36	350.36		440.60	440.60	
4 Secured wholesale funding		18.89			-			-			16.48	
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	841.09	841.09		745.37	745.37		556.49	556.49		526.00	526.00	
7 Other contingent funding obligations	4,505.50	195.69		4,292.19	187.42		4,326.54	192.10		4,298.86	192.44	
8 Total Cash Outflows		8,885.57			8,268.91			7,520.02			7,921.95	
Cash Inflows												
9 Secured lending (e.g. reverse repos)	1,845.80	-		1,743.49	-		1,874.45	-		1,919.08	-	
10 Inflows from fully performing exposures	1,274.48	990.27		1,180.29	910.27		1,458.12	1,284.02		862.60	836.64	
11 Other cash inflows	508.72	254.36		462.91	231.46		319.36	159.68		113.91	56.95	
12 Total Cash Inflows		1,244.63			1,141.73			1,443.70			893.59	
		Total Adjusted Value			Total Adjusted Value			Total Adjusted Value			Total Adjusted Value	
13 Total HQLA		8,851.65			8,680.54			9,153.13			9,626.83	
14 Total Net Cash Outflows		7,640.94			7,127.18			6,076.32			7,028.36	
15 Liquidity Coverage Ratio (%)		115.85%			121.79%			150.64%			136.97%	

* The average weighted and unweighted amounts are calculated taking simple average based on daily observation for the respective quarters.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (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 is computing 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:

$$\text{LCR} = \frac{\text{Stock of High Quality Liquid Assets (HQLA)}}{\text{Net Cash Outflows over a 30 days period}}$$

Stock of High Quality Liquid Asset is total funds 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.

The Minimum LCR 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 Apr 17,2020) is 100%

The Bank has consistently maintained the LCR percentage well above the regulatory threshold limit. The average LCR for the quarter ended March 31, 2022 was 125% which is above the regulatory limit of 100%. For the quarter ended March 31, 2022 average HQLA stood at ₹ 11,889 Crores.

Asset Liability Committee (ALCO) of the Bank is the primary governing body for Liquidity Risk Management, Treasury is entrusted with the responsibility of liquidity management within the Bank under the guidance of the ALCO. 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.

c) Net Stable Funding Ratio (NSFR)

i) Quantitative disclosure on Net Stable Funding Ratio (NSFR) as on March 31, 2022:

NSFR Disclosure Template						
(₹ in Crore)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item						
1	Capital: (2+3)	7,514.01	-	-	500.00	8,014.01
2	Regulatory capital	7,381.38	-	-	-	7,381.38
3	Other capital instruments	132.64	-	-	500.00	632.64
4	Retail deposits and deposits from small business customers: (5+6)	14,649.34	3,236.45	3,512.44	6,321.41	25,235.11
5	Stable deposits	5,142.32	43.61	39.62	45.35	5,007.34
6	Less stable deposits	9,507.03	3,192.85	3,472.82	6,276.06	20,227.77
7	Wholesale funding: (8+9)	4,958.95	11,297.60	7,959.85	6,139.35	12,382.18
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	4,958.95	11,297.60	7,959.85	6,139.35	12,382.18
10	Other liabilities: (11+12)	2,988.39	-	-	-	-
11	NSFR derivative liabilities	-	-	-	-	-
12	All other liabilities and equity not included in the above categories	2,988.39	-	-	-	-
13	Total ASF (1+4+7+10)					45,631.31

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

NSFR Disclosure Template					
(₹ in Crore)	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
RSF Item					
14 Total NSFR high-quality liquid assets (HQLA)					595.08
15 Deposits held at other financial institutions for operational purposes	151.70	-	-	-	75.85
16 Performing loans and securities: (17+18+19+21+23)	-	10,428.33	5,531.84	37,124.07	36,927.06
17 Performing loans to financial institutions secured by Level 1 HQLA	-	3,285.00	-	-	-
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	1,394.67	365.33	752.13	1,143.99
19 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	-	4,702.69	3,973.45	32,028.96	31,682.56
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	218.31	196.11	678.29	648.30
21 Performing residential mortgages, of which:	-	36.56	39.61	2,553.42	1,849.82
22 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	23.29	25.20	1,793.34	1,189.91
23 Securities that are not in default and do not qualify as HQLA, including exchange- traded equities	-	1,009.42	1,153.45	1,789.55	2,250.68
24 Other assets: (sum of rows 25 to 29)	4,268.04	-	-	271.85	2,063.20
25 Physical traded commodities, including gold	-	-	-	-	-
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	55.21	-	-	-	46.93
27 NSFR derivative assets	-	-	-	-	-
28 NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
29 All other assets not included in the above categories	4,212.83	-	-	271.85	2,016.27
30 Off-balance sheet items	7891.53				355.89
31 Total RSF					40,017.07
32 Net Stable Funding Ratio (%)					114.03%

i) Quantitative disclosure on Net Stable Funding Ratio (NSFR) as on December 31, 2021:

NSFR Disclosure Template					
(₹ in Crore)	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item					
1 Capital: (2+3)	7,126.72	-	-	500.00	7,626.72
2 Regulatory capital	6,247.89	-	-	-	6,247.89
3 Other capital instruments	878.82	-	-	500.00	1,378.82
4 Retail deposits and deposits from small business customers: (5+6)	13,133.02	3,227.42	2,757.24	5,315.30	22,229.98
5 Stable deposits	4,446.04	45.33	33.41	40.65	4,337.16
6 Less stable deposits	8,686.98	3,182.08	2,723.83	5,274.65	17,892.82
7 Wholesale funding: (8+9)	4,246.47	10,218.59	5,838.31	3,610.52	8,614.46
8 Operational deposits	-	-	-	-	-
9 Other wholesale funding	4,246.47	10,218.59	5,838.31	3,610.52	8,614.46

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

NSFR Disclosure Template					
(₹ in Crore)	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
10 Other liabilities: (11+12)	2,671.79	-	-	-	-
11 NSFR derivative liabilities	-	-	-	-	-
12 All other liabilities and equity not included in the above categories	2,671.79	-	-	-	-
13 Total ASF (1+4+7+10)					38,471.15
RSF Item					
14 Total NSFR high-quality liquid assets (HQLA)					518.91
15 Deposits held at other financial institutions for operational purposes	119.60	-	-	-	59.80
16 Performing loans and securities: (17+18+19+21+23)	-	6,290.18	5,489.63	32,321.01	32,419.23
17 Performing loans to financial institutions secured by Level 1 HQLA	-	500.00	-	-	-
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	1,325.31	413.70	681.35	1,087.00
19 Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	-	3,904.15	3,436.23	27,853.29	27,489.91
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	80.43	123.47	582.37	480.49
21 Performing residential mortgages, of which:	-	29.42	31.89	2,011.54	1,456.72
22 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	18.78	20.38	1,418.73	941.76
23 Securities that are not in default and do not qualify as HQLA, including exchange- traded equities	-	531.30	1,607.81	1,774.82	2,385.60
24 Other assets: (sum of rows 25 to 29)	3,726.68	-	-	520.18	2,176.46
25 Physical traded commodities, including gold	-	-	-	-	-
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	55.64	-	-	-	47.29
27 NSFR derivative assets	-	-	-	-	-
28 NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
29 All other assets not included in the above categories	3,671.04	-	-	520.18	2,129.17
30 Off-balance sheet items	6012.64				270.06
31 Total RSF					35,444.46
32 Net Stable Funding Ratio (%)					108.54%

ii) Qualitative disclosure on Net Stable Funding Ratio (NSFR):

AU Bank, as per the RBI guideline on NSFR dated May 17, 2018, is required to maintain the NSFR on an ongoing basis. The minimum NSFR requirement set out in the RBI guideline effective October 1, 2021, is 100%. The Basel Committee on Banking Supervision (BCBS) had introduced the Net Stable Funding Ratio (NSFR) to ensure resilience over a longer-term time horizon by requiring banks to fund their activities with more stable sources of funding. NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. "Available stable funding" (ASF) is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of stable funding required ("Required stable funding") (RSF) of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet (OBS) exposures.

The NSFR as on March 31, 2022 was at 114 % (at 109% as on December 31, 2021).

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

3 Investments

a) Composition of Investment Portfolio

As at March 31, 2022

	Investments in India							Investments outside India				Total Investments
	Government Securities	Other Approved Securities	Shares	Debentures and Bonds	Subsidiaries and/or joint ventures	Others	Total investments in India	Government Securities	Subsidiaries and/or joint ventures	Others	Total Investments outside India	
Held to Maturity												
Gross	10,250.65	-	-	-	-	-	10,250.65	-	-	-	-	10,250.65
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Net	10,250.65	-	-	-	-	-	10,250.65	-	-	-	-	10,250.65
Available for Sale												
Gross	805.23	-	8.81	2,387.80	-	1,855.58	5,057.42	-	-	-	-	5,057.42
Less: Provision for depreciation and NPI	1.57	-	-	-	-	-	1.57	-	-	-	-	1.57
Net	803.66	-	8.81	2,387.80	-	1,855.58	5,055.85	-	-	-	-	5,055.85
Held for Trading												
Gross	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-	-	-	-	-
Total Investments	11,055.88	-	8.81	2,387.80	-	1,855.58	15,308.07	-	-	-	-	15,308.07
Less: Provision for non-performing investments	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	1.57	-	-	-	-	-	1.57	-	-	-	-	1.57
Net	11,054.31	-	8.81	2,387.80	-	1,855.58	15,306.50	-	-	-	-	15,306.50

(₹ in Crore)

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

As at March 31, 2021

	Investments in India						Investments outside India				(₹ in Crore)
	Government Securities	Other Approved Securities	Shares	Debentures and Bonds	Subsidiaries and/or joint ventures	Others	Total investments in India	Government Securities	Subsidiaries and/or joint ventures	Others	Total Investments outside India
Held to Maturity											
Gross	6,800.56	-	-	-	-	-	6,800.56	-	-	-	6,800.56
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-	-	-	-
Net	6,800.56	-	-	-	-	-	6,800.56	-	-	-	6,800.56
Available for Sale											
Gross	1,005.94	-	8.81	2,233.69	-	792.14	4,040.58	-	-	-	4,040.58
Less: Provision for depreciation and NPI	30.62	-	-	-	-	-	30.62	-	-	-	30.62
Net	975.32	-	8.81	2,233.69	-	792.14	4,009.96	-	-	-	4,009.96
Held for Trading											
Gross	4.90	-	-	-	-	-	4.90	-	-	-	4.90
Less: Provision for depreciation and NPI	0.01	-	-	-	-	-	0.01	-	-	-	0.01
Net	4.89	-	-	-	-	-	4.89	-	-	-	4.89
Total Investments	7,811.40	-	8.81	2,233.69	-	792.14	10,846.04	-	-	-	10,846.04
Less: Provision for non-performing investments	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	30.63	-	-	-	-	-	30.63	-	-	-	30.63
Net	7,780.77	-	8.81	2,233.69	-	792.14	10,815.41	-	-	-	10,815.41

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

b) Movement of Provisions for Depreciation and Investment Fluctuation Reserve

Particulars	(₹ in Crore)	
	As at March 31, 2022	As at March 31, 2021
(i) Movement of provisions held towards depreciation on investments		
(i) Opening balance	30.63	0.02
(ii) Add: Provisions made during the year*	6.63	55.21
(iii) Less: Write off / write back of excess provisions during the year*	35.69	24.60
(iv) Closing balance	1.57	30.63
(ii) Movement of Investment Fluctuation Reserve		
(i) Opening balance	80.91	112.55
(ii) Add: Amount transferred during the year	20.24	-
(iii) Less: Drawdown	-	31.64
(iv) Closing balance	101.15	80.91
(iii) Closing balance in IFR as a percentage of closing balance of investments# in AFS and HFT/Current category	2.00%	2.02%

*Carrying value less net depreciation (ignoring net appreciation) i.e. the net amount reflected in the balance sheet.

c) Sale and Transfers to / from HTM Category

During the year ended March 31, 2022 and the previous year ended March 31, 2021 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, Repurchase of Government Securities by Government of India from banks under buyback / switch operations, Repurchase of State Development Loans by respective state governments under buyback / switch operations and Additional shifting of securities explicitly permitted by the Reserve Bank of India as the case may be.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

d) Non-SLR investment portfolio

i) Non-performing non-SLR investments

The Bank does not have any Non performing Non-SLR investment as on March 31, 2022 and March 31, 2021.

ii) Issuer composition of non-SLR investments

Issuer-wise composition of non-SLR investments as at March 31, 2022:

(₹ 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	431.86	199.77	-	-	-
(ii)	Financial institutions §	3,000.87	1,761.31	-	-	-
(iii)	Banks	504.42	463.42	-	-	-
(iv)	Private corporates	250.72	200.00	-	-	50.72
(v)	Subsidiaries / Joint Ventures	-	-	-	-	-
(vi)	Others#	64.32	64.33	-	-	-
(vii)	Provision held towards depreciation	-	-	-	-	-
	Total	4,252.19	2,688.83	-	-	50.72

Amounts reported under column 4, 5, 6 and 7 above are not mutually exclusive.

* Excludes investments in equity shares in line with extant RBI guidelines.

** Excludes investments in equity shares, Pass Through Certificates (PTC), Certificate of Deposit (CD), Security Receipts (SR) and Commercial Paper (CP) in line with extant RBI guidelines.

§ NBFC is included in Financial Institutions.

Others includes PTC, Security Receipts (Net) and Equity Investment.

Issuer-wise composition of non-SLR investments as at March 31, 2021:

(₹ 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	305.22	98.21	-	-	-
(ii)	Financial institutions§	2,289.27	600.01	-	-	-
(iii)	Banks	104.17	74.51	-	-	-
(iv)	Private corporates	203.29	-	-	-	50.86
(v)	Subsidiaries / Joint Ventures	-	-	-	-	-
(vi)	Others#	132.69	132.69	-	-	-
(vii)	Provision held towards depreciation	-	-	-	-	-
	Total	3,034.64	905.42	-	-	50.86

Amounts reported under column 4, 5, 6 and 7 above are not mutually exclusive.

* Excludes investments in equity shares in line with extant RBI guidelines.

** Excludes investments in equity shares, Pass Through Certificates (PTC), Certificate of Deposit (CD), Security Receipts (SR) and Commercial Paper (CP) in line with extant RBI guidelines.

§ NBFC and Mutual Funds are included in Financial Institutions.

Others includes PTC, Security Receipts (Net) and Equity Investment.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

e) Repo Transactions

Details of repo / reverse repo deals (in face value terms) (Including LAF and TREPS) entered during the year ended March 31, 2022

(₹ in Crore)				
Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2022
Securities sold under repo:				
i. Government securities				
a. LAF Repo	-	700.00	6.03	-
b. Triparty Repo (TREPS)	-	2,074.80	744.46	-
ii. Corporate debt securities	-	-	-	-
iii. Any other securities	-	-	-	-
Securities purchased under reverse repo:				
i. Government securities				
a. LAF Repo	500.00	4,315.00	2,186.07	3,285.00
b. Triparty Repo (TREPS)	-	99.97	0.82	-
ii. Corporate debt securities	-	-	-	-
iii. Any other securities	-	-	-	-

Details of repo / reverse repo deals (in face value terms) (Including LAF and TREPS) entered during the year ended March 31, 2021

(₹ in Crore)				
Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2021
Securities sold under repo:				
i. Government securities				
a. LAF Repo	-	610.00	321.61	-
b. Triparty Repo (TREPS)	-	1,449.65	1,143.79	-
ii. Corporate debt securities	-	-	-	-
iii. Any other securities	-	-	-	-
Securities purchased under reverse repo:				
i. Government securities				
a. LAF Repo	304.00	4,000.00	1,874.41	2,795.00
b. Triparty Repo (TREPS)	-	99.98	1.31	-
ii. Corporate debt securities	-	-	-	-
iii. Any other securities	-	-	-	-

* LAF Repo also includes borrowing done from RBI under LTRO and TLTRO

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

4. Asset quality

a) Classification of advances and provisions held

For the year ended March 31, 2022

	Standard	Non-Performing				Total*
		Sub-standard	Doubtful	Loss	Total Non-Performing Advances	
	Total Standard Advances					
Gross Standard Advances and NPAs						
Opening Balance	33,853.46	1,248.62	232.14	22.07	1,502.83	35,356.29
Add: Additions during the year					1,442.12	1,442.12
Less: Reductions during the year*					2,020.57	2,020.57
Closing balance	45,864.41	463.74	458.57	2.07	924.38	46,788.79
*Reductions in Gross NPAs due to:						
Upgradation					1,723.23	1,723.23
Recoveries (excluding recoveries from upgraded accounts)					109.73	109.73
Technical/ Prudential Write-offs					62.12	62.12
Write-offs other than those under (iii) above					125.49	125.49
Provisions (excluding Floating Provisions)						
Opening balance of provisions held	188.13	496.83	228.47	22.07	747.37	935.50
Add: Fresh provisions made during the year					612.01	612.01
Less: Excess provision reversed/ Write-off loans					706.85	706.85
Closing balance of provisions held	277.27	191.89	458.57	2.07	652.53	929.80
Net NPAs						
Opening Balance		751.79	3.67	-	755.46	
Add: Fresh additions during the year					830.11	
Less: Reductions during the year					1,313.72	
Closing Balance		271.85	-	-	271.85	
Floating Provisions						
Opening Balance						-
Add: Additional provisions made during the year						41.00
Less: Amount drawn down during the year						-
Closing balance of floating provisions						41.00
Technical write-offs and the recoveries made thereon						
Opening balance of Technical/ Prudential written-off accounts						2.41
Add: Technical/ Prudential write-offs during the year						62.12
Less: Recoveries made from previously technical/ prudential written-off accounts during the year						1.59
Closing balance						62.94

(₹ in Crore)

* Total column does not contain movement of standard advances and provision thereof

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

For the year ended March 31, 2021

	(₹ in Crore)					
	Standard	Non-Performing				
	Total Standard Advances	Sub-standard	Doubtful	Loss	Total Non-Performing Advances	Total*
Gross Standard Advances and NPAs						
Opening Balance	26,775.12	251.24	193.91	12.63	457.78	27,232.90
Add: Additions during the year					1,285.78	1,285.78
Less: Reductions during the year*					240.73	240.73
Closing balance	33,853.46	1,248.62	232.14	22.07	1,502.83	35,356.29
*Reductions in Gross NPAs due to:						
Upgradation					96.52	96.52
Recoveries (excluding recoveries from upgraded accounts)					29.60	29.60
Technical/ Prudential Write-offs					-	-
Write-offs other than those under (iii) above					114.61	114.61
Provisions (excluding Floating Provisions)						
Opening balance of provisions held	121.03	69.23	158.62	12.63	240.48	361.51
Add: Fresh provisions made during the year					681.57	681.57
Less: Excess provision reversed/ Write-off loans					174.68	174.68
Closing balance of provisions held	188.13	496.83	228.47	22.07	747.37	935.50
Net NPAs						
Opening Balance		182.01	35.29	-	217.30	
Add: Fresh additions during the year					604.21	
Less: Reductions during the year					66.05	
Closing Balance		751.79	3.67	-	755.46	
Floating Provisions						-
Opening Balance						-
Add: Additional provisions made during the year						-
Less: Amount drawn down during the year						-
Closing balance of floating provisions						-
Technical write-offs and the recoveries made thereon						
Opening balance of Technical/ Prudential written-off accounts						2.41
Add: Technical/ Prudential write-offs during the year						-
Less: Recoveries made from previously technical/ prudential written-off accounts during the year						-
Closing balance						2.41

