

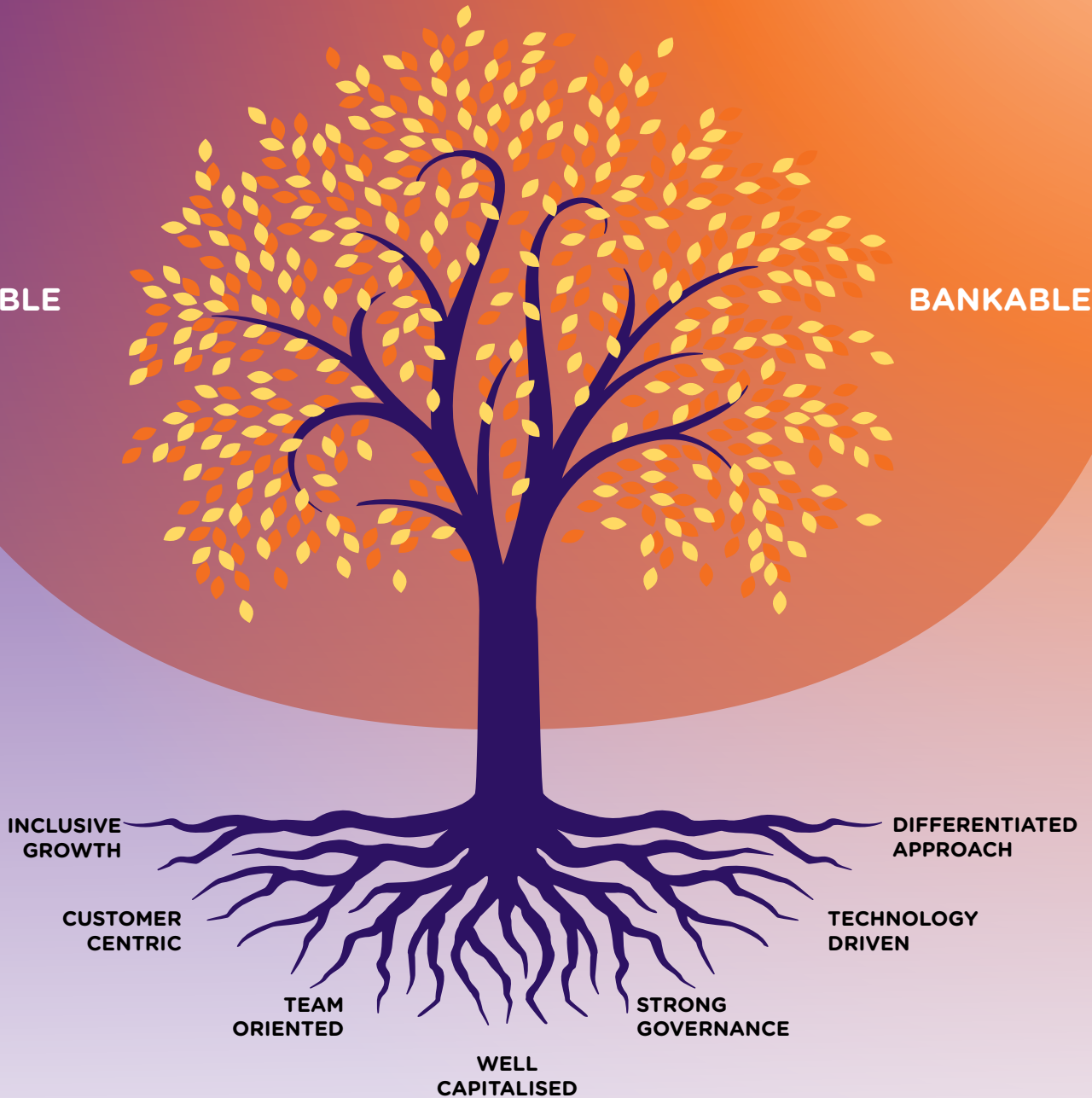
Growing

the right way

SCALABLE

STABLE

BANKABLE



2018-19
ANNUAL REPORT



Report contents

Corporate Profile

PRELUDE

- 02 Growth Attributes
- 04 AU Bank DNA
- 06 Product Suite

08 Growing the Right Way



MANAGEMENT MESSAGES

- 12 Chairman's Communiqué
- 14 Managing Director and CEO's Review
- 20 Whole Time Director's Message



STABLE

- 24 AU Journey
- 26 Business Model
- 28 Investment Case
- 30 Operational Highlights

SCALABLE

- 34 Megatrends
- 36 Key Performance Indicators
- 40 Deeper Outreach
- 44 Digital Footprint
- 48 Data and Analytics

BANKABLE

- 52 Brand AU
- 54 Customer Centricity
- 58 Competent Team
- 60 Financial Inclusion
- 62 Supporting Communities
- 66 Risk Management
- 68 Board of Directors
- 72 Leadership Team
- 74 Key Awards
- 75 Corporate Information



Statutory Reports

- 76 Management Discussion & Analysis
- 94 Board's Report
- 114 Report on Corporate Governance
- 141 Annexures

Financial Statements

- 178 Independent Auditor's Report
- 184 Balance Sheet
- 185 Profit and Loss Account
- 186 Cash Flow Statement
- 188 Schedules

244 Notice

Creating value for all stakeholders



PEOPLE

Nurturing a passionate team of

12,623

committed AU bankers.



CUSTOMERS

Delivering customised solutions to our

12 lakh+

loyal customers.



COMMUNITIES

We impacted over

2 lakh

lives through our social and financial inclusion drives.



SHAREHOLDERS

We have reported Total Shareholder Return (TSR) of

34%

as on 31st March 2019 from our date of listing 10th July 2017.

(Issue price: ₹358 and closing price (NSE) as on 31st March 2019: ₹595.6)

Welcome to AU Small Finance Bank

In India's dynamic banking landscape, we are focussed on remaining nimble with customer-first, ear-to-the-ground approach. At AU Small Finance Bank (AU Bank), we provide comprehensive banking services with simplicity and convenience, serve diverse set of customers and help drive India's inclusive growth agenda. Headquartered at Jaipur, Rajasthan, we are a Fortune India 500 Company and a Scheduled Commercial Bank.

We began our journey in 1996 as Au Financiers and under the guidelines of the Reserve Bank of India (RBI), worked relentlessly for over two decades as a retail-focussed, customer-centric, systematically important asset financing Non-Banking Financial Company (NBFC). We catered to the unserved and underserved low-and middle-income individuals and micro/small businesses, before starting of our banking operation in April 2017. This transition was a natural progression as it significantly complements our strong vintage in secured retail asset lending, last-mile distribution and local know-how, allowing us to serve our customers holistically for their financial requirements.

In the two years since we became a bank, we have added nearly a million new customers, grown distribution to 572 touchpoints and

expanded offerings to 27 products and solutions across key verticals of financing, deposits, insurance, transaction banking, mutual funds, business banking and digital banking.

As on 31st March 2019, our balance sheet size stood at ₹32,623 crore including total deposits of ₹19,422 crore with 15.2 lakh active customer accounts. We have consistently maintained a very good asset quality and a strong capital adequacy. Despite being in the investment mode, we have run our operations profitably, delivering strong results in all previous quarters, besides distributing dividend every year since listing.

We are listed on the NSE (AUBANK) and the BSE (540611). Marquee investment institutions such as Temasek Holdings, Nomura and Warburg Pincus have shown their faith in the AU franchise. Our promoter, MD & CEO, Mr. Sanjay Agarwal is ably supported by a team of 12,600+ passionate professionals.

A solid foundation and a differentiated business model, deep network, a comprehensive product suite, strong customer service orientation and an execution-oriented team motivate us to scale new heights in the new era of value-focussed, agile banking.