* Total column does not contain movement of standard advances and provision thereof

Ratios

Particulars	March 31, 2022	March 31, 2021
Gross NPA to Gross Advances	1.98%	4.25%
Net NPA to Net Advances	0.50%	2.18%
Provision coverage ratio	76.62%	49.81%

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

b) Sector-wise advances and Gross NPAs

(₹ in Crore)

Sr. No.	Sector	March 31, 2022		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
A	Priority Sector*			
1	Agriculture and allied activities	8,787.07	142.42	1.62%
2	Advances to industries sector eligible as priority sector lending	3,780.95	64.10	1.70%
	Wood and Wood Products	370.07	5.98	1.62%
	All Engineering	642.61	14.22	2.21%
	Gems and Jewellery	593.94	8.68	1.46%
	Infrastructure	397.34	11.37	2.86%
3	Services	19,182.90	561.71	2.93%
	Transport Operators	2,812.67	137.95	4.90%
	Trade	8,932.82	251.45	2.81%
4	Personal loans	1,541.14	5.96	0.39%
	Housing Loan	1,541.07	5.96	0.39%
	Sub total (A)	33,292.06	774.19	2.33%
B	Non Priority Sector			
1	Agriculture and allied activities	-	-	0.00%
2	Industry	380.90	3.18	0.83%
	Wood and Wood Products	43.41	0.39	0.90%
	All Engineering	65.23	0.89	1.36%
	Gems and Jewellery	37.13	0.34	0.92%
	Infrastructure	3.33	-	0.00%
3	Services	7,848.07	82.89	1.06%
	Transport Operators	1,019.45	24.44	2.40%
	Trade	1,811.77	24.83	1.37%
4	Personal loans	5,267.76	64.12	1.22%
	Housing Loan	666.02	3.20	0.48%
	Vehicle Loans	2,353.67	44.22	1.88%
	Advances against Fixed Deposits	936.34	-	0.00%
	Sub-total (B)	13,496.73	150.19	1.11%
	Total (A+B)	46,788.79	924.38	1.98%

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

b) Sector-wise advances and Gross NPAs

Sr. No.	Sector	(₹ in Crore)		
		March 31, 2021		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
A	Priority Sector*			
1	Agriculture and allied activities	6,738.20	213.14	3.16%
2	Advances to industries sector eligible as priority sector lending	2,830.95	94.83	3.35%
	Wood and Wood Products	313.16	10.72	3.42%
	Engineering	518.29	25.00	4.82%
	Gems and Jewellery	443.31	11.72	2.64%
	Infrastructure	410.36	15.08	3.67%
3	Services	14,537.45	919.19	6.32%
	Transport Operators	2,832.25	266.95	9.43%
	Trade	5,844.52	370.68	6.34%
4	Personal loans	832.28	5.84	0.70%
	Housing Loan	832.14	5.84	0.70%
	Sub total (A)	24,938.88	1,233.00	4.94%
B	Non Priority Sector			
1	Agriculture and allied activities	-	-	-
2	Industry	252.17	5.81	2.30%
	Wood and Wood Products	28.28	0.60	2.12%
	Engineering	44.73	0.97	2.17%
	Gems and Jewellery	34.00	0.52	1.53%
	Infrastructure	2.03	-	0.00%
3	Services	6,887.53	186.81	2.71%
	Transport Operators	681.48	55.12	8.09%
	Trade	2,747.81	35.70	1.30%
4	Personal loans	3,277.71	77.21	2.36%
	Housing Loan	287.46	2.43	0.85%
	Vehicle Loans	1,444.22	47.87	3.31%
	Advances against Fixed Deposits	865.53	-	0.00%
	Sub-total (B)	10,417.41	269.83	2.59%
	Total (A+B)	35,356.29	1,502.83	4.25%

*Priority sector outstanding total advances includes ₹ 18,000.00 crore (previous year: ₹ 14,700.00 crore), in respect of which the Bank has sold Priority Sector Lending Certificates (PSLC).

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system/reports which has been relied upon by the auditors.

c) 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).

d) Resolution of Stressed Assets – Revised Framework

The Bank is having Nil loan account for resolution of stressed Assets (Revised framework) as on March 31, 2022 (Previous year: ₹ 0.76 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 amended.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

e) Divergence in the asset classification and provisioning

RBI vide its Master Direction RBI/DOR/2021-22/83 DOR.ACC.REC.No.45/21.04.018/2021-22 dated August 30, 2021 and updated on November 15, 2021, has directed banks shall make suitable disclosures, if either or both of the following conditions are satisfied:-

- 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
- 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 annual financial inspection (AFI) by the RBI during the financial year 2021-22 in respect of Financial year 2020-21.

There has been no material divergence observed by the RBI for the financial year 2019-20 (as per assessment by the RBI during financial year 2020-21) 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.

f) Disclosure of transfer of loan exposures

i) **Loans not in default:** The bank has not transferred or acquired loans not in default during the Current and Previous year.

ii) **Stressed loans transferred or acquired:** The Bank has not transferred stressed Loans during the year.

(₹ in Crore except number of accounts)			
Details of stressed loans transferred during the previous year		2020-21	
Particulars	TO ARCs	To permitted transferees	To other transferees
No. of accounts	2,479	NA	NA
Aggregate principal outstanding of loans transferred	93.60	NA	NA
Weighted average residual tenor of the loans transferred (in Months)	41.36	NA	NA
Net book value of loans transferred (at the time of transfer)	7.99	NA	NA
Aggregate consideration	30.89	NA	NA
Additional consideration realized in respect of accounts transferred in earlier years	-	NA	NA

Details of loans acquired: The Bank has not acquired any stressed loan during the year (Previous year: NIL)

The Credit Rating assigned to SR is NR3 - (75% - 100%) which is similar to previous rating.

g) Provision pertaining to fraud accounts

(₹ in Crore except number of accounts)		
Particulars	March 31, 2022	March 31, 2021
Number of frauds reported during the year	54	38
Amount involved in fraud	1.88	1.01
Amount of provision made for such frauds	1.42	0.23
Amount of unamortised provision debited from "other reserves" as at the end of the year	-	-

Amount involved in fraud net of recoveries / write-off at the end of the current year is ₹ 1.42 crore (previous year: ₹ 0.23 crore).

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

h) Disclosures under Resolution Framework for COVID-19-related Stress

Details of resolution plan implemented under the Resolution Framework for COVID-19-related Stress as per RBI circular dated August 6, 2020 (Resolution Framework 1.0) and May 05, 2021 (Resolution Framework 2.0) as at March 31, 2022 are given below.

(₹ in crore except number of accounts)

Type of Borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year i.e. September 30, 2021 (A)	Of (A), aggregate debt that slipped into NPA during the half-year ended March 31, 2022	Of (A), amount written off during the half year ended March 31, 2022#	Of (A) amount paid by the borrowers during the half-year ended March 31, 2022*	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year i.e. March 31, 2022
Personal Loans	160.74	9.60	1.15	5.11	146.03
Corporate persons	-	-	-	-	-
Of which MSMEs	-	-	-	-	-
Others	412.56	22.09	2.56	(1.84)	392.31
Total	573.30	31.69	3.71	3.27	538.34

*Amount paid by the borrower during the half year is net of additions in the borrower amount including additions due to interest capitalisation.

#Represents debt that slipped into NPA and was subsequently written off during the half year ended March 31, 2022.

5 Exposures

a) Exposure to real estate sector

(₹ in Crore)

Particulars	March 31, 2022	March 31, 2021
(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, 2022 ₹ 1,541.07 crore and as at March 31, 2021 ₹ 916.80 crore)	2,981.95	1,234.02
(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	1,847.53	1,301.64
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures–		
(a) Residential	-	-
(b) Commercial Real Estate	-	-
Total (A)	4,829.48	2,535.66
(b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	1,084.35	913.16
Total (B)	1,084.35	913.16
Total Exposure to Real Estate Sector (A+B)	5,913.83	3,448.82

Out of the total 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 has been relied upon by the auditors.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

b) Exposure to Capital Market

Particulars	(₹ in Crore)	
	March 31, 2022	March 31, 2021
(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.	8.81	8.81
(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.	-	-
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers.	260.47	83.05
(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	269.28	91.86

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system/reports has been relied upon by the auditors.

c) 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).

d) Unsecured Advances

Particulars	(₹ in Crore)	
	March 31, 2022	March 31, 2021
Total unsecured advances of the bank	3,377.63	1,540.71
Out of the above, amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. have been taken	-	-
Estimated value of such intangible securities	-	-

e) Details of factoring exposure:

The factoring exposure of the Bank as at March 31, 2022 is ₹ 243.73 Cr. (Previous year: Nil)

f) Intra-Group exposure

The Bank does not have any exposure (advances/investments) within the group. (Previous year: Nil)

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

g) Unhedged foreign currency exposure

The RBI, through its circular dated January 15, 2014 had advised banks to create incremental provision on standard loans and advances to entities with unhedged foreign currency exposure (UFCE). The Bank assesses the UFCEs of the borrowers through its credit appraisal and internal ratings process. The Bank also undertakes reviews of such exposures through thematic reviews evaluating the impact of exchange rate fluctuations on the Bank's portfolio on an yearly basis.

The Bank made NIL provision during the year ended March 31, 2022 (previous year: ₹ 0.02 crore). The Bank held no incremental capital on advances to borrowers with UFCE March 31, 2022, (previous year Nil).

6 Concentration of deposits, advances, exposures and NPAs

a) Concentration of Deposits

Particulars	(₹ in Crore)	
	March 31, 2022	March 31, 2021
Total Deposits of twenty largest depositors*	8,831.15	5,884.45
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	16.79%	16.36%

*Includes certificate of deposits

b) Concentration of Advances

Particulars	(₹ in Crore)	
	March 31, 2022	March 31, 2021
Total Advances to twenty largest borrowers	2,146.78	1,255.07
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	4.07%	3.35%

Advances comprise of credit exposure (funded and non-funded credit limits) excluding other exposure of security placed with CCIL on account of limit for TREPS transaction of ₹ 53 crores (Previous year: ₹ 440 crores).

c) Concentration of Exposures

Particulars	(₹ in Crore)	
	March 31, 2022	March 31, 2021
Total Exposure to twenty largest borrowers / customers	3,545.09	2,884.01
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the bank on borrowers / customers	6.21%	7.12%

Exposures comprise of credit exposure (funded and non-funded credit limits) and investment exposure excluding other exposure of security placed with CCIL on account of limit for TREPS transaction of ₹ 53 crores (Previous year: ₹ 440 crores).

d) Concentration of NPAs

Particulars	(₹ in Crore)	
	March 31, 2022	March 31, 2021
Total Exposure to top 20 NPA accounts	52.48	96.73
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs	5.68%	6.44%

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

7 Derivatives

a) Forward rate agreement/ Interest rate swap

The bank has not entered into any Forward Rate Agreement or Interest rate swaps during the year ended March 31, 2022 and March 31, 2021.

b) Exchange traded interest rate derivatives

The bank has not entered into any exchange traded interest rate derivatives during the year ended March 31, 2022 and March 31, 2021.

c) Disclosures on risk exposure in derivatives

The bank has not entered into any derivative instruments for trading / speculative purposes either in Foreign Exchange or domestic treasury operations during the year ended March 31, 2022 (Previous year: Nil).

d) Credit default swaps

The bank has not transacted in credit default swaps during the year ended March 31, 2022. (Previous year: Nil)

8 Disclosures relating to Securitisation

Disclosure as per RBI guidelines for securitisation transactions:

Particulars	(₹ in Crore except numbers)	
	As at March 31, 2022	As at March 31, 2021
No. of SPEs holding assets for securitisation transactions originated by the bank	8	9
Total amount of securitised assets as per books of the SPEs (outstanding as on balance sheet date)	885.22	1,932.22
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	113.28
Others	-	-
b) On balance sheet exposures		
First Loss	21.76	25.47
Others	55.91	122.86
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)	237.43	242.78
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)	-	-
II) Exposure to Third party securitisations		
First Loss	-	-
Others	-	-
Sale consideration received for the securitised assets and gain/loss on sale on account of securitisation	NIL	NIL

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

Disclosure relating to securitisation (Contd.)

		(₹ in Crore except numbers)			
Particular		As at March 31, 2022		As at March 31, 2021	
Form and quantum (outstanding value) of services provided by way of liquidity support, post securitisation asset servicing etc.					
Services Provided	Form of facility	No of Transaction	Value of Facility*	No of Transaction	Value of Facility*
Liquidity Support	Fixed Deposits	2	0.87	2	1.11
	Bank Guarantees	6	5.03	7	0.00
Services Provided	Type of service	No of Transaction	Outstanding Value	No of Transaction	Outstanding Value
Post Securitization Assets Servicing	Servicing Agent	8	885.22	9	1932.22
Performance of facility provided viz. Credit enhancement, liquidity support, servicing agent etc.		Credit Enhancement	Liquidity Support	Credit Enhancement	Liquidity Support
(a) Schedule Amount		381.75	39.37	488.21	52.97
(b) Opening Balance		381.52(99.94%)	1.11(2.83%)	488.21(100%)	19.3(36.43%)
(c) Cumulative Amount paid During the year		3.52(0.92%)	5.38(13.67%)	3.65(0.75%)	39.8(75.14%)
(d) Cumulative Repayment received during the year		3.75(0.98%)	11.3(28.69%)	2.48(0.51%)	26.87(50.71%)
(e) Amount reduce due to pool Maturity		9.29(2.43%)	1.13(2.86%)	105.52(21.61%)	5.25(9.9%)
(f) Outstanding amount		372.47(97.57%)	5.9(15%)	381.52(78.15%)	1.11(2.1%)
Average default rate of portfolios observed in the past**			2.64%		2.68%
Wheels			2.98%		3.16%
SBL			2.83%		2.87%
Others			1.35%		1.70%
Amount and number of additional/top up loan given on same underlying asset.		No. of Loans	Amount	No. of Loans	Amount
Wheels		908	13.05	2364	31.66
SBL		12	1.31	22	1.27
Others		329	0.61	3110	5.90
Investor complaints			Nil		Nil
(a) Directly/Indirectly received and;					
(b) Complaints outstanding					

* Value of facility is outstanding amount of the facility on the reporting date.

** Default rate % is calculated on the basis of reporting date NPA on Gross advance.

9 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.

10 Transfers to Depositor Education and Awareness Fund (DEAF)

During the year ended March 31, 2022 and March 31, 2021 the Bank was not required to transfer any amount to Depositor Education and Awareness Fund.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

11 Disclosure for Customer Complaints

a) Complaints received by the bank from its customers

(i) Customer complaints other than ATM transaction disputes:

S. No.	Particular	March 31, 2022	March 31, 2021
1	No. of complaints pending at the beginning of the year	255	204
2	No. of complaints received during the year	19,713	8,453
3	No. of complaints disposed during the year	19,564	8,402
3.1	No. of complaints rejected by the bank (out of point 3)	6,834	2,889
4	No. of complaints pending at the end of the year	404	255

(ii) ATM transaction disputes relating to the Bank's customers on bank's ATMs:

S. No.	Particular	March 31, 2022	March 31, 2021
1	No. of complaints pending at the beginning of the year	29	1
2	No. of complaints received during the year	5,395	4,412
3	No. of complaints disposed during the year	5,405	4,384
3.1	No. of complaints rejected by the bank (out of point 3)	527	330
4	No. of complaints pending at the end of the year	19	29

(iii) ATM transaction disputes relating to the Bank's customers on other bank's ATMs:

S. No.	Particular	March 31, 2022	March 31, 2021
1	No. of complaints pending at the beginning of the year	99	32
2	No. of complaints received during the year	10,389	9,502
3	No. of complaints disposed during the year	10,426	9,435
3.1	No. of complaints rejected by the bank (out of point 3)	2,107	1,793
4	No. of complaints pending at the end of the year	62	99

(iv) Total customer complaints and ATM transaction disputes [total of tables (i), (ii) and (iii) above]:

S. No.	Particular	March 31, 2022	March 31, 2021
1	No. of complaints pending at the beginning of the year	383	237
2	No. of complaints received during the year	35,497	22,367
3	No. of complaints disposed during the year	35,395	22,221
3.1	No. of complaints rejected by the bank (out of point 3)	9,468	5,012
4	No. of complaints pending at the end of the year	485	383

Includes complaints received from RBI Ombudsman and out of 485 (previous year: 383) pending complaints, all redressed before Board meeting except 48 (previous year: 24) complaints.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

b) Maintainable complaints received by the Bank from OBOs under Integrated Ombudsman Scheme, 2021

S. No.	Particular	March 31, 2022	March 31, 2021
1	Number of maintainable complaints received by the bank from Office of Ombudsman	307	89
1.1	Of 1 above, number of complaints resolved in favour of the bank by Office of Ombudsman	296	88
1.2	Of 1 above, number of complaints resolved through conciliation/mediation/advisories issued by Office of Ombudsman	11	1
1.3	Of 1 above, number of complaints resolved after passing of Awards by Office of Ombudsman against the bank	Nil	Nil
2	Number of Awards unimplemented within the stipulated time (other than those appealed)	Nil	Nil

c) Top five grounds of complaints received by the bank from customers

For the year ended March 31, 2022

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
ATM/Debit Cards	318	23,089	21%	150	2
Internet/Mobile/Electronic Banking	-	1,681	570%	7	-
Account opening/difficulty in operation of accounts	3	1,330	2730%	20	-
Credit Cards	-	1,112	-	162	20
Staff behaviour	-	354	480%	9	-
Others	62	7,931	302%	137	2
Total	383	35,497	59%	485	24

For the year ended March 31, 2021

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
ATM/Debit Cards	133	19,050	-22%	318	4
Internet/Mobile/Electronic Banking	-	251	-95%	-	-
Loans and advances	1	93	-54%	3	-
Staff behaviour	1	61	33%	-	-
Account opening/difficulty in operation of accounts	-	47	-28%	3	-
Others	102	2,865	182%	59	15
Total	237	22,367	-28%	383	19

The above details are as furnished by the Management and relied upon by the Auditors.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

12 Penalties imposed by the RBI

During the year ended March 31, 2022 in terms of the provisions contained in the RBI circular Ref. DCM (RMMT) No.S153/11.01.01/2021-22 dated August 10, 2021 on "Monitoring of Availability of Cash in ATMs" and the subsequent addendum thereto, RBI has imposed a penalty of ₹ 0.001 crore on the Bank on account of Cash out in an ATM for more than 10 hours in a month (previous year: Nil).

13 Disclosures on remuneration

Qualitative Disclosures:

(a) Information relating to the composition and mandate of the Nomination and 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 has constituted Nomination and Remuneration Committee (NRC) to oversee the framing, review, and implementation of the Compensation Policy of the Bank. This committee works in coordination with Risk Management Committee & Audit Committee of the Board, for achieving effective alignment between risk and remuneration.

As on March 31, 2022, the Nomination and Remuneration Committee consist of Non-Executive (Independent) Directors and the said composition is in line with the applicable guidelines.

The Composition of NRC committee is as follows:

- Mr. M S Sriram - Independent Director (Chairman)
- Mr. Krishan Kant Rathi - Independent Director
- Ms. Jyoti Narang - Independent Director

Note:

- All members of Nomination & Remuneration Committee are also member of Risk Management Committee of the Board.

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), Material Risk Takers (MRTs), Control Function Staff and other employees.