572

Touchpoints (322 bank branches, 86 banking outlets, 83 asset centres, 67 Banking Correspondents and 14 offices)

543*

ATMs

1,00,000+

Internet and mobile banking users

AA-/Stable

Long-term credit rating from four rating agencies (CRISIL Rating, India Ratings, ICRA Ratings and CARE Ratings)

*Including 251 ATMs in collaboration with RajCOMP Info Services Ltd. (RISL) and Cash Management Services (CMS)

Growth Attributes

Strong performance underpinned by quality

BALANCE SHEET SIZE (₹ in crore)

32,623

FY 19

18,833

FY 18

73% ▲

LOAN ASSETS UNDER MANAGEMENT (AUM) (₹ in crore)

24,246

FY 19

16,188

FY 18

50% ▲

ACTIVE LOAN ACCOUNTS (No.)

4,95,209

FY 19

3,58,080

FY 18

38% ▲

DISBURSEMENTS (₹ in crore)

16,077

FY 19

10,825

FY 18

49% ▲

<p>YIELD ON AUM (%)</p> <p>FY 19 14.3</p> <p>FY 18 14.7</p> <p>42 bps ▼</p>	<p>DEPOSIT ACCOUNTS (No.)</p> <p>FY 19 10,28,726</p> <p>FY 18 5,31,062</p> <p>94% ▲</p>	<p>RETURN ON AVERAGE EQUITY (ROAE) (%)</p> <p>FY 19 14.0</p> <p>FY 18 13.7</p> <p>35 bps ▲</p>
<p>GROSS NPA (%)</p> <p>FY 19 2.0</p> <p>FY 18 2.0</p> <p>3 bps ▲</p>	<p>COST OF FUNDS (%)</p> <p>FY 19 7.9</p> <p>FY 18 8.4</p> <p>54 bps ▼</p>	<p>NET WORTH (₹ in crore)</p> <p>FY 19 3,163</p> <p>FY 18 2,281</p> <p>39% ▲</p>
<p>NET NPA (%)</p> <p>FY 19 1.3</p> <p>FY 18 1.3</p> <p>2 bps ▲</p>	<p>NET INTEREST MARGIN (NIM) (%)</p> <p>FY 19 5.5</p> <p>FY 18 7.0</p> <p>145 bps ▼</p>	<p>CAPITAL ADEQUACY RATIO (CAR) (%)</p> <p>FY 19 19.3</p> <p>FY 18 19.3</p>
<p>DEPOSITS MOBILISED (₹ in crore)</p> <p>FY 19 19,422</p> <p>FY 18 7,923</p> <p>145% ▲</p>	<p>RETURN ON AVERAGE TOTAL ASSET (ROAA) (%)</p> <p>FY 19 1.5</p> <p>FY 18 2.0</p> <p>56 bps ▼</p>	<p>CAPITAL ADEQUACY RATIO - TIER I (%)</p> <p>FY 19 16.0</p> <p>FY 18 18.4</p> <p>246 bps ▼</p>

AU Bank DNA

Bridging aspirations and achievements

For over two decades, we have been relentlessly serving our customers in the remotest locations of North, West and Central India and helping them fulfil their aspirations.

Now, as a modern young bank, we have further expanded our spectrum of offerings with a solutions-orientated attitude. Our comprehensive product suite supports the financial aspirations of our customers for their savings, payments, transactions, borrowings, investments and insurance requirements. Our deep local know-how and strong focus on customer centricity differentiate us and allow us to empower and transform the lives of our 12 lakh+ customers.

At AU Bank, financial inclusion goes beyond providing banking services to the unreached. We empower our customers' journeys and believe in '*Unki jeet mein hamaari jeet hai*' (We win when they win).

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.

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 client base of 10+ million delighted customers



INTEGRITY

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



NURTURE TALENT AND SUCCEED TOGETHER

We nurture talent and together we are a great team



WORK HARD AND LOOK FOR DETAILS

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



CUSTOMER FOCUS

If our customers need it, we will make it happen



BIAS FOR ACTION

Urgency in everything we do



RESPONSIBLY ENTREPRENEURIAL

100% ownership and 0% excuses

AU Dharma

The way we work

Our six guiding pillars of AU Dharma underpin the way in which we work and deliver. Each of these tenets positively influences us to do the right things and in the right way.

Product Suite

Delivering on customer aspirations

We aspire to be an all-in-one bank for our customers with a wide range of financial products and services that meet their every need. We are committed to continuously upgrading our products and solutions in line with the evolving needs of our customers.



VEHICLE LOAN



COMMERCIAL VEHICLE LOAN



TRACTOR LOAN



TWO-WHEELER LOAN



SECURED BUSINESS LOAN -MSME/SME



HOME LOAN



GOLD LOAN



AGRI-SME LOAN



CONSUMER FINANCE





CONSTRUCTION & BUILDER FINANCE



BUSINESS BANKING, TRADE FINANCE & FOREX



NBFC/HFC/MFI LENDING



SAVINGS ACCOUNT



CURRENT ACCOUNT



FIXED & RECURRING DEPOSIT



LOCKER



POS MACHINE



MUTUAL FUND



LIFE & HEALTH INSURANCE



GENERAL & FIRE INSURANCE



EXPERIENCE 24X7 BANKING WITH OUR MOBILE AND NET BANKING SERVICES

DOWNLOAD AND EXPERIENCE OUR AU ABHI APP



Growing the right way

India's banking sector is one of the most resilient, firmly regulated and well-capitalised financial ecosystems. Further, a population base of 1.3 billion people, Government's focus on financial inclusion and a fast emerging digital infrastructure present stellar growth opportunities therein.

Capitalising on our two-decade rich expertise as an NBFC, we have successfully traversed the early days of our banking journey. We remain committed to playing our part in the nation's progress while scaling as a next-generation bank.

As a Bank, we began our journey when the economy was transitioning through three key reforms: Demonetisation, Goods & Services Tax (GST) rollout and Insolvency and Bankruptcy Code (IBC). Despite the macro headwinds, we maintained a strong momentum in asset lending while maintaining stable asset quality. We also gained healthy traction in our deposit franchise. However, this is just the beginning, and we have a long way to go.

Our strategy has always been to challenge the status quo. As a new-age bank, we sidestepped some of the benchmarked industry processes and features. We ushered in several unique banking innovations, including

monthly interest pay-outs on Savings Account, paperless and digital customer acquisitions, no 'home branch' concept, extended banking hours, no slips for cash deposits or withdrawal and no form for Real Time Gross Settlement (RTGS) transactions. We also expanded our network and distribution, and extended our products and services offering.

In addition, we fortified our systems and processes by investing in critical areas of compliance, risk management, distribution, governance and information technology. For more details on these initiatives, please refer to our Annual Report of FY 2017-18, (www.aubank.in/annual-report).

In our second year, we continued to gain newer insights and experiences. Our efforts were anchored on building a Stable, Scalable and Bankable institution. We maintained our focus on regulations, governance, compliance, asset quality, customer convenience, customer

centricity, business prudence, risk management, financial inclusion, digitalisation and profitability.

Our aim is to be among the first port of call for our customers and remain relevant for all their banking requirements. To achieve this, we will make judicious investments in the key domains of **digital, data and distribution**; make our value proposition superior and stronger, manage our risks better and run our operations profitably, which will allow us to **delight** our customers, shareholders, people, regulators and other stakeholders.

We believe, with the macro and micro trending in happy harmony, India is now at a vantage point for exponential value creation. We hope to enjoy the continued trust of all our stakeholders to help us grow responsibly and the right way.

Stable

In our journey, we have been able to successfully navigate through multiple economic cycles and emerged as a stronger and stable franchise. Our stability is intertwined with our differentiated business model and our core guiding principles of AU Dharma.



*See page 22-31
for more details*

Scalable

Over the years, we have maintained a consistent performance trajectory, building on our achievements and fine-tuning our approach with our experiences. The opportunity landscape is huge and our business model has the right pivots to grow.



*See page 32-49
for more details*

Bankable

Our legacy of two decades is synonymous with customer centricity, passionate team work, strong risk management and seasoned leadership with a hands-on approach, which make us a bankable Bank.