- (ii) Take inputs from the Risk Management Committee of the Board to ensure balance between remuneration and risks as required. The Committee shall ensure that the mix of Fixed and Variable forms of compensation is consistent with risk alignment and objectives of the Bank.
- (iii) 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.
- (iv) Develop policies and lay down criteria for appointment/removal/reappointment of the Directors on the Board capturing the statutory and regulatory requirements.
- (v) 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.
- (vi) 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.
- (vii) Ensure that the compensation for Directors, KMPs, SMPs is a mix of fixed and variable pay and such compensation reflects short and long-term performance objectives appropriate to the working and the goals of the Bank.
- (viii) Ensure that appropriate procedures are in place to assess Board effectiveness and also provide the suggestions on governance to the Board of Directors.
- (ix) Review and oversee the Employee Benefits program of the Bank including deferred benefits and retirement plans.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

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

Designing and structuring of Remuneration process is governed by the Compensation Policy of the Bank, and below are the key features and objectives of the policy:

- Establish standards on compensation/remuneration including fixed and variable pay covering share-linked instruments, 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 Director, KMP, SMP, MRT, Control Function Staff and other employees as applicable.
- Define internal guidelines for payment of other reimbursement 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:
 - (a) administering the ESOP plans;
 - (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
- Ensure compliance with applicable laws, rules, and regulations as well as 'Fit and Proper criteria' of directors before their appointment.

(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 review is carried out under the Annual Performance Review (APR) of the Bank.
- (iv) Industry Benchmarking, inflation and increase of cost of living.

In addition, it 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 responsibility Areas (KRAs), top priorities of business, budgets, and overall contribution to the organisation etc. The goal sheet is in place in Human Capital Management (HCM) Software and the evaluation of annual performance is carried out in the same.

In linking the performance and level of remuneration, the job roles, 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:

In compliance of RBI Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

Material Risk Takers and Control Function staff dated November 04, 2019 Bank has formulated Compensation Policy that covers all aspects of the compensation structure such as Fixed pay, Variable Pay and deferral pay.

The Variable Pay of senior executives, including WTDs, and other employees who are MRTs shall be deferred over the period so that compensation is adjusted for all types of risks that organisation may be exposed to.

The deferral period shall be a minimum of three years. This would be applicable for both the cash and non-cash components of the variable pay:

- a) A minimum of 60% of the total variable pay must invariably be under deferral arrangements.
- b) If cash component is part of variable pay, at least 50% of the cash bonus shall also be deferred and where the cash component of variable pay is under ₹ 0.25 crore in a year, deferral requirements shall not be applicable.
- c) Deferred remuneration should either vest fully at the end of the deferral period or be spread out over the course of the deferral period. The first such vesting should be not before one year from the commencement of the deferral period and shall not take place more frequently than on a yearly basis.
- d) The vesting should be no faster than on a pro rata basis.

The adjustment of Variable Pay before and after the vesting shall be considered in the event of subdued or negative financial performance of the bank and/or the relevant line of business in any year and the malus/clawback arrangements shall be invoked subject to due assessment.

(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 Variable pay consist of Cash, Share linked Instrument and same 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 variable remuneration is the follows:

Variable Pay: Variable pay compensation is paid depending upon the performance of the Employees against set key responsibility areas (KRAs) and it is ensured that there is a proper balance between fixed pay and variable pay while devising the remuneration structure.

- (a) A substantial proportion of compensation i.e., at least 50%, should be variable and paid on the basis of individual, business performance & other parameters and this shall not be applicable on risk control function staff.
- (b) In case variable pay is:
 - Up to 200% of the fixed pay, a minimum of 50% of the variable pay should be via non-cash instruments.
 - Above 200%, a minimum of 67% of the variable pay should be via non-cash instruments.
 - shall be limited to a maximum of 300% of the fixed pay; (for the relative performance measurement period).
- (c) In the event that an executive is barred by statute or regulation from grant of share-linked instruments, his/her variable pay will be capped at 150% of the fixed pay but shall not be less than 50% of the fixed pay.
- (d) The deterioration in the financial performance of the Bank shall generally lead to a contraction in the total amount of variable compensation, which can even be reduced to zero and the proportion of variable pay shall be higher depending on the higher responsibility at higher level.

Share-linked Instruments: Share-linked Instruments consisting of ESOPs or other linked instruments which shall be forming part of variable pay.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

Quantitative Disclosures:

Sr. No. Subject		March 31, 2022	March 31, 2021
(g)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members	Number of meetings: 14 Remuneration paid: Sitting fee of ₹ 30,000 for each meeting attended till December 27, 2021, and ₹ 40,000 thereafter for each meeting till March 31, 2022.	Number of meetings: 8 Remuneration paid: Sitting fee of ₹ 30,000 for each meeting attended.
(h)	Number of employees having received a variable remuneration award during the financial year	14 Employees*	13 Employees
	Number and total amount of sign-on/joining bonus made during the financial year	Nil	Nil
	Details of severance pay, in addition to accrued benefits, if any	Nil	Nil
		* includes Mr. Deepak Jain, Chief Risk Officer (Control Function) who was elevated from the role of Chief Operating Officer (MRT) with effect from September 01, 2021.	
(i)	Total amount of outstanding deferred remuneration, split into cash, types of share-linked instruments and other forms	Cash: - Variable Pay (Performance bonus) of ₹ 0.85 crore for FY 2020-21 for Mr. Sanjay Agarwal, MD & CEO has been approved by RBI on April 08, 2022 and out of which 50% is deferred in next 3 years in equal installments. - Variable Pay (Performance bonus) of ₹ 0.40 crore for FY 2020-21 for Mr. Uttam Tibrewal, WTD has been approved by RBI on April 08, 2022 and out of which 50% is deferred in next 3 years in equal installments. - Variable Pay (performance bonus) of other employees of ₹ 1.02 crore pertaining to FY 2020-21 is deferred and shall be payable in next 3 years in equal installments. ESOP: Outstanding ESOPs: 12,14,558* ESOPs	Cash: - Variable Pay (Performance bonus) of ₹ 1.32 crore for FY 2019-20 for Mr. Sanjay Agarwal, MD & CEO is pending with RBI for approval.* - Variable Pay (Performance bonus) of ₹ 0.86 crore for FY 2019-20 for Mr. Uttam Tibrewal, WTD is pending with RBI for approval.** ESOP: Outstanding ESOPs: 15,41,744 ESOPs
	Total amount of deferred remuneration paid out in the financial year	Cash: Mr. Sanjay Agarwal, MD & CEO was paid Variable Pay (performance bonus) of ₹ 0.42 Crore pertaining to his performance for FY 2019-20 which was approved by RBI on July 20, 2021. Mr. Uttam Tibrewal WTD was paid Variable Pay (performance bonus) of ₹ 0.37 Crore pertaining to his performance for FY 2019-20 which was approved by RBI on July 20, 2021. ESOP: ESOPs exercised: 17,48,623 ESOPs**	Cash: Mr. Uttam Tibrewal WTD was paid Variable Pay (performance bonus) of ₹ 0.30 Crore and ₹ 0.26 crore in FY 2020-21 pertaining to his performance FY 2018-19 and FY 2017-18 respectively. ESOP: ESOPs exercised: 22,91,142 ESOPs

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

Sr. No. Subject	March 31, 2022		March 31, 2021	
	March 31, 2022		March 31, 2021	
(J) Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	* Above ESOP number is inclusive of outstanding 2,12,483 ESOPs of Mr. Deeepak Jain, Chief Risk Officer. ** Above ESOP number is inclusive of 1,60,000 ESOP exercised by Mr. Deeepak Jain, Chief Risk Officer.		* RBI vide its letter dated July 20, 2021, approved the variable pay of ₹ 0.42 crore for FY 2019-20 of Mr. Sanjay Agarwal, MD & CEO. ** RBI vide letter dated July 20, 2021, approved the variable pay of ₹ 0.89 crore (cash bonus of ₹ 0.37 plus grant of ESOPs valued at ₹ 0.52 crore) for FY 2019-20 of Mr. Uttam Tibrewal, WTD.	
	Total fixed salary: ₹ 15.10 crore (represents total cost to the Bank) Deferred Variable Pay: Cash: - Variable Pay (Performance bonus) of ₹ 0.85 crore for FY 2020-21 for Mr. Sanjay Agarwal, MD & CEO has been approved by RBI on April 08, 2022 and out of which 50% is deferred in next 3 years in equal installments. - Variable Pay (Performance bonus) of ₹ 0.40 crore for FY 2020-21 for Mr. Uttam Tibrewal, WTD has been approved by RBI on April 08, 2022 and out of which 50% is deferred in next 3 years in equal installments. - The Variable Pay (performance bonus) of other employees of ₹ 1.02 crore pertaining to FY 2020-21 is deferred and shall be payable in next 3 years in equal installments. Non Cash: - ESOPs granted during the financial year: 1,74,038 ESOPs amounting to ₹ 6.62 crore (inclusive of 8,585 ESOPs amounting to ₹ 0.52 crore granted to Mr. Uttam Tibrewal for performance of FY 2019-20 approved by RBI on July 20, 2021) Non - Deferred Variable Pay: - Remuneration award of ₹ 2.08 crore paid during FY 2021-22 related to performance of FY 2020-21 (excluding Mr. Sanjay Agarwal, MD & CEO and Mr. Uttam Tibrewal, WTD) Note: The Variable pay of Mr. Sanjay Agarwal – MD & CEO and Mr. Uttam Tibrewal pertaining to FY 2021-22 is yet to be reviewed and approved by the NRC.		Total fixed salary: ₹ 13.97 crore (inclusive of fixed pay of Mr. Sanjay Agarwal- MD & CEO which has been voluntarily relinquished by him) (represents total cost to the Bank). Deferred Variable Pay: - ESOPs granted during the financial year: 2,32,376 ESOPs amounting to ₹ 7.89 crore. (inclusive of 99,800 ESOPs under ESOP Scheme 2018 that were granted to Mr. Uttam Tibrewal for performance of FY 2019-20 and which is pending with RBI for approval). - The Variable Pay (performance bonus) of ₹ 0.30 crore and ₹ 0.26 crore for FY 2018-19 and FY 2017-18 respectively paid in FY 2020-21 to Mr. Uttam Tibrewal. - The Bank has granted 38,702 and 10,18,758 stock options on October 27, 2017 under Plan A3 and Plan B5, respectively, to WTD which were pending for RBI Approval. During the year ended March 31, 2021, RBI pursuant to its letter intimated the Bank that the ESOPs granted to WTD pertains to the period prior to his appointment as the whole-time director of the Bank and thus, the approval of RBI is not required, and the Board of Directors of the Bank may take appropriate decision in this regard subject to adherence to statutory norms, as applicable. Pursuant to this letter, associated cost of ₹ 58.95 crore pertaining to these ESOPs has been charged to profit and loss account for the year ended March 31, 2021. Non - Deferred Variable Pay: - Remuneration award of ₹ 3.59 crore paid during FY 2020-21 related to performance of FY 2019-20. - Variable Pay (Performance bonus) of Mr. Sanjay Agarwal – MD & CEO for FY 2019-20 amounting to ₹ 1.32 crore is pending with RBI for approval. - Variable Pay (Performance bonus) of ₹ 0.86 crore for FY 2019-20 for Mr. Uttam Tibrewal is pending with RBI for approval. - The Variable pay pertaining to FY 2020-21 is yet to be reviewed and approved by the NRC, accordingly limits given in the RBI Circular will be reviewed in next financial year.	

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

Quantitative Disclosure (Contd.)

Sr. No. Subject	March 31, 2022	March 31, 2021
(k) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.	Nil	Nil
Total amount of reductions during the financial year due to ex- post explicit adjustments.	Nil	Nil
Total amount of reductions during the financial year due to ex- post implicit adjustments.	Nil	Nil
(l) Number of MRTs identified	14* Employees * includes Mr. Deepak Jain, Chief Risk Officer (Control Function) who was elevated from the role of Chief Operating Officer (MRT) with effect from September 01, 2021.	14 Employees
(m) Number of cases where malus has been exercised.	NIL	Nil
Number of cases where clawback has been exercised.	NIL	Nil
Number of cases where both malus and clawback have been exercised.	NIL	Nil

General Quantitative Disclosures

Sr. No. Subject	March 31, 2022	March 31, 2021
(n) The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay.	- Total Mean pay of the Bank as a whole (Excluding Sub-Staff) is: ₹ 0.045 crore calculated on annualized basis. - Deviation in the fixed Pay for Mr. Sanjay Agarwal, MD & CEO and Mr. Uttam Tibrewal, WTD from the mean pay is 42 and 38 times respectively for FY 2021-22.	- Total Mean pay of the Bank as a whole (Excluding Sub-Staff) is: ₹ 0.04 crore calculated on annualized basis. - Deviation in the fixed Pay for Mr. Sanjay Agarwal, MD & CEO and Mr. Uttam Tibrewal, WTD from the mean pay is 47 and 43 times respectively wherein Mr. Sanjay Agarwal- MD & CEO which has been voluntary relinquished his fixed pay for FY 2020-21.

14 Disclosure on remuneration to Non-Executive Directors

Particulars	March 31, 2022	March 31, 2021
Remuneration by way of sitting fees to the Non-Executive Directors for attending meetings of the Board and its committees	1.54	1.05
Profit related commission to all Non-Executive Directors other than the Chairperson	0.86	0.54

(₹ in Crore)

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

15 Other Disclosures

a) Business Ratios

Particulars	March 31, 2022	March 31, 2021
i. Interest Income as a percentage to Working Funds	10.76%	11.01%
ii. Non interest income as a percentage to Working Funds	1.81%	3.23%
iii. Cost of Deposits	5.80%	6.67%
iv. Net Interest Margin	5.70%	5.34%
v. Operating Profit as a percentage to Working Funds	3.30%	4.80%
vi. Return on Assets	1.87%	2.50%
vii. "Business" (deposits plus advances) per employee (₹ in crore)	2.96	2.93
viii. Profit per employee (₹ in crore)	0.05	0.06

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.
- Net Interest Margin is Net Interest Income/ Average Earning Assets. Net Interest Income= Interest Income – Interest Expense and Average Earning Assets is monthly average of total of net advances, investments and balance with banks and money at call and short notice.
- Cost of Deposit is calculated based on weighted average interest rate of deposits.

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system/reports and has been relied upon by the auditors.

b) Bancassurance Business

Commission, Exchange and Brokerage in Schedule 14 include the following fees earned on Bancassurance business:

Nature of Income	(₹ in Crore)	
	March 31, 2022	March 31, 2021
Towards selling of life insurance policies	27.78	19.56
Towards selling of non life insurance policies	16.35	12.62
Towards selling of mutual fund and other products*	3.83	2.60

*Includes income earned from Atal Pension yojana (APY) of ₹ 0.19 crore (Previous Year: ₹ 0.10 crore) and National pension scheme (NPS) of ₹ 0.0022 crore (Previous Year: ₹ 0.0005 crore).

c) Marketing and distribution

The Bank does not received any fees/remuneration in respect of Marketing and Distribution function (excluding bancassurance business) during the year ended March 31, 2022 (Previous year: Nil).

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

d) Details of Priority Sector Lending Certificates (PSLCs)

Type of PSLCs	For the year ended March 31, 2022		For the year ended March 31, 2021	
	PSLC bought during the year	PSLC sold during the year	PSLC bought during the year	PSLC sold during the year
Agriculture	-	4,400.00	-	1,225.00
Small and Marginal farmers	-	2,920.00	-	1,850.00
Micro Enterprises	-	10,680.00	-	11,625.00
General	-	-	-	-
Total	-	18,000.00	-	14,700.00

e) Breakup of "Provisions and Contingencies" recognised in the Profit and Loss Account comprise:

Sr. No.	Particular	March 31, 2022		March 31, 2021	
(i)	Provisions for Non performing investment	-		-	
(ii)	Provision for Non performing assets	117.57		638.67	
(iii)	Floating Provision	41.00		-	
(iv)	Provision for Income Tax	365.82		347.72	
(v)	Provision for Deferred Tax	(41.58)		(59.90)	
(vi)	Provision for Standard assets	89.14		67.10	
(vii)	Other Provision and Contingencies	113.26		(36.32)	
Total Provisions and Contingencies		685.21		957.27	

f) Implementation of IFRS converged Indian Accounting Standards (Ind AS)

As per the RBI circular RBI/2015-16/315 DBR.BP.BC.No.76/21.07.001/2015-16 dated February 11, 2016 Implementation of Indian Accounting Standards (Ind AS), The banks are advised to follow the Indian Accounting Standards as notified under the Companies (Indian Accounting Standards) Rules, 2015, subject to any guideline or direction issued by the the Reserve Bank in this regard. The Banks in India currently prepare their financial statements as per the guidelines issued by the 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.

g) Payment of DICGC insurance premium

Sr. No.	Particular	March 31, 2022		March 31, 2021	
i)	Payment of DICGC Insurance Premium	45.91		31.68	
ii)	Arrears in payment of DICGC Premium	-		-	

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

B. OTHER DISCLOSURES

1 Disclosure of Letters of Comfort (LoC) issued by the Bank

The Bank has not issued any Letter of Comfort during the year ended March 31, 2022 and March 31, 2021.

2 Provisions on Standard Assets

Particular	(₹ in Crore)	
	March 31, 2022	March 31, 2021
Provision towards Standard Assets*	277.27	188.13

*Includes an additional contingency provision of ₹ 211.17 crores as at March 31, 2022 (previous year: 101.88 crore), of which the additional provision for the accounts restructured under RBI Resolution framework is at ₹ 53.62 crore as at March 31, 2022 (previous year: 31.88 crore).

3 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the bank

During the year ended March 31, 2022 and March 31, 2021, 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.

4 Provision for credit card and debit card reward points

The following table sets forth, for the period indicated, movement in provision for credit cards and debit cards rewards points:

Particular	(₹ in Crore)	
	March 31, 2022	March 31, 2021
Opening provision for reward points	0.08	-
Provision for reward points made during the year	5.69	0.08*
Utilisation/write off of provision for reward points	2.29	-
Closing provision for reward points	3.48	0.08

* Provision for reward points made during the previous year is based on management estimation.

5 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 to 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, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

6 Corporate social responsibility

Particular	(₹ in Crore)	
	March 31, 2022	March 31, 2021
(a) Gross amount required to be spent by the Bank during the year (including deficit of previous year)	18.22*	15.97
(b) Amount spent during the year		
(i) Construction/acquisition of any asset		
(ii) Other Projects	9.70**	12.52
Total	9.70	12.52
(c) Shortfall at year end	8.52***	3.45
(d) Previous year shortfall	0.30	-
(e) Reasons for shortfall	Pertains to ongoing projects	Pertains to ongoing projects
(f) Nature of CSR activities	Livelihood promotion - skills development, financial and digital literacy, women entrepreneurship, rural sports and water conservation.	

* Gross amount required to be spent by the Bank during the year includes unspent for financial year ended March 31, 2021 of ₹ 3.45 Crores.

** Amount spent/incurred during the year includes ₹ 3.15 Crores related to financial year ended March 31, 2021 out of the earmarked bank accounts for the said year.

***Pursuant to Section 135 (5) & (6) of Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014 (Amended), Bank will transfer ₹ 8.22 crores in "Unspent CSR Account" within a period of 30 days from the end of financial year for the CSR Ongoing projects for spending over the following 3 years period on ongoing CSR sub Committe projects. With respect to financial year ended March 31, 2021 bank had duly deposited the unspent/incurred amount within 30 days from the close of the year into said years "Unspent CSR Account", in which ₹ 0.31 crores remains to be spent on such ongoing approved CSR projects.

7 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.