*See page 50-73
for more details*

Management Messages



01

Our business philosophy continues to be focussed on inclusiveness and progress for all. In a fast-developing economy with 1.3 billion people, the opportunities are immense as a large strata of the population remains unserved. With some of the other banking and non-banking financial entities grappling with their own set of issues, the stage is well set for us.

Mr. Mannil Venugopalan
Chairman

02

We perceive that Data, Digital, Distribution are the most critical cornerstones of value creation which will allow us to deliver Delight to our customers. We believe this 4D strategy will enable us to build one of the most trusted retail banking franchise.

Mr. Sanjay Agrawal
*Managing Director and
Chief Executive Officer*

03

Our strategy is to match up to customers' expectations with a balanced and uniform approach. Every prospective customer, who visits our branches or events or via medium of lead or via inbound call centre or through digital channels or even when we visit them, expects a uniform customer service from us. We are also driving ourselves to become the first choice of our customers for all their banking requirements.

Mr. Uttam Tibrewal
Whole Time Director

Chairman's Communique

Building a future-ready bank



DEAR SHAREHOLDERS,

India continues to be one of the world's fastest growing economies. This is undoubtedly an 'outlier' performance, especially when global growth is to a large extent overshadowed by weakening financial market sentiments, China's gradual slowdown, volatility in crude prices, uncertainties around Brexit and trade tensions between the US and China.

Indian economy witnessed a trend similar to the global GDP growth with its real GDP growth slowing down in second half of FY 2018-19. However, GDP growth for the full year was 6.8%.

Against this backdrop, we have successfully completed our second year of operations as an SFB and our business philosophy continues to be focussed on inclusiveness and progress for all. In a fast-developing economy with 1.3 billion people, the opportunities are immense as a large strata of the population remains unserved. With some of the other banking and non-banking financial entities grappling with their own set of issues, the stage is well set for us.

Moreover, the low but improving literacy rates and poor infrastructure, especially in semi-urban and rural India make the availability of various services unequal within the country. We have 86 Banking Outlets (BO) and 67 Business Correspondents (BC), taking our banking services to the last mile customers to drive financial inclusion agenda as our key priority.

MOMENTUM ACROSS OPERATIONS

In the second year of operations, we strengthened our foundation. Despite headwinds of tighter liquidity conditions, broader slowdown and cost of funds remaining elevated in second half of the year, we raised ₹19,422 crore of deposits, clocking a strong growth of more than 145% over FY 2017-18. We mobilised nearly ₹4,000 crore of retail term deposits during FY 2018-19 and continue to chase more of retail deposits, savings account and current account. However, the systematic growth of banking sector deposit was 9.4% for FY 2018-19. We disbursed loans worth more than ₹16,077 crore in FY 2018-19; growing 49% over FY 2017-18.

During the year under review, we further strengthened our capital adequacy by raising both Tier I capital amounting ₹1,000 crore (₹475 crore was infused upfront and balance will be infused on and before December 2019) and Tier II capital Bonds for ₹500 crore through institutional investors including mutual funds, banks and insurance companies.

Innovation continues to be the fulcrum of our operations, because 'differentiation' begins with reinventing around the changing needs of customers. We introduced new asset products such as business banking, gold loan, home loan, Agri-SME, consumer finance and two-wheeler loans. As we build scale, we expect to achieve reasonable size and as a result, an improvement in our returns.

BANKING FOR NEW INDIA

Our prime objective is to broad base our growth and popularise convenient banking habits so that banking reaches the last mile. We are strategically expanding our pan-India footprint.

At the same time, we are building a strong digital platform, supported by best-in-class technology. Our digital team has been beefed up and is building a product position, exploring active partnership with sector leaders, emerging start-ups and others for various key areas, including digital payment modes.



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



M. Venugopalan
Chairman

Digital Bharat is the next game changer, which will benefit all sections of the society. We welcome the government's announcement in the interim budget to connect as many as 1 lakh villages with digital services within the next five years.

We have a rich legacy of two decades of being a secured asset retail loans specialist and our risk management systems and credit appraisal processes continue to be amongst the best-in-class in the industry.