8 Proposed dividend

For the Financial year ended March 31, 2022, the Board of Directors at their meeting proposed a dividend of ₹ 1 per share at 10% (pre-bonus issue) or ₹ 0.50 per share at 5% (post-bonus issue) for the year ended March 31, 2022 (previous year: ₹ NIL Per share) which is subject to shareholders approval in ensuing 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 aggregating ₹ 31.49 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, 2022.

9 Bonus shares

The Board of Directors as its meeting held on April 26, 2022 has approved issue of bonus Equity shares, in the proportion of 1:1, i.e. 1 (One) bonus equity share for every 1 (One) fully paid-up equity shares held as on the record date, subject to the approval of Shareholders of the Bank. On completion of bonus issue, the Earnings Per Share for all periods presented will be adjusted retrospectively.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

- 10** As part of the normal banking business, the Bank grants loans and advances to its borrowers with permission to lend/invest or provide guarantee/security in other entities identified by such borrowers or on the basis of the basis of security/guarantee provided by the co-borrower. Similarly, the Bank may accept funds from its customers, who may instruct the Bank to lend/invest/provide guarantee or security or the like against such deposit in other entities identified by such customers. These transactions are part of Bank's normal banking business, which is conducted after exercising proper due diligence including adherence to "Know Your Customer" guidelines.

Other than the nature of transactions described above:

- No funds have been advanced or loaned or invested by the Bank to or in any other person(s) or entity(ies) ("Intermediaries") with the understanding that the Intermediary shall lend or invest in party identified by or on behalf of the Bank (Ultimate Beneficiaries).
 - The Bank has not received any fund from any party(s) (Funding Party) with the understanding that the Bank shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries."
- 11** The outbreak of COVID-19 pandemic across the globe and in India has contributed to a significant volatility in the financial markets and slowdown in the economic activities. Consequent to the outbreak of the COVID-19 pandemic, the Indian government announced a lockdown in March 2020. Subsequently, the national lockdown was lifted by the government, but regional restrictions continued to be implemented in areas as India witnessed two more waves of the Covid-19 pandemic during the year ended March 31, 2022. Currently, while the number of new Covid-19 cases have reduced significantly and the Government of India has withdrawn most of the Covid-19 related restrictions, the Bank continues to carry an additional contingency provision of ₹ 211.17 Crore as at March 31, 2022, which includes the additional provision for the accounts restructured under RBI Resolution framework. Further, during the year, the Bank had created a floating provision of ₹ 41.00 Crore. As at March 31, 2022, the Bank holds an aggregate provision of ₹ 904.34 Crore against advances (Other than standard assets provision of ₹ 277.27 Crore).

12 Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances

The Bank has restructured the account as per RBI Circular DBR.No.BP.BC.100/21.04.048/2017-18 dated February 07, 2018, DBR.No.BP.BC.108/21.04.048/2017-18 dated June 06, 2018, DBR.No.BP.BC.18/21.04.048/2018-19 dated January 01, 2019, DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020 and DOR.No.BP.BC/4/21.04.048/2020-21 dated August 06, 2020.

Particular	(₹ in Crore except numbers)	
	March 31, 2022	March 31, 2021
No. of Account Restructured	7,828	6,699
Amount	641.54	624.16

13 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, 2022 (Previous year: Nil).

14 Inter-bank Participation with risk sharing:

During the year the Bank has not entered into any inter-bank participation with risk sharing (Previous year: ₹ 142.12 crores).

15 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)

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

16 Miscellaneous income comprises recoveries from loans written off, income from dealing in Priority Sector Lending Certificates (PSLC) etc.

17 Details of payments of Audit Fees

Particular	(₹ in Crore)	
	March 31, 2022	March 31, 2021
Statutory Audit fees and other related services*	2.01	1.41
Other Matters*#	-	0.67
Total	2.01	2.08

* Includes out of pocket expenses.

towards professional fees pursuant to Qualified Institutional Placement (QIP).

18 The Code on Social Security, 2020

The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified and the final rules/interpretation have not yet been issued. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

19 Fixed Assets (as disclosed under schedule 10) which relates to purchase of software and system development expenditure which are as follows:

Particular	(₹ in Crore)	
	March 31, 2022	March 31, 2021
Gross Block		
At cost on 31 st March of the preceding year	178.45	141.55
Additions during the year	70.05	37.67
Deductions during the year	-	0.77
Total (a)	248.50	178.45
Depreciation / Amortisation		
As at 31 st March of the preceding year	77.58	52.64
Charge for the year	38.70	25.12
Deductions during the year	-	0.18
Total (b)	116.28	77.58
Net Value (a-b)	132.22	100.87

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

20 Segment reporting

Part A: Business segments:

Segment reporting for the year ended March 31, 2022 and March 31, 2021 is given below:

		(₹ in Crore)	
S. No.	Particular	March 31, 2022	March 31, 2021
1	Segment revenue		
(a)	Treasury	1,015.96	1,714.35
(b)	Retail banking	5,454.29	4,243.81
(c)	Wholesale banking	396.71	377.99
(d)	Other banking operations	48.46	34.83
(e)	Unallocated	-	-
	Income from operations	6,915.42	6,370.98
2	Segment results		
(a)	Treasury	167.88	802.58
(b)	Retail banking	1,127.56	528.40
(c)	Wholesale banking	125.72	103.78
(d)	Other banking operations	32.91	23.74
	Total Segment results	1,454.07	1,458.50
	Less: Unallocated expenses	-	-
	Total Profit Before Tax	1,454.07	1,458.50
	Provision for Tax (Including deferred tax)	324.24	287.82
	Total Profit After Tax	1,129.83	1,170.68
3	Segment Assets		
(a)	Treasury	19,631.79	14,513.96
(b)	Retail banking	41,752.41	32,264.56
(c)	Wholesale banking	5,508.66	3,538.69
(d)	Other banking operations	10.26	6.65
(e)	Unallocated	2,174.68	1,267.45
	Total Assets	69,077.80	51,591.31
4	Segment Liabilities		
(a)	Treasury	3,384.59	4,140.24
(b)	Retail banking	29,602.89	20,529.27
(c)	Wholesale banking	28,537.53	20,577.59
(d)	Other banking operations	3.96	0.02
(e)	Unallocated	34.82	68.97
	Capital and Other Reserves	7,514.01	6,275.22
	Total Liabilities including Capital and Other Reserves	69,077.80	51,591.31

Part B: Geographic segments

The business of the Bank is in India only. Accordingly, geographical segment is not applicable.

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 guidelines prescribed by the RBI and in compliance with the Accounting Standard 17 – “Segment Reporting”.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

21 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 Operating Officer (upto August 31, 2021) elevated as Chief Risk Officer and ceased to KMP with effect from September 01, 2021
	Mr. Vimal Jain, Chief Financial Officer
	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 Small Finance Bank Employees Welfare Trust
	AU Foundation
	BIFCO Private Limited (upto November 30,2021)
	Deepak Tarachand HUF (upto August 31, 2021)
	DS Speciality Product LLP
	Durga Automation & Control Private Limited
	Durga Bearings (Mumbai) Private Limited
	Jyoti Sanjay Family Trust
	Kalinga Agencies
	Kalinga Mercantile Private Limited
	Kalinga Extrusions India Private Limited
	Khushi Buildhome Private Limited (upto August 31, 2021)
	Manmohan Parnami HUF
	MYS Holdings Private Limited
	Namokar Mining Industries LLP (upto August 31, 2021)
	Pradeep Kumar Jain HUF
	Sanjay And Jyoti Agarwal Foundation
	Shivgyan Mines and Minerals Private Limited
	Shree Dham Mining Industries LLP
	Speciality Stones Private Limited
	Universal Quartz & Natural Stone Private Limited
	Universal Galaxy Granite LLP
	Universal Rocks India LLP
	Universal Gold Granite LLP
	Universal Black Granite LLP
	Universal Granimarmo Pvt Ltd
	VS and Sons HUF

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

21 Related Party Disclosures: (Contd.)

Relatives of KMP	Ms. Jyoti Agarwal
	Late 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 (upto August 31, 2021)
	Ms. Santosh Jain (upto August 31, 2021)
	Mr. Devansh Jain (upto August 31, 2021)
	Ms. Khushi Jain (upto August 31, 2021)
	Ms. Kavita Goyal (upto August 31, 2021)
	Ms. Sunita Agrawal (upto August 31, 2021)
	Ms. Anita Agarwal (upto August 31, 2021)
	Ms. Bhawna Parnami
	Ms. Rajkumari Sukhija
	Ms. Asmita Parnami
	Ms. Jaisvi Parnami
	Mr. Mahinder Parnami
	Ms. Kavita Sukhija
	Ms. Shikha Taneja
	Ms. Ladh Devi Jain
	Ms. Sinku Jain
	Mr. Dhairya Jain
	Mr. Pradeep Kumar Jain
	Mr. Dilip Kumar Jain
	Ms. Suman Lata Jain
	Ms. Renu Kataria
	Ms. Rekha Jain

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

21 Related Party Disclosures: (Contd.)

B. The Bank's related parties balances and transactions for the year ended are summarised as follows:

1. Deposits

Particular	As at March 31, 2022		As at March 31, 2021	
	Closing balance	Highest balance during the year	Closing balance	Highest balance during the year
Key Management Personnel (KMP)	27.90	90.23	84.65	95.11
Relatives of KMP	43.18	143.93	79.10	144.76
Enterprise over which KMP/Relative of KMP have control / significant influence	2.06	38.23	2.41	35.04

(₹ in Crore)

2. Interest Paid on Deposits

Particular	Year ended March 31, 2022		Year ended March 31, 2021	
	Closing balance	Highest balance during the year	Closing balance	Highest balance during the year
Key Management Personnel (KMP)	2.59	0.59	4.82	0.54
Relatives of KMP	4.48	0.54	0.07	
Enterprise over which KMP/Relative of KMP have control / significant influence	0.07			

(₹ in Crore)

3. Remuneration

Particular	Year ended March 31, 2022		Year ended March 31, 2021	
	Closing balance	Highest balance during the year	Closing balance	Highest balance during the year
Mr. Sanjay Agarwal, Managing Director and CEO	2.28	-	2.24	1.62
Mr. Uttam Tibrewal, Executive Director	2.05	0.93	0.50	
Mr. Deepak Jain, Chief Operating Officer (KMP upto August 31, 2021)	0.71			
Mr. Vimal Jain, Chief Financial Officer	0.83			
Mr. Manmohan Parnami, Company Secretary	0.59			
Total	6.46	5.29		

(₹ in Crore)

1. Remuneration paid excludes value of employee stock options exercised during the year.
2. 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.

4. Advances

Particular	As at March 31, 2022		As at March 31, 2021	
	Closing balance	Highest balance during the year	Closing balance	Highest balance during the year
Key Management Personnel (KMP)	0.11	0.73	-	0.49
Relatives of KMP	0.06	0.22	-	16.78
Enterprise over which KMP/Relative of KMP have control / significant influence	0.93	0.95	-	7.89

(₹ in Crore)

Related to credit card facility and OD Facility during the FY 2021-22 and OD facility during the FY 2020-21.

Interest earned during the FY 21-22 is ₹ 0.007Cr (Previous year: ₹ 0.38 Cr.)

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

21 Related Party Disclosures: (Contd.)

5. Other transaction

		(₹ in Crore)	
Name of related party	Nature of transactions	Year ended March 31, 2022	Year ended March 31, 2021
Mr. Uttam Tibrewal	Issue of Equity Shares of the Bank pursuant to exercise of ESOP	30.00	4.28
Mr. Deepak Jain	Issue of Equity Shares of the Bank pursuant to exercise of ESOP	-	7.53
Mr. Vimal Jain	Issue of Equity Shares of the Bank pursuant to exercise of ESOP	0.10	0.09
Mr. Manmohan Parnami	Issue of Equity Shares of the Bank pursuant to exercise of ESOP	0.09	0.02
AU Bank Employees Group Gratuity Trust	Contribution to Fund	13.25	17.21
AU Foundation	Donation	1.60	0.85

6. Other income

		(₹ in Crore)
Particular		Year ended March 31, 2022
Key Management Personnel (KMP)		0.02
Relatives of KMP		0.00
Enterprise over which KMP/Relative of KMP have control / significant influence		0.00

For FY 2020-21, Income including miscellaneous charges received from all the related parties are less than ₹ 0.01 crore hence not shown separately.

22 Leases

The Bank has taken various premises under operating lease. The future minimum lease payments are given below:

		(₹ in Crore)	
Particular		March 31, 2022	March 31, 2021
Not later than one year		119.32	76.15
Later than one year and not later than five years		409.61	272.46
Later than five years		150.79	52.09
Total		679.72	400.70
The total of minimum lease payments recognized in the Profit and Loss Account for the year		112.26	81.68
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases		-	-
Sub-lease amounts recognized in the Profit and Loss Account for the year		-	-
Contingent (usage based) lease payments recognized in the Profit and Loss Account for the year		-	-

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

23 Earnings per equity share (AS 20)

Particular	(₹ in Crore, except numbers)	
	March 31, 2022	March 31, 2021
Profit/ (loss) after tax (A)	1,129.83	1,170.68
Less: Exceptional item	-	-
Net profit excluding exceptional item (B)	1,129.83	1,170.68
Weighted average number of equity shares in calculating basic EPS (C)	313,286,499	306,503,477
Add: Effect of dilution - Stock option granted to employees	3,274,805	2,687,023
Weighted average number of equity shares in calculating diluted EPS (D)	316,561,304	309,190,500
Earning per share including exceptional item		
Basic (In ₹) (A / C)	36.06	38.19
Diluted (In ₹) (A / D)	35.69	37.86
Nominal value per share (In ₹)	10.00	10.00
Earning per share excluding exceptional item		
Basic (In ₹) (B / C)	36.06	38.19
Diluted (In ₹) (B / D)	35.69	37.86
Nominal value per share (In ₹)	10.00	10.00

The dilutive impact is due to stock options granted to employees.

refer note no. 9 of schedule 18B.

24 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, 2022	March 31, 2021
Provision for NPA, floating provision and general provision on standard assets	210.54	147.07
Expenditure charged to the profit and loss account in the current year but allowed for tax purpose on payment basis	8.67	6.53
Depreciation	(5.87)	(8.15)
Deduction u/s. 36(1)(viii) of the Income Tax Act, 1961	(77.91)	(50.16)
Others	6.73	5.28
Net Deferred Tax Asset	142.16	100.57

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

25 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, Plan D and Plan E. The numerical A1 to A3, B1 to B8, C1 to C13, D1 to D9, and E1 to E10 represents different grants made under these plans. During the year ended March 31, 2022, the following series were in operation:

Particulars	Plan A1 to A3	Plan B1 to B8	Plan C1 to C13	Plan D1 to D9	Plan E1 to E10
Date of grant	Aug 31, 2015 to Oct 27, 2017	Aug 31, 2015 to Jan 12, 2022	Nov 11, 2016 to Feb 10, 2022	Aug 30, 2018 to Oct 24, 2020	Jan 27, 2021 to Mar 16, 2022
Date of Board / Compensation Committee approval	Aug 31, 2015 to Oct 27, 2017	Aug 31, 2015 to Jan 12, 2022	Nov 11, 2016 to Feb 10, 2022	Aug 30, 2018 to Oct 24, 2020	Jan 27, 2021 to Mar 16, 2022
Number of Options granted	41,17,930	40,51,156	29,86,575	51,64,257	17,22,390
Method of settlement	Equity	Equity	Equity	Equity	Equity
Graded vesting period:					
1 st 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%	NA	NA	NA
1 st 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	20%	NA	NA
1 st vesting "12 months from the date of grant"	NA	NA	NA	20%	20%
2 nd vesting "On expiry of one year from the 1 st vesting date"	30%	30%	30%	20%	20%
3 rd vesting "On expiry of two years from the 1 st vesting date"	50%	50%	50%	30%	30%
4 th vesting "On expiry of 3 years from the 1 st vesting date"	NA	NA	NA	30%	30%
Exercise period	4 years from the 1 st vesting date		6 years from the 1 st vesting date		
Vesting conditions	Continuous service		Continuous service		
Weighted average remaining contractual life (years)	0 - 0.58	0 - 4.79	2.28 - 6.87	3.42 - 5.57	5.83 - 6.96
Weighted average exercise price per option (₹)	10.11	33.37	140 - 1205	589 - 724	791 - 1196

Particulars	March 31, 2022				
	Plan A1 to A3	Plan B1 to B8	Plan C1 to C13	Plan D1 to D9	Plan E1 to E10
Options outstanding at the beginning of the year	166,036	1,126,727	1,437,230	4,230,807	117,177
Granted during the year	-	10,000	81,750	-	1,605,213
Forfeited during the year	-	-	-	-	-
Exercised during the year	(48,036)	(1,114,727)	(330,259)	(1,192,319)	(1,300)
Expired during the year	-	-	(86,977)	(160,595)	(98,557)
Outstanding at the end of the year	118,000	22,000	1,101,744	2,877,893	1,622,533
Exercisable at the end of the year	118,000	2,400	273,052	574,231	18,134

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

25 Accounting for employee share based payments (Contd.)

Particulars	March 31, 2021				
	Plan A1 to A3	Plan B1 to B7	Plan C1 to C10	Plan D1 to D9	Plan E1 to E2
Options outstanding at the beginning of the year	1,411,428	1,243,496	797,337	4,283,256	-
Granted during the year	38,702	1,030,758	995,960	448,138	117,177
Forfeited during the year	-	-	-	-	-
Exercised during the year	(1,284,094)	(1,147,527)	(306,738)	(351,704)	-
Expired during the year	-	-	(49,329)	(148,883)	-
Outstanding at the end of the year	166,036	1,126,727	1,437,230	4,230,807	117,177
Exercisable at the end of the year	166,036	1,114,154	181,774	667,735	-

Details of stock options granted during the year:

Plan A, B, C, D and E: The weighted average fair value of stock options granted during the year was ₹ 1,267.83 (Plan B8), ₹ 570.39 (Plan C11), ₹ 560.52 (plan C12), ₹ 688.83 (plan C13), ₹ 481.37 (plan E3), ₹ 438.96 (plan E4), ₹ 453.00 (plan E5), ₹ 602.75 (plan E6), ₹ 551.02 (plan E7), ₹ 498.25 (plan E8), ₹ 424.81 (plan E9) and ₹ 537.06 (plan E10).