PARTICIPATORY BANKING

Since our NBFC days, we have witnessed the challenges faced by Indians deprived of banking services and the strong need to include them in the formal economy. In our present avatar as an SFB, we continue to be driven by the same purpose. However, besides targeting primarily the low and middle-income individuals and micro, small and medium business customers, we have expanded multi-fold and now catering to different cross sections of customers from all walks of life.

Over the years, we have helped transform the lives of over a million

people with different financial inclusion initiatives. A large proportion of our branch network (over 62%) is in the rural, semi-urban and unbanked regions. Our 28% branches are in the unbanked rural areas, close to 59% of our loan portfolio are of a ticket size below ₹25 lakh and 79% of our lending is for priority sector loans. These facets of our Bank showcase that we are not just meeting but also exceeding the key objectives of an SFB in supporting aspirations of the people close to the bottom of the pyramid.

Our strategy of growing the right way is to grow collectively, responsibly and with a granular focus on retail. Moreover, with the government's thrust towards strengthening the rural economy, increased awareness and our strong engagement with customers in semi-urban and rural India, our core lending landscape continues to grow.

To remain at the vanguard of the industry and to capitalise on the opportunities, we are strengthening our operating efficiencies and following the best practices of corporate governance.

AMBASSADORS OF PROSPERITY

We empower our people by providing them avenues for continuous learning, building strong relationships to achieve extraordinary milestones. Our people are true brand ambassadors who bring prosperity to the unbanked population and touch their lives.

For us, our people are not just doing a job, but also helping India prosper. We are associated with the Government of India's skill development programme, where the emphasis is to provide an employment to the youth of rural and semi-urban areas. We provide on-the-job and classroom training to our employees for skill development and career progression.

During the year under review, our book value per share increased by 36% to ₹108.2 from ₹79.8 in FY 2017-18 and earnings per share grew by 28% to ₹13.2 from ₹10.3 in the previous financial year.

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

Before I conclude, I wish to thank all my colleagues, Board Members, Reserve Bank of India, SEBI and other regulatory authorities, management and the larger stakeholder fraternity for their continued guidance and support.

Warm regards

M. Venugopalan
Chairman

Managing Director and CEO's Review

Yesterday. Today. Forever.



I am assured that being a young, energetic, customer centric institution; AU Bank will challenge the status quo and usher in new age banking with simplicity and convenience.



Sanjay Agrawal
Managing Director and Chief Executive Officer

DEAR MEMBERS,

Namaskar!

"A person who sees a problem is a human being;

a person who finds a solution is a visionary;

the person who goes out and does something about it, is a Change Maker."

Enshrining the above words both in spirit and in action, we, at AU Bank, are endeavoring to be the change-makers pursuing a mission to reimagine and simplify banking for all. And, in this journey, year 2018-19 was full of learnings. Amidst the headwinds, we experienced the exponential power of the banking platform. This platform has given us

a level playing field and we are still amazed by it. The euphoria of the first year of banking has led us into the second year of stable operations. Like a sapling, your bank is growing steadily and continuously, and my team and I are focused on building a strong foundation of a new age bank which will be Stable, Scalable and Bankable.

Speaking of macros, Indian economy, post clocking a strong growth of 7.5% in the first half of 2018-19, slowed down in the second half and for the full year, it grew at 6.8% in 2018-19 with unemployment rate hovering around 7%. Turbulence hit the financial markets last year as non-banking finance companies faced a crisis of confidence which resulted in a liquidity squeeze, redemptions

from mutual funds and elevation in cost of funds. These events once again revalidated our decision to become a bank. However, for the overall market in general, situation is slowly easing and may take some more time to improve.

In the past few quarters our government undertook several key reforms and structural changes including implementation of Goods and Services Tax (GST), Insolvency and Bankruptcy Code (IBC), thrust on digitalisation, empowerment to National Company Law Tribunal, etc. This resulted in India improving its ranking in World Bank's 'Ease of Doing Business Survey-2019' by 23 places to climb to 77th place globally. Now, with the new government in place, we look forward to accelerating

economic reforms and policies paving way for sustainable growth of the economy.