The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

Particulars	Plan B8	Plan C11	Plan C12	Plan C13	Plan E3	Plan E4
	Tranche vesting in FY 2022-23 to 2024-25	Tranche vesting in FY 2022-23 to 2025-26	Tranche vesting in FY 2022-23 to 2025-26	Tranche vesting in FY 2022-23 to 2025-26	Tranche vesting in FY 2022-23 to 2025-26	Tranche vesting in FY 2022-23 to 2025-26
Share price on the date of grant (₹)	1,298.80	1,189.40	1,200.35	1,366.90	1,251.90	986.60
Exercise price (₹)	33.37	1,113.00	1,167.00	1,205.00	968.00	1,020.00
Expected volatility (%)	42.96%	43.11%	42.79%	42.77%	42.60%	43.39%
Life of the options granted (years)	3 - 4	4 - 5.50	4 - 5.50	4 - 5.50	4 - 5.50	4 - 5.50
Risk-free interest rate (%)	6.59%	6.26%	6.37%	6.73%	6.02%	5.98%
Expected dividend rate (%)	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Fair value of the option (₹)	1267.53 to 1267.98	522.08 to 605.67	510.58 to 597.00	634.32 to 728.62	624.00 to 700.64	397.16 to 469.50

Particulars	Plan E5	Plan E6	Plan E7	Plan E8	Plan E9	Plan E10
	Tranche vesting in FY 2022-23 to 2025-26	Tranche vesting in FY 2022-23 to 2025-26	Tranche vesting in FY 2022-23 to 2025-26	Tranche vesting in FY 2022-23 to 2025-26	Tranche vesting in FY 2022-23 to 2025-26	Tranche vesting in FY 2022-23 to 2025-26
Share price on the date of grant (₹)	1,017.15	1,223.70	1,173.75	1,103.25	1,027.75	1,169.50
Exercise price (₹)	1,045.00	1,095.00	1,132.00	1,121.00	1,186.00	1,196.00
Expected volatility (%)	43.07%	43.04%	43.25%	43.18%	42.85%	43.11%
Life of the options granted (years)	4 - 5.50	4 - 5.50	4 - 5.50	4 - 5.50	4 - 5.50	4 - 5.50
Risk-free interest rate (%)	6.01%	6.20%	6.18%	6.18%	6.47%	6.79%
Expected dividend rate (%)	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Fair value of the option (₹)	410.05 to 484.38	554.49 to 637.99	502.67 to 586.33	451.64 to 532.31	378.29 to 458.85	486.15 to 574.27

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:

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

25 Accounting for employee share based payments (Contd.)

Particular	(₹ in Crore)	
	Period ended March 31, 2022	Year ended March 31, 2021
Profit after tax as reported	1,129.83	1,170.68
Add: ESOP cost using intrinsic value method (net of tax)	13.76	57.46
Less: ESOP cost using fair value method (net of tax)	48.53	92.81
Profit after tax (adjusted)	1,095.06	1,135.33
Earnings Per Share		
Basic		
- As reported	36.06	38.19
- Adjusted for ESOP cost using fair value method	34.95	37.04
Diluted		
- As reported	35.69	37.86
- Adjusted for ESOP cost using fair value method	34.59	36.72

ESOP Cost of MRT are already valued at Fair Value, therefore same is not considered in above table.

Particulars	(₹ in Crore)	
	As at March 31, 2022	As at March 31, 2021
Stock options outstanding (gross)	203.94	188.76
Deferred compensation cost outstanding	26.16	29.35
Stock options outstanding (net)	177.78	159.41

FY 2021-22

As on April 08, 2022, ₹ 0.95 crore and as non-cash variable pay has been approved by RBI for performance of FY 2020-21 for Mr. Uttam Tibrewal, WTD.

FY 2020-21

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, 2021, RBI pursuant to its letter intimated the Bank that the ESOPs granted to Whole time Director pertains to the period prior to his appointment as the whole-time director of the Bank and thus, the approval of RBI is not required, and the Board of Directors of the Bank may take appropriate decision in this regard subject to adherence to statutory norms, as applicable. Pursuant to this letter, associated cost of ₹ 58.95 Crore pertaining to these ESOPs has been charged to profit and loss account for the year ended March 31, 2021.

The Bank has granted 99,800* stock options on September 04, 2020 under ESOP scheme 2018 to Whole time Director for performance of FY 2019-20 which were 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 be in accordance with the RBI approval received.

*In view of communication received from RBI, the revised proposal for grant of 15,000 ESOPs was submitted to RBI in place of earlier submitted proposal for grant of 99,800 ESOPs and post consideration, RBI approved for ESOPs valuing at ₹ 0.52 crore i.e. 8,585 ESOPs on July 20, 2021.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

26 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 as per AS-15 "Employee Benefits" is given below.

Particulars	(₹ in Crore)	
	March 31, 2022	March 31, 2021
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Liability at the beginning of the year	46.99	33.07
Interest cost	3.15	2.15
Current service cost	18.45	14.61
Benefits paid during the year	(1.88)	(0.77)
Actuarial (gain) / loss on obligation		
Experience adjustment	(4.75)	(4.21)
Assumption change	(5.08)	2.14
Liability at the end of the year	56.88	46.99
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	33.74	15.87
Expected return on plan assets	2.25	0.34
Contributions	13.25	17.21
Benefits paid	(1.88)	(0.77)
Actuarial gain / (loss) on plan assets		
Experience adjustment	(0.02)	1.09
Assumption change	-	-
Fair value of plan assets at the end of the year	47.34	33.74
Amount recognised in Balance Sheet		
Fair value of plan assets at the end of the year	47.34	33.74
Liability at the end of the year	(56.88)	(46.99)
Net Asset (included under Schedule 11.VI) / (Liability) (included under Schedule 5.V)	(9.54)	(13.25)
Expenses recognised in Profit and Loss Account		
Interest cost	3.15	2.15
Current service cost	18.45	14.61
Expected return on plan assets	(2.25)	(0.34)
Net actuarial (gain) / loss recognised in the year	(9.79)	(3.16)
Net cost	9.54	13.26
Actual return on plan assets	2.23	1.43
Estimated contribution for the next year	9.54	13.25
Assumptions		
Discount rate	7.20% per annum	6.73% per annum
Expected return on plan assets	7.20% per annum	6.88% per annum
Salary escalation rate	7.50% per annum	7.50% per annum

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2022

SCHEDULE 18 - Notes forming part of the financial statements for the Year ended March 31, 2022 (CONTD.)

26 Employee benefits (Contd.)

Experience adjustment

Particulars	Years ended March 31,				
	2022	2021	2020	2019	2018
Plan assets	47.34	33.74	15.87	11.86	0.14
Defined benefit obligation	56.88	46.99	33.07	15.15	11.60
Surplus / (deficit)	(9.54)	(13.25)	(17.20)	(3.29)	(11.46)
Experience adjustment gain / (loss) on plan assets	(0.02)	1.09	0.93	-	-
Experience adjustment (gain) / loss on plan liabilities	(9.82)	(2.07)	5.96	(2.68)	(0.52)

(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 recognized ₹ 51.27 Crore (previous year ₹ 33.63 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 ₹ 12.83 Crore (previous year reversed ₹ 4.87 Crore) in the books of accounts for the year.

27 The financial statements as at and for the year ended March 31, 2021, have been audited by the predecessor auditor – S.R. Batliboi & Associates LLP, Chartered Accountants. The report of the predecessor auditor on the comparative financial statements dated April 29, 2021 expressed an unmodified opinion.

28 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 **Deloitte Haskins & Sells**
Chartered Accountants
ICAI Firm Registration No.: 117365W

G. K. Subramaniam
Partner
Membership No. 109839
Place: Jaipur

For **G.M. Kapadia & Co.**
Chartered Accountants
ICAI Firm Registration No.: 104767W

Atul Shah
Partner
Membership No. 039569
Place: Jaipur
Date: April 26, 2022

For and on behalf of the Board of Directors
AU Small Finance Bank Limited

Raj Vikash Verma
(Non-Executive Independent
Part Time Chairman)
DIN: 03546341
Place: Jaipur

Uttam Tibrewal
(Whole Time Director)
DIN: 01024940
Place: Jaipur

Manmohan Parnami
(Company Secretary)
Membership No. F9999
Place: Jaipur

Sanjay Agarwal
(Managing Director and CEO)
DIN: 00009526
Place: Jaipur

Vimal Jain
(Chief Financial Officer)
Place: Jaipur

Basel II (Pillar 3) Disclosures

As at 31st March 2022

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>

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE TWENTY SEVENTH (27th) ANNUAL GENERAL MEETING ("AGM") OF THE MEMBERS OF AU SMALL FINANCE BANK LIMITED ("BANK") WILL BE HELD ON TUESDAY, 23rd AUGUST 2022 AT 04:00 P.M. (IST) THROUGH VIDEO CONFERENCING ("VC") OR OTHER AUDIO-VISUAL MEANS ("OAVM") 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 2022 and the reports of the Board of Directors and the Auditors thereon.

Item No. 2: To declare dividend of ₹ 0.50 per equity share of ₹ 10 each for the Financial Year 2021-22.

Item No. 3: 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. 4: To re-appoint Mr. Mankal Shankar Sriram (DIN: 00588922) for second term of 3 years as an Independent Director

To consider and, if thought fit, to pass, the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 149, 152, schedule IV and other applicable provisions, if any, of the Companies Act, 2013 read with the rules made there under (the **"Act"**), and applicable regulations, of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**"Listing Regulations"**), provisions of Section 10A(2)(a) and other applicable provisions, if any, of the Banking Regulation Act, 1949 and the guidelines and circulars issued by the Reserve Bank of India (the **"RBI"**), in this regard, from time to time and any other applicable Laws, Rules and Acts [including any statutory amendment(s), modification(s), variation(s) or re-enactment(s) thereof, for the time being in force] and in consonance with the provisions of the Articles of Associations and compensation policy of the Bank and pursuant to the recommendation of Nomination and Remuneration Committee (**"NRC"**) and the Board of Directors of the Bank ("hereinafter referred to as the **"Board"**" which term shall be deemed to include any committees constituted / to be constituted by the Board to exercise its powers including the powers conferred by this resolution"), Mr. Mankal Shankar Sriram (DIN: 00588922) whose initial term as an Independent Director of the Bank is expiring on 20th October, 2022 and

who meets the criteria of independence as prescribed under Section 149(6) of the Act and Regulation 16(1)(b) of the Listing Regulations and who is eligible to be re-appointed as an Independent Director and in respect of whom the Bank has received a notice in writing under Section 160 of the Act, be and is hereby re-appointed as an Independent Director of the Bank for second term of 3 (three) years commencing from 21st October, 2022 upto 20th October, 2025 (both days inclusive) and who shall not be liable to retire by rotation during the said period, in terms of the provisions of Section 149(13) of the Act.

RESOLVED FURTHER THAT the Board be and is hereby authorized, 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 Ltd., Securities and Exchange Board of India, Registrar of Companies and 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 may be applicable to any authority and to do all such other acts and things as may be required in this regard."

Item no. 5: To re-appoint Mr. Pushpinder Singh (DIN: 08496066) for second term of 3 years as an Independent Director

To consider and, if thought fit, to pass, the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 149, 152, schedule IV and other applicable provisions, if any, of the Companies Act, 2013 read with the rules made there under (the **"Act"**), and applicable regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**"Listing Regulations"**), provisions of Section 10A(2)(a) and other applicable provisions, if any, of the Banking Regulation Act, 1949 and the guidelines and circulars issued by the Reserve Bank of India (the **"RBI"**), in this regard, from time to time and any other applicable Laws, Rules and Acts [including any statutory amendment(s), modification(s), variation(s) or re-enactment(s) thereof, for the time being in force] and in consonance with the provisions of the Articles of Associations and compensation policy of the Bank and pursuant to the recommendation of Nomination and Remuneration Committee (**"NRC"**) and the Board of Directors of the Bank ("hereinafter referred to as the **"Board"**" which term shall be deemed to include any committees constituted / to be constituted by the Board to exercise its powers including the powers conferred

by this resolution"), Mr. Pushpinder Singh (DIN: 08496066) whose initial term as an Independent Director of the Bank is expiring on 20th October, 2022 and who meets the criteria of independence as prescribed under Section 149(6) of the Act and Regulation 16(1)(b) of the Listing Regulations and who is eligible to be re-appointed as an Independent Director and in respect of whom the Bank has received a notice in writing under Section 160 of the Act, be and is hereby re-appointed as an Independent Director of the Bank for second term of 3 (three) years commencing from 21st October, 2022 upto 20th October, 2025 (both days inclusive) and who shall not be liable to retire by rotation during the said period, in terms of the provisions of Section 149(13) of the Act.

RESOLVED FURTHER THAT the Board be and is hereby authorized, 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 Ltd., Securities and Exchange Board of India, Registrar of Companies and 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 may be applicable to any authority and to do all such other acts and things as may be required in this regard."

Item No. 6: To re-appoint Mr. Kannan Gopalaraghavan Vellur (DIN: 03443982) for second term of 3 years as an Independent Director

To consider and, if thought fit, to pass, the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 149, 152, schedule IV and other applicable provisions, if any, of the Companies Act, 2013 read with the rules made there under (the "**Act**"), and applicable regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**"), provisions of Section 10A(2)(a) and other applicable provisions, if any, of the Banking Regulation Act, 1949 and the guidelines and circulars issued by the Reserve Bank of India (the "**RBI**"), in this regard, from time to time and any other applicable Laws, Rules and Acts [including any statutory amendment(s), modification(s), variation(s) or re-enactment(s) thereof, for the time being in force] and in consonance with the provisions of the Articles of Associations and compensation policy of the Bank and pursuant to the recommendation of Nomination and Remuneration Committee ("**NRC**") and the Board of Directors of the Bank ("hereinafter referred to as the "**Board**" which term shall be deemed to include any committees constituted / to be constituted by the Board to exercise its powers including the powers conferred by this resolution"), Mr. Kannan Gopalaraghavan Vellur (DIN: 03443982) whose initial term as an Independent

Director of the Bank is expiring on 21st January, 2023, and who meets the criteria of independence as prescribed under Section 149(6) of the Act and Regulation 16(1)(b) of the Listing Regulations and who is eligible to be re-appointed as an Independent Director and in respect of whom the Bank has received a notice in writing under Section 160 of the Act, be and is hereby re-appointed as an Independent Director of the Bank for second term of 3 (Three) years commencing from 22nd January, 2023 upto 21st January, 2026 (both days inclusive) and who shall not be liable to retire by rotation during the said period, in terms of the provisions of Section 149(13) of the Act.

RESOLVED FURTHER THAT the Board be and is hereby authorized, 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 Ltd., Securities and Exchange Board of India, Registrar of Companies and 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 may be applicable to any authority and to do all such other acts and things as may be required in this regard."

Item No. 7: To approve the remuneration of Mr. Sanjay Agarwal (DIN: 00009526), Managing Director & CEO of the Bank for the Financial Year 2022-23.

To consider and, if thought fit, to pass the following Resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 197, 198, 203 read with Schedule V and other applicable provisions, if any, of the Companies Act, 2013, (the "**Act**") and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**") and provisions of Section 35B and other applicable provisions, if any, 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, and any other applicable Laws, Rules and Acts [including any statutory amendment(s), modification(s), variation(s) or re-enactment(s) thereof, for the time being in force] and subject to all other requisite approvals, permissions and sanctions as may be required and subject to such conditions as may be prescribed by any statutory authority while granting such approvals and in consonance with the provisions of Articles of Association of the Bank and pursuant to the recommendation of the Nomination and Remuneration Committee ("**NRC**") and Board of Directors of the Bank ("hereinafter referred to as the "**Board**" which term shall be deemed to include any committees constituted / to be constituted by the Board to exercise its powers including the powers conferred by

this resolution"), approval of members of the Bank be and is hereby accorded for remuneration of Mr. Sanjay Agarwal (DIN:00009526), Managing Director & CEO, as detailed below with effect from 1st April 2022 and the same shall continue till any further revision, on the terms and conditions as may be approved by RBI:

Particulars	Amount in ₹
Salary	95,66,580
Allowance	1,43,49,868
Total Salary & Allowances (A)	2,39,16,448
Retiral/Superannuation benefits	
(a) Provident Fund	23,400
(b) Gratuity	4,60,152
Total Retiral/Superannuation benefits (B)	4,83,552
Perquisites:	
(a) Conveyance Allowance/Free use of bank's car	12,08,512
(b) Driver(s)' salary (2 Chauffeur)	10,30,400
(c) Other perquisites	5,61,088
Total Perquisites (C)	28,00,000
Total Fixed Pay (A+B+C)	2,72,00,000

Variable Pay - Up to 75 % of total Fixed pay subject to review of his performance basis target achievement for the financial year by NRC, Board of Directors, and approval of RBI.

RESOLVED FURTHER THAT pursuant to the Guidelines issued by the RBI vide Circular no. RBI/2019-20/89 DOR. Appt.BC.No.23/29.67.001/2019-20 dated 4th November 2019 on "Compensation of Whole Time Directors/Chief Executive Officers/Material Risk Takers and Control Function staff", the Board be and is hereby authorised to make suitable adjustments, if any, between Fixed Pay & Variable Pay including its components while keeping the overall remuneration within limits given hereinabove in compliance of RBI circular and in compliance of changes that the RBI may instruct in this regard.

RESOLVED FURTHER THAT in case the Bank has no profits, or its profits are inadequate, the remuneration including the perquisites as aforesaid will be paid to Mr. Sanjay Agarwal, Managing Director & CEO in accordance with the Schedule V and applicable provisions of the Act.

RESOLVED FURTHER THAT to give effect to this resolution, the Board be and is hereby authorized to do all deeds, matters, things, acts, and to execute any agreements, documents and writings, as may be deemed necessary, including but not limited to making correspondences with RBI or any other regulatory authority and/or to settle all questions, difficulties or doubts that may arise in this regard, and to delegate all or any of its powers herein conferred to any Committee/Director(s)/Officer(s) of the Bank."

Item No. 8: To approve the remuneration of Mr. Uttam Tibrewal (DIN: 01024940), Whole Time Director of the Bank for the Financial Year 2022-23.

To consider and, if thought fit, to pass the following Resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 197, 198, 203 read with Schedule V and other applicable provisions, if any, of the Companies Act, 2013, (the "Act") and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and provisions of Section 35B and other applicable provisions, if any, 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, and any other applicable Laws, Rules and Acts [including any statutory amendment(s), modification(s), variation(s) or re-enactment(s) thereof, for the time being in force] and subject to all other requisite approvals, permissions and sanctions as may be required and subject to such conditions as may be prescribed by any statutory authority while granting such approvals and in consonance with the provisions of Articles of Association of the Bank and pursuant to the recommendation of the Nomination and Remuneration Committee ("NRC") and Board of Directors of the Bank ("hereinafter referred to as the **"Board"**" which term shall be deemed to include any committees constituted / to be constituted by the Board to exercise its powers including the powers conferred by this resolution"), approval of members of the Bank be and is hereby accorded for remuneration of Mr. Uttam Tibrewal (DIN:01024940), Whole Time Director, as detailed below with effect from 01st April 2022 and the same shall continue till any further revision, on the terms and conditions as may be approved by RBI:

Particulars	Amount in ₹
Salary	85,06,968
Allowance	1,27,60,444
Total Salary & Allowances (A)	2,12,67,412
Retiral/Superannuation benefits	
(a) Provident Fund	23,400
(b) Gratuity	4,09,188
Total Retiral/Superannuation benefits (B)	4,32,588
Perquisites:	
(a) Conveyance Allowance/Free use of bank's car	6,95,112
(b) Driver(s)' salary (1 Chauffeur)	5,06,000
(c) Other perquisites	2,98,888
Total Perquisites (C)	15,00,000
Total Fixed Pay (A+B+C)	2,32,00,000

Variable Pay - Up to 150 % of total Fixed pay subject to review of his performance basis target achievement for the financial year by NRC, Board of Directors, and approval of RBI.

RESOLVED FURTHER THAT pursuant to the Guidelines issued by the RBI vide Circular no. RBI/2019-20/89 DOR. Appt.BC.No.23/29.67.001/2019-20 dated 4th November 2019 on "Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff", the Board be and is hereby authorised to make suitable adjustments, if any, between Fixed Pay & Variable Pay including its components while keeping the overall remuneration within limits given hereinabove in compliance of RBI circular and in compliance of changes that the RBI may instruct in this regard.

RESOLVED FURTHER THAT in case the Bank has no profits, or its profits are inadequate, the remuneration including the perquisites as aforesaid will be paid to Mr. Uttam Tibrewal, Whole Time Director, in accordance with Schedule V and applicable provisions of the Act.

RESOLVED FURTHER THAT to give effect to this resolution, the Board be and is hereby authorized to do all deeds, matters, things, acts, and to execute any agreements, documents and writings, as may be deemed necessary, including but not limited to making correspondences with RBI or any other regulatory authority and/or to settle all questions, difficulties or doubts that may arise in this regard, and to delegate all or any of its powers herein conferred to any Committee/Director(s)/Officer(s) of the Bank."

Item no. 9: To issue Non convertible 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, read with rules made thereunder (the "**Act**"), applicable regulations of the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 ("**SEBI ILNCS Regulations**") and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**") and other applicable rules, regulations, guidelines and directions issued by the Securities and Exchange Board of India ("**SEBI**"), the Banking Regulation Act, 1949, the Reserve Bank of India Act, 1934, Foreign Exchange Management Act, 1999, the rules, regulations, circulars,

directions and guidelines issued by the Reserve Bank of India ("**RBI**") from time to time and all other relevant provisions of applicable law(s) [including any statutory amendment(s), modification(s), variation(s) or re-enactment(s) thereof, for the time being in force] and pursuant to the Memorandum and Articles of Association of the Bank 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) and subject to such conditions as may be prescribed by any of the concerned authorities while granting such approval(s), consent(s), permission(s) and sanction(s) as may be applicable, the 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 non-convertible debt securities, including but not limited to long-term bonds, perpetual debt instruments, Tier I/Tier II Capital 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 or such other documents or amendments/revisions thereof and on such terms and conditions for each series/ tranche, 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 ₹ 6,000 Crores (Rupees Six Thousand Crores Only) over and above the outstanding debt securities issued by the Bank 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 the Board be and is hereby authorized to execute all such agreements, documents, instruments and writings as deemed necessary, file requisite forms or applications with statutory/regulatory authorities, with the power to settle all questions, difficulties or doubts that may arise, in this regard and 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 disclosures with stock exchanges and to comply with all other requirements in this regard."

Item no. 10: To raise 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 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 read with the applicable Rules made thereunder, including the Companies (Prospectus and Allotment of Securities) Rules, 2014 (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 [including any statutory amendment(s), modification(s), variation(s) or re-enactment(s) thereof, for the time being in force], 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, (the **“Listing Regulations”**), 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 Securities and Exchange Board of India (the **“SEBI”**) and the Stock Exchanges where the Equity Shares of the Bank 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 (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), the 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 ₹ 3,000 Crores (Rupees Three Thousand Crores Only) 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 the 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 percent (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 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 per cent (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 recognized 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 in granting such approvals or permissions, 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, Stabilising Agents, 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 for 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, the 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 Government Authorities, to give effect to this resolution."

Place: Jaipur
Date: 23rd July 2022

**By Order of the Board of Directors
For AU Small Finance Bank Limited**

Registered Office:
19-A, Dhuleshwar Garden,
Ajmer Road, Jaipur – 302001, Rajasthan
Website: www.aubank.in
Tel: +91 141 4110060
E-mail: investorrelations@aubank.in

Sd/-
Manmohan Parnami
Company Secretary
Membership No: F9999

Notes:

1. An Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 (**"the Act"**) read with the rules made thereunder, setting out all the material facts relating to the Special Business as set out in item no. 4 to 10 of this Notice is annexed herewith. The Board of Directors of the Bank at its meeting held on 23rd July 2022 considered that the special business under Item Nos. 4 to 10, being considered unavoidable, be transacted at the 27th AGM of the Bank to be convened through VC/OAVM.
2. In view of the continuing COVID-19 pandemic, the Ministry of Corporate Affairs ("MCA") vide its Circular nos. 14/2020 dated 8th April 2020, 17/2020 dated 13th

April 2020 respectively, in relation to "Clarification on passing of ordinary and special resolutions by companies under the Companies Act, 2013 and the rules made thereunder on account of the threat posed by Covid -19", 20/2020 dated 5th May 2020, 02/2021 dated 13th January 2021, 19/2021 dated 8th December 2021 and 21/2021 dated 14th December, 2021, and 02/2022 dated 5th May 2022 respectively in relation to "Clarification on holding of annual general meeting (AGM) through video conferencing (VC) or other audio visual means (OAVM)" (these circulars collectively to be referred as "**MCA Circulars**") and Securities and Exchange Board of India ("SEBI") vide its Circular nos. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May 2020, SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated 15th January 2021, and SEBI/HO/CFD/CMD2/CIR/P/2022/62 dated 13th May 2022 (these circulars collectively to be referred as "**SEBI Circulars**") and all other relevant circulars issued from time to time, has permitted the holding of the Annual General Meeting ("AGM") through VC/OAVM, without the physical presence of the Members at a common venue. In compliance with the aforesaid MCA & SEBI Circulars, the AGM of the Bank will be held through video conferencing (VC) and physical attendance of the Members to the AGM venue is not required. The registered office of the Bank shall be deemed to be the venue for the AGM.

3. Pursuant to the provisions of the Act, a Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a Member of the Company. Since the AGM will be held through VC in accordance with the MCA & SEBI Circulars, the requirement of physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxy by the member will not be applicable and hence the Proxy Form, Attendance Slips and Route map are not annexed to this Notice. However, the Institutional / Corporate Shareholders (i.e. other than individuals / HUF, NRI, etc.) are entitled to appoint authorised representatives to attend the AGM through VC/OAVM and participate there at and cast their votes through e-voting.
4. The Bank has provided two-way facility of video conferencing (VC) / other audio-visual means (OAVM) and live webcast of the proceedings of the AGM shall be available on Tuesday, 23rd August 2022 from 4:00 P.M. (IST) onwards at the weblink <https://www.evoting.nsdl.com>. Members are requested to join the 27th AGM from 3:30 P.M. (IST) i.e. 30 minutes before the time scheduled to start the AGM and the Bank may close the window for joining the VC facility, 30 minutes after the scheduled time to start the AGM. 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 Act. Please refer the detailed instructions for attending the AGM through VC covered under this Notice.

5. In line with the MCA Circulars, the Annual Report for the Financial Year 2021-22 and AGM Notice has been uploaded on the website of the Bank at www.aubank.in. The same can also be accessed on the websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Ltd. at www.bseindia.com and www.nseindia.com respectively and 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.
6. The physical copies of all the documents referred to in this Notice and the Explanatory Statement setting out the material facts in respect of Item nos. 4 to 10 thereof and the Statutory Registers will be made 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 Company Secretary at investorrelations@aubank.in mentioning their name, Folio no./ Client ID and DP ID. The same will be replied by the Bank suitably. Further, during the 27th AGM, Members may access the required documents upon Log-in to NSDL e-voting system at www.evoting.nsdl.com.
7. In case of joint holders attending the Meeting, only such joint holder whose name appears as the first holder in the order of names as per the Register of Members of the Bank will be entitled to vote, provided the votes are not already cast by remote e-voting by the first holder.
8. As per the provisions of Section 72 of the Act and SEBI Circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/ CIR/2021/655 dated 3rd November 2021, the facility for making nomination is available for the Members in respect of the shares held by them. Members who have not yet registered their nomination are requested to register the same by submitting Form No. SH-13. If a Member desires to opt out or cancel the earlier nomination and record a fresh nomination, he/she may submit the same in Form ISR-3 or SH-14 as the case may be. The said forms can be downloaded from the Bank's website <https://www.aubank.in/investors/investor-services>. Members are requested to submit the said details to their Depository Participant in case the shares are held by them in dematerialized form and to the Bank in case the shares are held in physical form.

9. Members can submit questions in advance with regard to the financial statements or any other matter to be placed at the 27th AGM, from their registered email address, mentioning their name, folio no. DP ID and Client ID and mobile number, to reach the Bank's email address at investorrelations@aubank.in from Tuesday, 16th August 2022 to Thursday, 18th August, 2022. 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 AGM with regards to the financial statements or any other matter to be placed at the 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 and mobile number, to reach the Bank's email address at investorrelations@aubank.in from Tuesday, 16th August 2022 to Thursday, 18th August, 2022.

Those Members who have registered themselves as a speaker shall only be allowed to speak/ask questions during the AGM, depending upon the availability of time.
10. On account of the threat posed by COVID-19 and in terms of the MCA Circulars, the Annual report and AGM notice are 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, 29th July 2022 and who have registered their e-mail addresses with the Depositories/ Depository Participants unless any member has requested for a physical copy of the same. It is however, clarified that all the persons who are members of the Bank as on Tuesday, 16th August 2022 (including those members who may not have received this Notice due to non- registration of their e-mail IDs) shall be entitled to vote in relation to the resolutions specified in this Notice. The hard copy of this Annual Report and AGM notice along with annexures will not be sent to the members in accordance with the requirements specified under the applicable circulars issued by MCA & SEBI.
11. Members are requested to address all correspondence, including dividend-related matters, to Registrar and Transfer Agent ("RTA") of the Bank i.e. Link Intime India Pvt. Ltd., at their email ID rnt.helpdesk@linkintime.co.in or at their address C-101, 1st Floor, 247 Park, L.B.S. Marg, Vikhroli (West) Mumbai 400 083 Maharashtra.
12. Members wishing to claim unclaimed dividends are requested to correspond with the RTA of the Bank as mentioned above 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 <https://www.aubank.in/investors/investor-services>.
13. 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 Act read with the 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 ("**IEPF Rules**"), all shares in respect of which dividend has not been claimed for seven consecutive years shall also be transferred to the demat account of the Investor Education and Protection Fund Authority (IEPF Authority). In view of this, Members are requested to claim their dividends from the Bank, within the stipulated timeline
14. The Board at its meeting held on 25th – 26th April 2022 has recommended dividend of ₹ 1/- per equity shares on pre-bonus share capital out of net profit for the financial year ended 31st March, 2022, subject to approval of shareholders at the ensuing AGM. Consequent to approval of the bonus issue by the shareholders via postal ballot on 29th May 2022, the dividend was adjusted proportionately i.e. ₹ 0.50/- per equity share on post-bonus share capital.
15. The Bank has fixed Saturday, 30th July 2022 as the "**Record Date**" for determining entitlement of Members to final dividend for the financial year ended 31st March 2022, if approved at the AGM.
16. The final dividend once approved at the AGM, will be paid on or before Thursday, 22nd September 2022, by way of electronic mode to members who have updated their bank account details. In case of members who have not updated their bank account details, the Bank shall dispatch the dividend warrant to such shareholder by post at their registered addresses. To avoid delay in receiving dividend, we request members to update their KYC details including address with pin code, 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 (where

shares are held in dematerialized form) and with the Bank's RTA (where shares are held in physical mode).

Below process shall be followed to update the email ID and bank account details to receive dividend directly into the Bank account on payout date:

Type of holding	Process to be followed
Physical	For availing the following investor services, send a written request in the prescribed forms to the RTA of the Bank. - Form for availing investor services to register PAN, email address, bank details and other KYC details or changes / update thereof for securities held in physical mode Form ISR-1 - Update of signature of securities holder Form ISR-2 - Form for requesting issue of Duplicate Certificate and other service requests for shares / debentures / bonds, etc., held in physical form Form ISR-4 The forms for updating the above details are available at https://www.aubank.in/investors
Demat	By contacting Depository Participant ("DP") and registering e-mail ID and bank account details in demat account, as per the process advised by the DP.

17. SEBI vide its notification dated January 24, 2022 has mandated that all requests for transfer of securities including transmission and transposition requests shall be processed only in dematerialized form. In view of the same and to eliminate all risks associated with physical shares and avail various benefits of dematerialization, Members are advised to dematerialize the shares held by them in physical form. For this purpose, Members can contact the RTA of the Bank for assistance in this regard.
18. The SEBI has mandated the submission of PAN, KYC details and nomination by holders of physical securities by 31st March, 2023, and linking PAN with Aadhaar by 31st March, 2022 vide its circular dated 3rd November 2021 and 15th December 2021. 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 and members holding shares in physical form can submit the aforesaid details to the Bank's RTA at rtt.helpdesk@linkintime.co.in.
19. In case a holder of physical securities fails to furnish these details or link their PAN with Aadhaar before the due date, our registrars are obligated to freeze such folios. The securities in the frozen folios shall be

eligible to receive payments (including dividend) and lodge grievances only after furnishing the complete documents. If the securities continue to remain frozen as on 31st December 2025, the registrar / the Bank shall refer such securities to the administering authority under the Benami Transactions (Prohibitions) Act, 1988, and/or the Prevention of Money Laundering Act, 2002.

20. Pursuant to the Finance Act, 2020, dividend income will be taxable in the hands of shareholders w.e.f. 1st April 2020 and the Bank is required to deduct tax at source from dividend paid to shareholders at the prescribed rates. For the prescribed rates for various categories, please refer to the Finance Act, 2020 and the amendments thereof.

For Resident Individual shareholder: A Resident individual shareholder with PAN and who is not liable to pay income tax can submit a yearly declaration in Form No. 15G/15H, to avail the benefit of non-deduction of tax at source by e-mail to RTA of the Bank at aubdivtax@linkintime.co.in. Shareholders are requested to note that in case their PAN is not registered or having invalid PAN or Specified Person as defined under section 206AB of the Income Tax Act, 1961 ("the Act"), the tax will be deducted at a higher rate prescribed under section 206AA or 206AB of the Act, as applicable. Resident shareholders may also submit any other document as prescribed under the Act to claim a lower / nil withholding of tax.

For Non-Resident shareholder: Non-resident shareholders [including Foreign Institutional Investors (FIIs)/Foreign Portfolio Investors (FPIs)] can avail beneficial rates under tax treaty between India and their country of tax residence, subject to providing necessary documents i.e. No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate, Form 10F, any other document which may be required to avail the tax treaty benefits. For this purpose the shareholder may submit the above documents (PDF/JPG Format) by e-mail to Bank at investorrelations@aubank.in.

The aforesaid declarations and documents need to be submitted by the shareholders on or before Sunday, 7th August 2022.

21. Non-Resident Indian Members are requested to contact their respective Depository Participants/RTA (in case of physical shares) for 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.

22. Brief profile and other additional information pursuant to Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standards on General Meetings (SS-2) issued by the Institute of Company Secretaries of India, in respect of the Directors seeking appointment and re-appointment and the directors for whom the remuneration shall be fixed at the AGM, is furnished as an annexure to the Notice.

DETAILS OF E-VOTING AND JOINING AGM THROUGH VC:

Pursuant to the provisions of Section 108 of the Act 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 MCA Circulars & SEBI Circulars the Bank is 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 agreement with National Securities Depository Limited (“**NSDL**”) for 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 e-voting on the date of the AGM will be provided by NSDL.

The remote e-voting period begins on Friday, 19th August 2022, at 9:00 A.M. and ends on Monday, 22nd August 2022 at 5:00 P.M. The remote e-voting module shall be disabled by NSDL for voting thereafter. The Members, whose names appear in the Register of Members / Beneficial Owners, as received from National Security Depository Limited (NSDL) / Central Depository Services (India) Limited (CDSL), as on the cut-off date i.e. **Tuesday, 16th August 2022** may cast their vote electronically.

The voting right of members shall be in proportion to their share in the paid-up equity share capital of

the Bank as on the cut-off date, being Tuesday, 16th August 2022.

A person who is not a Member as on the cut-off date should treat this notice for information purpose only.

As the E-voting does not require a person to attend to a meeting physically, the Members are strongly advised to use the E-voting procedure by themselves and not through any other person.

The Board of Directors have appointed CS Manoj Maheshwari, Practicing Company Secretary (Membership No. FCS: 3355) and failing him CS Vikas Mehta, Practicing Company Secretary (Membership No. FCS: 9985), as the Scrutinizer to scrutinize the polling/ e-voting at the AGM and remote e-Voting process in a fair and transparent manner.

The details of the process and manner for remote e-Voting and joining AGM through VC are as under:

The way to vote electronically on NSDL e-voting system consists of below mentioned “2 steps”:

Step 1: Access to NSDL e-Voting system

Step 2: Cast your vote electronically and join General Meeting on NSDL e-Voting system.

Details on Step 1 are mentioned below:

Step 1: Access to NSDL e-Voting system

A) Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode

In terms of SEBI circular dated 9th December 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-Voting facility.

Login method for Individual shareholders holding securities in demat mode is given below:

Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with NSDL	- Existing IDeAS user can visit the e-Services website of NSDL Viz. https://eservices.nsdl.com either on a Personal Computer or on a mobile. On the e-Services home page click on the "Beneficial Owner" icon under "Login" which is available under 'IDeAS' section, this will prompt you to enter your existing User ID and Password. After successful authentication, you will be able to see e-Voting services under Value added services. Click on "Access to e-Voting" under e-Voting services and you will be able to see e-Voting page. Click on company name or e-Voting service provider i.e. NSDL and you will be re-directed to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. - If you are not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com. Select "Register Online for IDeAS Portal" or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp - 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. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or e-Voting service provider i.e. NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. - Shareholders/Members can also download NSDL Mobile App "NSDL Speede" facility by scanning the QR code mentioned below for seamless voting experience. NSDL Mobile App is available on    
Individual Shareholders holding securities in demat mode with CDSL	- Existing users who have opted for Easi / Easiest, they can login through their user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on New System Myeasi. - After successful login of Easi/Easiest the user will be also able to see the E Voting Menu. The Menu will have links of e-Voting service provider i.e. NSDL. Click on NSDL to cast your vote. - If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration - Alternatively, the user can directly access e-Voting page by providing demat Account Number and PAN No. from a link in www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP i.e. NSDL where the e-Voting is in progress.
Individual Shareholders (holding securities in demat mode) login through their depository participants	- You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. - Upon logging in, you will be able to see e-Voting option. Click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. - Click on company name or e-Voting service provider i.e. NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.

Important note: Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL.

Login type	Helpdesk details
Individual Shareholders holding securities in demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30
Individual Shareholders holding securities in demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 022- 23058738 or 022-23058542-43

B) Login Method for e-Voting and joining virtual meeting for shareholders other than Individual shareholders holding securities in demat mode and shareholders holding securities in physical mode.

How to Log-in to NSDL e-Voting website?

- 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.
- Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section.
- A new screen will open. You will have to enter your User ID, your Password/OTP 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. Password details for shareholders other than Individual shareholders are given below:

- If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
- 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.
- How to retrieve your 'initial password'?
 - If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email 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 email ID is not registered, please follow steps mentioned below in process for those shareholders whose email 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 etc.
 - 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 are mentioned below:

Step 2: Cast your vote electronically and join General Meeting on NSDL e-Voting system.

How to cast your vote electronically and join General Meeting on NSDL e-Voting system?

- i. After successful login at Step 1, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle and General Meeting is in active status.
- ii. Select **"EVEN - 120631"** of AU Small Finance Bank Limited (bold) for which you wish to cast your vote during the remote e-Voting period and casting your vote during the General Meeting.

For joining virtual meeting, you need to click on "VC/OAVM" link placed under **"Join General Meeting"**.

- iii. Now you are ready for e-Voting as the Voting page opens.
- iv. 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.
- v. Upon confirmation, the message **"Vote cast successfully"** will be displayed.
- vi. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
- vii. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

General Guidelines for shareholders

- i. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send 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, to the Scrutinizer by e-mail to cs.vmanda@gmail.com with a copy marked to evoting@nsdl.co.in.
- ii. 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.
- iii. 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 1020 990 and 1800 22 44 30 or send a request at evoting@nsdl.co.in to Ms. Pallavi Mhatre-Manager, National Securities Depository Limited, Trade World, 'A' Wing, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, MUMBAI - 400 013.