Also, last year there was stringent adherence to regulations. I must mention, the country's regulatory mechanism is driving a new era of transparency with a powerful governance mechanism and I believe the future belongs to those who will follow these ethos diligently.

Today India is nurturing grounds for an emerging digital economy. We are standing at a juncture where digital technologies are disrupting the way we bank. It is reshaping traditional business models and changing competitive landscape.

We believe that, with both the macros and micros in harmony, India is now at a vantage point for exponential economic value creation. World Bank, in its latest projection has retained the GDP growth estimates for India at 7.5% for the next two years. We are excited by the growth opportunities India presents and are privileged to be a part of the banking system of India, which is a key catalyst for the growth.

Talking of Small Finance Banks (SFBs), they were conceived in line with our country's development agenda as their licensing guidelines required 75% lending to Priority Sector, maintenance of 50% loan book below ₹25 lakh ticket size and to have over 25% branches in rural and unreached areas. SFBs have made a remarkable impact since coming into existence in 2017. They have swiftly gained reasonable scale by garnering a combined asset portfolio of ₹60,238 crore and a deposit base of ₹37,500 crore as on 31st March 2019.

I am happy to inform you that we are leading the SFB pack. In our pursuit, we have received guidance and support from the RBI. In fact, recently we have had a very constructive and fruitful discussion at the senior most levels of RBI on the role of SFBs in



We reported 58% growth in Total Income to ₹3,411 in fiscal 2018-19 as against ₹2,155 crore in fiscal 2017-18. Our Net Interest Income rose by 43% to ₹1,342 crore in financial year 2018-19 compared to ₹940 crore in previous financial year.



priority sector lending and financial inclusion.

The core of India's growth revolves around MSMEs, Auto Industry, Housing and Financial Inclusion.

MSME sector accounts for ~31% of India's GDP and ~40% of exports. It is one of the most crucial drivers of growth for our country and our company too. Last year, we grew our MSME book by 54%. However, of the 63 million MSMEs that India has, we have served only 0.11 million units as on date. We look forward to capitalising on the huge opportunity that this sector presents.

Within Wheels, while off late there has been some slowdown in new vehicle sales, the Used Vehicle segment is expected to grow at a higher pace. Within Used Vehicle segment, Used Car segment is growing faster and shifting towards organised players. We have swiftly realigned this in our strategy. Our Used Car book grew 46% in the last year. The Used Car market has crossed the 4-million-unit mark and is 1.2x the size of new car market. Compared to its current size of 4 million cars/year, Indian Used Car industry is expected to reach between 6.7 to 7.2 million cars annually and will be valued at ₹50,000 crore by FY 2021-22. Looking ahead at the growth trajectory we are excited to expand

our reach from existing 0.15 million units to much more.

We are the second most populous country of the world and we are growing fast. India's present mortgage penetration hovers around 10% and is expected to reach 14% by FY 2021-22. AU Bank relaunched housing loans in Q4 of FY 2017-18. Based on our extensive experience, we are poised to take our share in the ample market opportunity.

During 2018-19, the Indian Banks' deposits grew at 10% to ₹125.72 lakh crore. At AU Bank, the deposits grew by 145% and were at ₹19,422 crore at the end of FY 2018-19. We acquired nearly 1 million deposit customers last year.

YEAR UNDER REVIEW

I am pleased to report that during fiscal 2018-19, amidst the macro headwinds enumerated earlier, we reported 58% growth in Total Income to ₹3,411 in fiscal 2018-19 as against ₹2,155 crore in fiscal 2017-18. Our Net Interest Income rose by 43% to ₹1,342 crore in financial year 2018-19 compared to ₹940 crore in previous financial year. We reported Net Interest Margin of 5.50% in financial year 2018-19. Profit After Tax (PAT) for fiscal 2018-19 was up by 31% to ₹382 crore as against ₹292 crore in 2017-18.