Process for those shareholders whose email ids are not registered with the depositories for procuring user id and password and registration of e mail ids for e-voting for the resolutions set out in this notice:

- i. In case shares are held in physical mode please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to investorrelations@aubank.in
- ii. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) to investorrelations@aubank.in. If you are an Individual shareholders holding securities in demat mode, you are requested to refer to the login method explained at **step 1 (A) i.e. Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode.**
- iii. Alternatively shareholder/members may send a request to evoting@nsdl.co.in for procuring user id and password for e-voting by providing above mentioned documents.
- iv. In terms of SEBI circular dated December 9, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are required to update their mobile number and email ID correctly in their demat account in order to access e-Voting facility.

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/ shareholders, 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.

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/OAVM through the NSDL e-Voting system. Members may access by following the steps mentioned above for **Access to NSDL e-Voting system**. After successful login, you can see link of "VC/OAVM link" placed under **"Join General meeting"** menu against company name. You are requested to click on VC/OAVM link placed under Join General Meeting menu. The link for VC/OAVM will be available in Shareholder/Member 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.
- ii. Members are encouraged to join the Meeting through Laptops for better experience.
- iii. Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
- iv. 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.
- v. Shareholders who would like to express their views/have questions may send their questions in advance mentioning their name demat account number/folio number, email id, mobile number at investorrelations@aubank.in. The same will be replied by the Bank suitably.

23. 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 i.e. Tuesday, 16th August 2022 may obtain the login ID and password by sending a request at evoting@nsdl.co.in or contact Bank's RTA.
24. The Scrutinizer shall after the conclusion of voting at the AGM, will submit consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare results (consolidated) within two working days from the conclusion of the meeting.
25. The results of voting will be declared and the same along with the Scrutinizer's Report will be published on the website of the Bank (www.aubank.in) and

the website of NSDL (www.evoting.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 Ltd. within two working days from the conclusion of the AGM.

Place: Jaipur
Date: 23rd July 2022

**By Order of the Board of Directors
For AU Small Finance Bank Limited**

Registered Office:

19-A, Dhuleshwar Garden,
Ajmer Road, Jaipur – 302001, Rajasthan
Website: www.aubank.in
Tel: +91 141 4110060
E-mail: investorrelations@aubank.in

Sd/-
Manmohan Parnami
Company Secretary
Membership No: F9999

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 as set out in Item no(s). 4 to 10 mentioned in the above Notice:

Item no. 4

Mr. Mankal Shankar Sriram (DIN: 00588922) ("Mr. M S Sriram")

Mr. M S Sriram was appointed as an Independent Director of the Bank for a term of 3 (three) consecutive years from 21st October, 2019 to 20th October 2022 and accordingly his 1st term is due for completion on 20th October, 2022.

He is having rich experience in the areas of Financial Inclusion & Microfinance, Agriculture & Agriculture Finance, Rural Economy, Economics, Finance, Co-operatives & Rural Banking and CSR related matters and has made effective contribution as an Independent Director and Financial Inclusion & Agri expert. Further, as a Chairman of Nomination and Remuneration Committee of the Bank, his contributions and professional advice on coverage of HR related matters before the Committee has been commendable.

Moreover, his re-appointment for 2nd tenure as Independent Director and continuation on the Board shall greatly benefit the Bank in the areas of Financial inclusion, Agriculture & Agriculture Finance, Rural Economy, Strategy around HR, Organization Structuring, CSR & Sustainability initiatives.

The provisions of Section 149(10) of the Companies Act, 2013 ("the Act") read with the rules made thereunder provides that an Independent Director can hold office for a term of up to five (5) consecutive years on the Board and shall be eligible for re-appointment for an additional term of up to five (5) consecutive years, on passing of a Special Resolution by the company. Also, Section 149(11) of the Act provides that no independent director shall hold office for more than two consecutive terms.

However, in case of the banking companies which are governed by the Banking Regulation Act, 1949, the overall tenure of a Non-Executive Director is restricted for a period of eight (8) consecutive years.

In view of the aforesaid provisions and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the Nomination and Remuneration Committee ("NRC") has evaluated the balance of skills, knowledge, qualifications, experience and carried out the fit and proper assessment & performance evaluation of Mr. M S Sriram and veracity of documents & declarations required in this regard and has considered his profile to

be suitable for re-appointment for second term of 3 years and recommended the same to the Board.

The Bank has also received a notice in writing under the provisions of Section 160 of the Act from Members, proposing the candidature of Mr. M S Sriram for re-appointment as Independent Director of the Bank.

The Bank has also received the consent from Mr. M S Sriram for his re-appointment as Director of the Bank along with the declaration that he continues to meet the criteria for being re-appointed as an Independent Director as provided under Section 149(6) of the Act and Regulation 16 (1)(b) of the Listing Regulations and various other declarations as required under the Act and other applicable laws.

In terms of the Companies (Creation and Maintenance of Databank of Independent Directors) Rules, 2019 read with Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014, as amended from time to time, his name is enrolled in the online databank of Independent Directors maintained by the Government. However, he is exempt from the online proficiency self-assessment test, in terms of the said Rules.

Mr. M S Sriram and his relatives are not related to any director of the Bank and is independent of management and he fulfills the criteria of independence for re-appointment as prescribed under the relevant provisions of the Act and rules made thereunder, the Listing Regulations, the Banking Regulation Act, 1949 and guidelines issued by the RBI, from time to time. Further, he is not disqualified/debarred from being re-appointed as Independent Directors in terms of Section 164 of the Act, or by any order of Securities and Exchange Board of India ("SEBI") or any other such authority.

Furthermore, in the opinion of the Board he is a person of integrity and have requisite experience and expertise as required under Section 10A of the Banking Regulation Act, 1949 and relevant circulars issued by the RBI from time to time, for him to be re-appointed as Independent Director of the Bank.

Accordingly, the Board at its meeting held on 19th - 20th July 2022 has approved and recommended the re-appointment of Mr. M S Sriram as an Independent Director of the Bank for second term of 3 (Three) years effective from 21st October, 2022 upto 20th October, 2025 (both days inclusive), for the approval of the Members and he shall not be liable to retire by rotation during his tenure as an Independent Director.

He shall be paid such remuneration, sitting fees and reimbursement of expenses for attending the meetings of the Board and Committees thereof, as may be approved by the Board and/ or duly authorised Committee of the Bank subject to the approval of the members of the Bank, within the limits prescribed under the Act, Listing Regulations, and the Banking Regulation Act, 1949 and directions issued by the RBI, in this regard, from time to time.

Except Mr. M S Sriram and his relatives, none of the other Directors / Key Managerial Personnel of the Bank / their relatives are in any way concerned or interested, financially or otherwise, in the resolution set out at Item No. 4 of the Notice.

The Board of Directors recommends the passing of Special Resolution set out at Item No. 4 of the Notice for approval by the members of the Bank.

Brief profile of Mr. M S Sriram along with his additional information as required under Regulation 36 of the Listing Regulations and Secretarial Standard 2 on General Meetings issued by the Institute of Company Secretaries of India (ICSI), is annexed herewith as an Annexure to this notice and the same may also be regarded as disclosure under the relevant provisions of the Act and Listing Regulations.

Item no. 5

Mr. Pushpinder Singh (DIN: 08496066)

Mr. Pushpinder Singh was appointed as an Independent Director of the Bank for a term of 3 (three) consecutive years from 21st October, 2019 to 20th October 2022 and accordingly his 1st term is due for completion on 20th October, 2022.

He is having rich experience in the areas of Information Technology, Banking, Payment and settlement systems, Business Management and has made effective contribution as an Independent Director and as an IT expert. Further, as a Chairman of IT Strategy & Information System Security Committee of the Board of the Bank, his contributions, professional advice on IT and Information Systems & Security matters, development of digital & payment system related projects has been noteworthy. Moreover, his re-appointment for 2nd tenure and continuation on the Board shall greatly benefit the Bank in the areas of IT, Information Systems & Security where his guidance and specialized knowledge shall enable the Bank in becoming full stack digital bank.

The provisions of Section 149(10) of the Companies Act, 2013 ("the Act") read with the rules made thereunder provides that an Independent Director can hold office for a term of up to five (5) consecutive years on the Board and shall be eligible for re-appointment for an additional term of up to five (5) consecutive years, on passing of a Special Resolution by the company. Also, Section 149(11)

of the Act provides that no independent director shall hold office for more than two consecutive terms.

However, in case of the banking companies which are governed by the Banking Regulation Act, 1949, the overall tenure of a Non-Executive Director is restricted for a period of eight (8) consecutive years.

In view of the aforesaid provisions and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the Nomination and Remuneration Committee ("NRC") has evaluated the balance of skills, knowledge, qualifications, experience and carried out the fit and proper assessment & performance evaluation of Mr. Pushpinder Singh and veracity of documents & declarations required in this regard and has considered his profile to be suitable for re-appointment for second term of 3 years and recommended the same to the Board.

The Bank has also received a notice in writing under the provisions of Section 160 of the Act from Members, proposing the candidature of Mr. Pushpinder Singh for re-appointment as Independent Director of the Bank.

The Bank has also received the consent from Mr. Pushpinder Singh for his re-appointment as Director of the Bank along with the declaration that he continues to meet the criteria for being re-appointed as an Independent Director as provided under Section 149(6) of the Act and Regulation 16 (1)(b) of the Listing Regulations and various other declarations as required under the Act and other applicable laws.

In terms of the Companies (Creation and Maintenance of Databank of Independent Directors) Rules, 2019 read with Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014, as amended from time to time, his name is enrolled in the online databank of Independent Directors maintained by the Government. Further, he has also successfully qualified the online proficiency self-assessment test, in terms of the said Rules.

Mr. Pushpinder Singh and his relatives are not related to any director of the Bank and is independent of management and he fulfills the criteria of independence for re-appointment as prescribed under the relevant provisions of the Act and rules made thereunder, the Listing Regulations, the Banking Regulation Act, 1949 and guidelines issued by the RBI, from time to time. Further, he is not disqualified/debarred from being re-appointed as Independent Directors in terms of Section 164 of the Act, or by any order of Securities and Exchange Board of India ("SEBI") or any other such authority.

Furthermore, in the opinion of the Board he is a person of integrity and have requisite experience and expertise as required under Section 10A of the Banking Regulation

Act, 1949 and relevant circulars issued by the RBI from time to time, for him to be re-appointed as Independent Director of the Bank.

Accordingly, the Board at its meeting held on 19th - 20th July 2022 has approved and recommended the re-appointment of Mr. Pushpinder Singh as an Independent Director of the Bank for second term of 3 (Three) years effective from 21st October, 2022 upto 20th October, 2025 (both days inclusive), for the approval of the Members and he shall not be liable to retire by rotation during his tenure as an Independent Director.

He shall be paid such remuneration, sitting fees and reimbursement of expenses for attending the meetings of the Board and Committees thereof, as may be approved by the Board and/ or duly authorised Committee of the Board subject to the approval of the members of the Bank, within the limits prescribed under the Act, Listing Regulations, and the Banking Regulation Act, 1949 and directions issued by the RBI, in this regard, from time to time.

Except Mr. Pushpinder Singh and his relatives, none of the other Directors / Key Managerial Personnel of the Bank / their relatives are in any way concerned or interested, financially or otherwise, in the resolution set out at Item No. 5 of the Notice.

The Board of Directors recommends the passing of Special Resolution set out at Item No. 5 of the Notice for approval by the members of the Bank.

Brief profile of Mr. Pushpinder Singh along with his additional information as required under Regulation 36 of the Listing Regulations and Secretarial Standard 2 on General Meetings issued by the Institute of Company Secretaries of India (ICSI), is annexed herewith as an Annexure to this notice and the same may also be regarded as disclosure under the relevant provisions of the Act and Listing Regulations.

Item no. 6

Mr. Kannan Gopalaraghavan Vellur (DIN: 03443982) ("Mr. V G Kannan")

Mr. V G Kannan was appointed as an Independent Director of the Bank for a term of 3 (three) consecutive years from 22nd January, 2020 to 21st January, 2023 and accordingly his 1st term is due for completion on 21st January, 2023.

He is having vast experience in the areas of Banking & Financial services, especially in Credit & Risk Management, Agri, Small scale industry, Rural Economy, Co-operatives, Insurance, Capital Markets and Treasury & Fund Management and has made significant contribution as an Independent Director and as an acknowledged authority in the areas of Credit,

Treasury, Risk and Investment Management. Further, as a Chairman of Risk Management Committee of the Board of the Bank, his contributions & professional advice on Credit and Risk management & mitigations measures at organization level with right framework in place is appreciable. Moreover, his re-appointment for 2nd tenure and continuation on Board shall greatly benefit the Bank in the areas of Credit, Risk Management, Treasury & fund management where his guidance and specialized knowledge shall help Bank in becoming world's most trusted retail bank.

The provisions of Section 149(10) of the Companies Act, 2013 ("the Act") read with the rules made thereunder provides that an Independent Director can hold office for a term of up to five (5) consecutive years on the Board and shall be eligible for re-appointment for an additional term of up to five (5) consecutive years, on passing of a Special Resolution by the company. Also, Section 149(11) of the Act provides that no independent director shall hold office for more than two consecutive terms.

However, in case of the banking companies which are governed by the Banking Regulation Act, 1949, the overall tenure of a Non-Executive Director is restricted for a period of eight (8) consecutive years.

In view of the aforesaid provisions and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the Nomination and Remuneration Committee ("NRC") has evaluated the balance of skills, knowledge, qualifications, experience and carried out the fit and proper assessment & performance evaluation of Mr. V G Kannan and veracity of documents & declarations required in this regard and has considered his profile to be suitable for re-appointment for second term of 3 years and recommended the same to the Board.

The Bank has also received a notice in writing under the provisions of Section 160 of the Act from Members, proposing the candidature of Mr. V G Kannan for re-appointment as Independent Director of the Bank.

The Bank has also received the consent from Mr. V G Kannan for his re-appointment as Director of the Bank along with the declaration that he continues to meet the criteria for being re-appointed as an Independent Director as provided under Section 149(6) of the Act and Regulation 16 (1)(b) of the Listing Regulations and various other declarations as required under the Act and other applicable laws.

In terms of the Companies (Creation and Maintenance of Databank of Independent Directors) Rules, 2019 read with Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014, as amended from time to time, his name is enrolled in the online databank of Independent Directors maintained by the Government.

However, he is exempt from the online proficiency self-assessment test, in terms of the said Rules.

Mr. V G Kannan and his relatives are not related to any director of the Bank and is independent of management and he fulfills the criteria of independence for re-appointment as prescribed under the relevant provisions of the Act and rules made thereunder, the Listing Regulations, the Banking Regulation Act, 1949 and guidelines issued by the RBI, from time to time. Further, he is not disqualified/debarred from being re-appointed as Independent Directors in terms of Section 164 of the Act, or by any order of Securities and Exchange Board of India ("SEBI") or any other such authority.

Furthermore, in the opinion of the Board he is a person of integrity and have requisite experience and expertise as required under Section 10A of the Banking Regulation Act, 1949 and relevant circulars issued by the RBI from time to time, for him to be re-appointed as Independent Director of the Bank.

Accordingly, the Board at its meeting held on 19th - 20th July 2022 has approved and recommended the re-appointment of Mr. V G Kannan as an Independent Director of the Bank for second term of 3 (Three) years effective from 22nd January, 2023 upto 21st January, 2026 (both days inclusive), for the approval of the Members and he shall not be liable to retire by rotation during his tenure as an Independent Director.

He shall be paid such remuneration, sitting fees and reimbursement of expenses for attending the meetings of the Board and Committees thereof, as may be approved by the Board and/ or duly authorised Committee of the Board subject to the approval of the members of the Bank, within the limits prescribed under the Act, Listing Regulations, and the Banking Regulation Act, 1949 and directions issued by the RBI, in this regard, from time to time.

Except Mr. V G Kannan and his relatives, none of the other Directors / Key Managerial Personnel of the Bank / their relatives are in any way concerned or interested, financially or otherwise, in the resolution set out at Item No. 6 of the Notice.

The Board of Directors recommends the passing of Special Resolution set out at Item No. 6 of the Notice for approval by the members of the Bank.

Brief profile of Mr. V G Kannan along with his additional information as required under Regulation 36 of the Listing Regulations and Secretarial Standard 2 on General Meetings issued by the Institute of Company Secretaries of India (ICSI), is annexed herewith as an Annexure to this notice and the same may also be regarded as disclosure under the relevant provisions of the Act and Listing Regulations.

Item no. 7:

Mr. Sanjay Agarwal is promoter and Managing Director & CEO ("**MD & CEO**") of the Bank. He is a commerce graduate and all-India Rank Holder Chartered Accountant having 27 years of strategic executive experience. He possesses extensive experience in Retail Finance, Treasury, 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 organization. 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.

Under his stewardship, Bank successfully transitioned from a Non-Banking Financial Company to Largest Small Finance Bank of the country and has made significant strides in its journey over the last 5 years and in becoming a tech-led & retail focused Bank delivering a simpler and rewarding banking experience for Bank's customers.

Bank delivered on all key parameters, progressed well on areas of strategic importance and with sound and dynamic policies, robust processes, risk mitigation framework and strong governance architecture in place, the foundation is well laid to scale Banking operations under his leadership.

The performance of MD & CEO covering both Quantitative Parameters (Profitability, Asset Quality, ROA, Deposit Book Growth and Balance Sheet Growth etc.) and Qualitative Parameters (Business Strategy, Digital Outlook, Automation, Business Expansion & Development, Statutory & Regulatory Compliances and Corporate Governance, Financial Inclusion, Leadership Development & Succession Planning etc.) have been commendable.

The Bank achieved sustainable inclusive growth in last 5 years under his leadership and few of the Key Financial & other highlights are as follows:

Particulars	31st March 2017	31st March 2022	Growth (In times)
Assets (₹ in crore)	9,781	69,078	7.1
Deposits (₹ in crore)	-	52,585	-
Net Worth (₹ in crore)	1,988	7,514	3.8
Unique Customers (in lakhs)	2.66	27.51	10.3
Touchpoints (Nos.)	301	919	3.1
Employees (Nos.)	8,515	27,817	3.3

- Balance sheet size grew to ₹ 69,077.80 crore as on 31st March 2022 vis-à-vis ₹ 51,591.31 crore as on 31st March 2021 registering YoY growth of 34%.
- Deposits grew to ₹ 52,585 crore as on 31st March 2022 vis-à-vis ₹ 35,979 crore as on 31st March 2021 registering YoY growth of 46%. The deposits of the Bank continued to scale driven by increasing brand awareness, granular deposits base, branch expansion, improved digital offerings and launch of credit Cards & QR code etc.
- PAT was up 88% on a YoY to ₹1,130 crore even as we invest significantly in people, technology, branding, products, and distribution to build a future ready Bank.
- Bank maintained the pristine asset quality despite year being marred by 2nd & 3rd wave of COVID-19 related impact on businesses and GNPA reduced to 1.98 % and Net NPA reduced to 0.50 % as on 31st March 2022 from 4.25% and 2.18% respectively, as on 31st March 2021.
- The Bank has successfully launched Strategic Business Units (SBU) framework for bringing sharper focus in executing the Bank's growth strategy with greater agility and flexibility in the Bank.
- Grand launch of "Baldaav Humse Hain" campaign with Brand Ambassador to increase the brand presence and positioning in the industry.
- The Bank has made significant strides in its journey towards becoming a tech led and retail focused Bank by launching AU0101 mobile banking app, QR Code, Credit Card and Video Banking services.

Further, basis evaluation of performance, considering key achievements and on the recommendation of the Nomination and Remuneration Committee ("NRC"), the Board at its meeting held on 23rd July 2022 reviewed the remuneration paid to Mr. Sanjay Agarwal, MD & CEO of the Bank and approved the revision in his remuneration by way of salary, allowance and perquisites payable to him w.e.f. 1st April 2022 subject to the approval of the RBI and the members of the Bank.

The Bank has further put in place the provisions with respect to Malus and/or Clawback in respect of remuneration of MD & CEO as per the applicable guidelines stipulated by the RBI.

Except for Mr. Sanjay Agarwal, MD & CEO & his relatives, none of the other Directors / Key Managerial Personnel of the Bank / their relatives are in any way concerned or interested, financially or otherwise, in the resolution set out at Item No. 7 of the Notice.

The Board of Directors recommends the passing of Ordinary Resolution set out at Item No. 7 of the Notice for approval by the members of the Bank.

Brief profile of Mr. Sanjay Agarwal along with his additional information as required under Regulation 36 of the Listing Regulations and Secretarial Standard 2 on General Meetings issued by the Institute of Company Secretaries of India (ICSI), is annexed herewith as an Annexure to this notice and the same may also be regarded as disclosure under the relevant provisions of the Act and Listing Regulations.

Item no. 8:

Mr. Uttam Tibrewal is Whole Time Director ("WTD") of the Bank. He is a commerce graduate from the University of Delhi. He has around 26 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 in-depth operational knowledge and broad strategic insight helped in building and scaling the retail & banking business. He has led from front and over the years ensured that simplification of processes and customer centricity is kept as organizational priority for success and sustainability in the long run.

Mr. Uttam Tibrewal led the building of Bank's businesses across markets and industry. His ability to pulse the customer expectation sets him apart from other leaders. Moreover, Mr. Tibrewal leads the Wheels, Home Loan, Unsecured Loan, Branch Banking and Digital Banking verticals of the Bank and his visionary approach enabled the multifold growth of Bank's businesses across markets and industry on Banking platform in a short period of 5 years.

The performance of WTD covering both Quantitative Parameters (Bank's Deposit Book Growth, Reduction in

Cost of Deposits, and Growth in AUM etc.) and Qualitative Parameters (Business Strategy, Statutory & Regulatory Compliance and Corporate Governance, Financial Inclusion, Customer Service, Leadership Development & Succession Planning etc.) have been appreciable.

Under his leadership, presence in underserved retail segments & markets with Bank's secured offerings expanded to better serve priority sector customers and the market through a slew of policies and measures aimed at serving the unserved and underserved population. The Bank has served the larger cause of financial inclusion and financial literacy, in alignment with the government and RBI guidelines and had an immensely satisfying and gratifying journey through the past five years as a new-age bank incorporated with the purpose of accelerating financial inclusion in India.

Below are the Key Financial and other achievements under the leadership of Mr. Uttam Tibrewal (WTD) during the FY 2021-22:

- The AUM stood at ₹ 47,831 crore reflecting 27% YoY growth.
- The granularity of deposits was reflected in the improvement of the CASA ratio to 37% from 23% a year ago, which helped bring down the cost of funds by 88 bps YoY to 5.9% from 6.8% last year. Strengthened NR, TASC, Enterprise Salary, Tractor Loans, TW Loans, Housing Loans channels to become key contributors for business.
- GNPA reduced to 1.98 % and net NPA reduced to 0.50 % as on 31st March 2022 from 4.25 % and 2.18 % respectively, as on 31st March 2021.
- Expanded reach to 3 new states & 82 cities with 175 branches thereby expanding Footprints of Bank in newer geographies & states.
- Grand launch of "Baldaav Humse Hain" campaign with Brand Ambassador to increase the brand presence and positioning in the industry.

Further, basis evaluation of performance, considering key achievements and on the recommendation of the Nomination and Remuneration Committee ("NRC"), the Board at its meeting held on 23rd July 2022 reviewed the remuneration paid to Mr. Uttam Tibrewal, WTD of the Bank and approved the revision in his remuneration by way of salary, allowance and perquisites payable to him w.e.f. 1st April 2022 subject to the approval of the RBI and the members of the Bank.

The Bank has further put in place the provisions with respect to Malus and/or Clawback in respect of remuneration of WTD as per the applicable guidelines stipulated by the RBI.

Except for Mr. Uttam Tibrewal, WTD & his relatives, none of the other Directors / Key Managerial Personnel of the Bank / their relatives are in any way concerned or interested, financially or otherwise, in the resolution set out at Item No. 8 of the Notice.

The Board of Directors recommends the passing of Ordinary Resolution set out at Item No. 8 of the Notice for approval by the members of the Bank.

Brief profile of Mr. Uttam Tibrewal along with his additional information as required under Regulation 36 of the Listing Regulations and Secretarial Standard 2 on General Meetings issued by the Institute of Company Secretaries of India (ICSI), is annexed herewith as an Annexure to this notice and the same may also be regarded as disclosure under the relevant provisions of the Act and Listing Regulations.

Item no. 9:

Pursuant to the provisions of Section 42 of the Companies Act, 2013 ("the Act") read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, the Bank can issue securities including non-convertible debentures (NCDs)/Bonds on a private placement basis subject to the condition that the proposed offer of securities or invitation to subscribe to the securities has been previously approved by the members 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 Bank passes a special resolution only once in a year for all the offer(s) or invitation(s) to subscribe to such NCDs on a private placement basis, during a period of one year from the date of passing of the special resolution even if the amount to be borrowed/ raised exceeds/will exceed the limit as specified in Section 180(1)(c) of the Act.

The Bank had previously obtained the approval of its members at the last AGM held on 17th August, 2021 for borrowing/raising funds by issue of non-convertible debt securities on private placement basis in pursuance of the relevant provisions of the applicable laws and circulars or guidelines issued by the Reserve Bank of India ('RBI'), upto an amount not exceeding ₹ 12,000 crore (Twelve Thousand crore), during a period of one year from the date of passing of the special resolution in one or more tranches.

Considering the existing borrowings, the future fund raising requirement of the Bank and in order to facilitate such raising of funds in one or more tranches in Indian as well as overseas market by issue of non-convertible debt securities, the Board of Directors of the Bank at its meeting held on 19th-20th July 2022 has proposed to obtain the consent of the members of the Bank for borrowing/

raising funds in Indian currency/ foreign currency by issue of non-convertible debt securities including but not limited to long-term bonds, perpetual debt instruments, Tier I/Tier II Capital Bonds or such other debt securities as may be permitted under RBI guidelines from time to time) in domestic and/ or overseas market, in one or more tranches as per the structure and within the limits permitted by the RBI and other regulatory authorities to eligible investors of an amount not exceeding ₹ 6,000 Crores (Rupees Six Crores Only), on a private placement basis during a period of one year from the date of passing of this special resolution. The said non-convertible debt 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 and the pricing of such securities depends upon various factors which may include prevailing risk-free rates, competitor rates of similar rating and prevailing regulations.

Further, the offer shall be made to such persons as identified under Section 42(2) of the Act on such terms and conditions including the price, coupon, par/ premium/ discount, tenor etc., as may be determined by the Board (includes a duly authorized Committee), in the prevailing market conditions as permitted by the relevant applicable regulations.

None of the Director/Key Managerial Personnel of the Bank or their relatives are, in any way concerned or interested, financially or otherwise, in the Resolution set out at Item No. 9 of the Notice.

The Board of Directors recommends the passing of Special Resolution set out at Item No. 9 of the Notice for approval by the members of the Bank.

Item no. 10:

The Bank has been growing steadily and performance has been consistent over the last 5 years at banking platform.

Despite the environmental and economic disruptions and uncertainties caused by the Covid 19 storm since last 2 years, the Bank remained optimistic with a cautious approach and demonstrated a steady and well-rounded performance in terms of asset quality remaining under control, healthy Capital adequacy, growing customer base, product innovation, infrastructure and branch network expansion, several digital initiatives (including the launch of an app AU0101, Video Banking, Credit Cards, UPI QR etc.), broadening the Board of Directors, progress in financial & digital inclusion, and human resource management etc.

Healthy capitalization helps the bank in meeting the requirements of growing business, investment in latest systems and processes and in complying with the RBI stipulated Capital requirements. A Banking Company

risks falling behind the curve with restraints on asset expansion, outdated systems and regulatory roadblocks without availability of necessary capital.

Hence, in order to meet the growing requirement of capital for its expanding business and due to the evolving regulatory requirements, the Bank in the last 5 years has raised equity capital from renowned global Institutional investors under Preferential and Qualified Institutional Placement route. The said Capital raise have been carried out in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("SEBI ICDR Regulations") and the Companies Act, 2013 ("the Act"). 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 healthy profitability.

Furthermore, since the economy is getting revived post Covid 19 pandemic, the Bank is focusing on working with full momentum to grasp all the opportunities for future growth & expansion. In order to ensure strong capital adequacy to strengthen the Bank's ability to deal with unanticipated contingencies and unhindered growth, it is essential to raise funds to ensure sufficient fund availability at all times with the Bank to achieve future expansion plan(s).

Purpose / objects of the fund raise:

As on 31st March 2022, our Bank's Capital to Risk Weighted Asset Ratio ("CRAR") and Tier I ratio stood at 21.0% and 19.7% respectively. This is significantly above the minimum requirement of 15%, and sufficient for the Bank to meet the near-term growth needs of the Bank in FY 2022-23.

Further, as macro-economic growth improves from current levels, to support the growth aspirations of the Bank, and to meet increasing regulatory requirements, it is important that the Bank remains well-capitalized, with a strong Tier 1 capital base.

As a matter of prudence, in order to always remain in compliance with various regulatory requirements in case of any unforeseen contingency, and while ensuring that there is sufficient capital to support growth, we seek an enabling resolution to raise additional equity capital up to ₹ 3,000 Crores (Rupees Three Thousand Crores Only).

Pursuant to Section 62(1)(c) of the Act, further equity shares may be issued to persons other than the existing Members of the Bank, provided that the Members of the Bank approve the issue of such equity shares, by means of a Special Resolution.

In terms of Rule 14(2) of the Companies (Prospectus and Allotment of Securities) Rules, 2014, a company can make a private placement of its securities under the Act, only

after receipt of prior approval of its Members by way of a Special Resolution. The consent of the Members would therefore be necessary pursuant to the provisions of Sections 42 and 62(1)(c) of the Act, read with applicable provisions of the SEBI ICDR Regulations and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), for issuance of Securities.

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 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 relevant provisions of the Act, the SEBI ICDR Regulations and any other applicable laws.

The Securities to be so offered, issued and allotted shall be subject to the provisions of the Memorandum of

Association and Articles of Association of the Bank and the Equity Shares that may be issued and allotted by the Bank shall rank *pari passu* inter se and with the then existing Equity Shares of the Bank, in all respects.

None of the Director / Key Managerial Personnel of the Bank or their relatives are, in any way concerned or interested, financially or otherwise, in the Resolution set out at Item No. 10 of the Notice.

The Board of Directors recommends the passing of Special Resolution set out at Item No. 10 of the Notice for approval by the members of the Bank.

Place: Jaipur
Date: 23rd July 2022

**By Order of the Board of Directors
For AU Small Finance Bank Limited**

Registered Office:

19-A, Dhuleshwar Garden,
Ajmer Road, Jaipur – 302001, Rajasthan
Website: www.aubank.in
Tel: +91 141 4110060
E-mail: investorrelations@aubank.in

Sd/-
Manmohan Parnami
Company Secretary
Membership No: F9999

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	Mr. M S Sriram	Mr. Pushpinder Singh	Mr. V G Kannan	Mr. Sanjay Agarwal	Mr. Uttam Tibrewal
Age	60 Years	68 Years	66 Years	51 Years	51 years
Date of first appointment on Board	21 st October 2019	21 st October 2019	22 nd January 2020	22 nd January 2003	22 nd January 2005
Qualification	Graduate from IRMA, Fellow – IIMB	B.SC, CAIIB	MBA, CAIIB, Organizational Leadership Change Program	C.A., B. Com.	B. Com.
Brief Resume including experience	Mr. M S Sriram is a graduate from Institute of Rural Management Anand and has completed his doctoral studies at the Indian Institute of Management, Bangalore. He has more than 31 years of experience in diversified areas including Financial Inclusion & Microfinance, Agriculture & Agriculture Finance, Rural Economy, Accountancy, Banking, Business Management, Economics, Finance and Co-operatives. 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 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 is a BSc graduate and a Certified Associate of Indian Institute of Bankers (CAIIB). He is a Banking Technology expert with over 36 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 (NPC) as advisor on FI and new Business till 2017. At NPC, 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. V G Kannan completed his Bachelor's degree in Business Administration from Madurai Kamaraj University and has a Master's degree in Business Administration from University of Madras. He is a career banker with over 39 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. Sanjay Agarwal is promoter and Managing Director & CEO of the Bank and has 27 years of strategic executive experience. He is a Commerce graduate from Government College, Ajmer and all-India rank holder Chartered Accountant. He possesses 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 organization. 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 is a commerce graduate from the University of Delhi. He has around 26 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. Wheels, Home Loans, Unsecured Loans, Branch Banking and Digital 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 organizational priority for success and sustainability in the long run.

Particulars	Mr. M S Sriram	Mr. Pushpinder Singh	Mr. V G Kannan	Mr. Sanjay Agarwal	Mr. Uttam Tibrewal
Nature of his expertise in specific functional areas	- Financial Inclusion, - Microfinance, - Agriculture & Agriculture Finance, - Rural Economy, - Accountancy, - Banking, - Business Management, - Economics, - Finance and - Co-operatives	- Information Technology - Payment and Settlement System - Banking - Business Management	- Banking - Economics - Finance - Small Scale Industry - Risk Management - Business Management - Treasury	- Accountancy - Agriculture and Rural economy - Banking - Economics - Finance - Small Scale Industry - Human Resource - Risk Management - Business Management	- Accountancy - Agriculture and Rural Economy - Banking - Economics - Finance - Small Scale Industry - Risk Management - Business Management
Other Directorship	- IDMC Limited - NDDB Dairy Services - Selco Solar Light Private Limited	Vectorcore India LLP	- Ageas Federal Life Insurance Company Limited - APTUS Value Housing Finance India Limited - OCM India Opportunities ARC Management Private Limited	Nil	Nil
Name of listed entities from which the person has resigned in the past three years	Nil	Nil	Nil	Nil	Nil
Chairmanship/ Memberships of Companies in which position of Director is held#	IDMC Limited: Membership of Audit Committee	Nil	APTUS Value Housing Finance India Limited: Membership of Stakeholders Relationship Committee	Nil	Nil
Relationship with other Directors, Managers, and other Key Managerial Personnel of the Company	None	None	None	None	None
No. of equity shares held in the Company	0	400	550	11,35,32,718	1,27,31,190
No. of Board meetings attended during the year (FY21-22)	14/14	14/14	14/14	13/14	14/14

Particulars	Mr. M S Sriram	Mr. Pushpinder Singh	Mr. V G Kannan	Mr. Sanjay Agarwal	Mr. Uttam Tibrewal
Terms and conditions of appointment	He will be re-appointed for a second term of 3 years w.e.f. 21 st October 2022 and shall not be liable to retire by rotation during his tenure.	He will be re-appointed for a second term of 3 years w.e.f. 21 st October 2022 and shall not be liable to retire by rotation during his tenure.	He will be re-appointed for a second term of 3 years w.e.f. 22 nd January 2023 and shall not be liable to retire by rotation during his tenure.	He will be re-appointed for a second term of 3 years w.e.f. 22 nd January 2023 and shall not be liable to retire by rotation during his tenure.	He will be re-appointed for a second term of 3 years w.e.f. 22 nd January 2023 and shall not be liable to retire by rotation during his tenure.
Remuneration last drawn (₹ In Crore)	0.15*	0.15*	0.15*	2.28	2.05
Remuneration sought to be paid	He is entitled to a Compensation (fixed remuneration) not exceeding ₹ 20,00,000/- p.a. as may be approved by NRC and Board from time to time. He is also entitled to a sitting fee of ₹ 80,000/- for each Board Meeting for each Committee Meeting attended & ₹ 40,000/- for each Committee Meeting attended as a member.	He is entitled to a Compensation (fixed remuneration) not exceeding ₹ 20,00,000/- p.a. as may be approved by NRC and Board from time to time. He is also entitled to a sitting fee of ₹ 80,000/- for each Board Meeting for each Committee Meeting attended & ₹ 40,000/- for each Committee Meeting attended as a member.	He is entitled to a Compensation (fixed remuneration) not exceeding ₹ 20,00,000/- p.a. as may be approved by NRC and Board from time to time. He is also entitled to a sitting fee of ₹ 80,000/- for each Board Meeting for each Committee Meeting attended & ₹ 40,000/- for each Committee Meeting attended as a member.	He is entitled to a Compensation (fixed remuneration) not exceeding ₹ 20,00,000/- p.a. as may be approved by NRC and Board from time to time. He is also entitled to a sitting fee of ₹ 80,000/- for each Board Meeting for each Committee Meeting attended & ₹ 40,000/- for each Committee Meeting attended as a member.	He is entitled to a Compensation (fixed remuneration) not exceeding ₹ 20,00,000/- p.a. as may be approved by NRC and Board from time to time. He is also entitled to a sitting fee of ₹ 80,000/- for each Board Meeting for each Committee Meeting attended & ₹ 40,000/- for each Committee Meeting attended as a member.

#Membership/Chairmanship of Audit Committee & Stakeholders Relationship Committee.

* Excluding Sitting Fee.

Place: Jaipur

Date: 23rd July 2022

Registered Office:

19-A, Dhuleshwar Garden,

Ajmer Road, Jaipur – 302001, Rajasthan

Website: www.aubank.in

Tel: +91 141 4110060

E-mail: investorrelations@aubank.in

**By Order of the Board of Directors
For AU Small Finance Bank Limited**

Sd/-
Manmohan Parnami
Company Secretary
Membership No: F9999

Notes

Handwriting practice lines consisting of 28 horizontal dotted lines.

A large, stylized graphic featuring the text 'A IS INCOMPLETE WITHOUT YOU' in a 3D, bubbly font. The text is primarily white with orange outlines and shadows, giving it a three-dimensional appearance. It is set against a solid purple circular background. The word 'YOU' is slightly larger and more prominent than the other words.

**Time has changed many things,
except our vision.**

We couldn't have done it without you!

Thank you for embarking on this journey with us and helping us deliver our promise of simplified banking solutions for all.

We are beyond grateful to our shareholders, investors, and partners for showing immense trust and support throughout this journey of 27 years. We believe this commitment, transparency along with our innovative mindset and culture of shared success, has led us to become India's Largest Small Finance Bank.

Together, we have delivered both outstanding financial results and value to our stakeholders and that counts as a success story for us.

Here's to innovations, growth and success!



**INDIA'S
LARGEST SMALL
FINANCE BANK***

AU SMALL FINANCE BANK LIMITED

Corporate Office: 5th Floor, E-Wing, Kanakia Zillion, Junction Of CST And LBS Road,
Kurla West, Mumbai - 400070

Head Office: Bank House, Mile 0, Ajmer Road, Jaipur, Rajasthan - 302001

www.aubank.in [f/aubankindia](https://www.facebook.com/aubankindia) [t/aubankindia](https://www.twitter.com/aubankindia)



AU 0101

For Video Banking

Download  



WhatsApp Banking

83 83 83 83 99



Chatbot

To chat with us
visit **www.aubank.in**



Reach us on

1800 1200 1200 (Toll-free)
customercare@aubank.in



Missed Call Banking

For Account Balance: **1800 120 2586**
For Mini-Statement: **1800 121 2586**

*Basis deposits and assets