For financial year 2018-19 Return on Average Assets (ROAA) was 1.5% and Return on Average Equity (ROAE) was 14%. Going forward, as cost of funds sees a further reduction, our deposit franchise scales up further and new products get more traction, we expect an improvement in both our ROAA and ROAE from current levels.

We clocked a strong growth of 49% in our new loan disbursements resulting in a strong 50% growth in our Assets Under Management to ₹24,246 crore as against ₹16,188 crore in March 2018. Alongside this, we maintained stable asset quality and our Gross and Net NPAs were 2.0% and 1.3% respectively, the same level as in FY 2017-18. It was well supported by our strong collections and recoveries through the year.

We scaled up our deposits franchise to over a million customer accounts and our total deposits rose 145% in FY 2018-19 closing at ₹19,422 crore. However, due to external headwinds the overall cost of funds remained elevated at 7.9% levels. In last quarter, we also made some design changes with respect to product prioritisation for new acquisitions and redesigned our current delivery and distribution model.

Being a bank, we maintained healthy liquidity throughout last year and our ALM position was also managed well across all buckets. Also, treasury team generated profits of ₹7 crore from the operations.

We maintained a strong total capital adequacy of 19.3% and our Tier 1 capital adequacy ratio was 16.0% as on 31st March 2019. During the previous fiscal, we strengthened our capital adequacy by raising Tier I equity capital of ₹1,000 crore from Temasek Holdings and Tier II capital raise of ₹500 crore via issuance of unsecured, subordinated, rated, listed, redeemable Non-Convertible Bonds through private placement basis to institutional investors

including mutual funds, banks, insurance companies and non-banking finance company.

Raising of ₹1,000 crore from Temasek Holdings, a global investment company, happened to be our largest primary capital infusion into the Bank. This fund mobilisation allows us to remain sufficiently capitalised in the near term, as we continue striving towards achieving our growth target. Our ₹1,913-crore IPO in July 2017 was a complete Offer-for-Sale with no infusion in the Bank.

I am also pleased to share with you that during previous fiscal, our long term rating was upgraded to 'AA-/With

Stable Outlook' and our short-term ratings were reaffirmed at 'A1+'.

We endeavour to consistently build wealth for our shareholders and in accord with our performance, our Board has proposed a dividend of 7.5% for fiscal 2018-19, a 50% increase over previous year.

In the coming years, our focus will remain on differentiated business model, strong liquidity & capital adequacy; robust asset quality; fortified phygital banking; expanding geographic presence and stringent governance.

Banking Platform – Limitless Opportunities and Perpetual Journey

	31 st March 2017	31 st March 2019	Multiplier
Assets (₹ in crore)	9,781	32,623	3.3x
Deposits (₹ in crore)	-	19,422	n.m.
Net Worth (₹ in crore)	1,988	3,163	1.6x
Distribution (Nos.)*	301	558	1.9x
Customers (Nos.)	2,80,349	15,23,935	5.4x
Employees (Nos.)	8,515	12,623	1.5x

*For FY 2018-19, 572 including offices



We scaled up our deposits franchise to over a million customer accounts and our total deposits rose 145% in FY 2018-19 closing at ₹19,422 crore. However, due to external headwinds the overall cost of funds remained elevated at 7.9% levels. In last quarter, we also made some design changes with respect to product prioritisation for new acquisitions and redesigned our current delivery and distribution model.



GROWING THE RIGHT WAY

An institution's legacy depends on its prudence and credibility.

Prudence is a function of **Samajhdaari** (Sensibility), **Zimmedari** (Responsibility) and **Immandari** (Honesty). Credibility comes when we delightfully and dutifully serve our customers and keep their faith and trust.

While we are deeply motivated by the sheer opportunities around us, as fiduciaries, we are committed to grow your bank conscientiously and maintain its core fiber, as we scale.

Therefore, while in Assets, we will continue to operate like an NBFC and stay focused on secured and small retail loans; in Liabilities, we will aim to grow within the cultural framework of a bank.

It is very important for us to be able to serve all the needs of our customers and therefore, on the banking platform, we introduced several new retail asset products. Now we have a comprehensive portfolio of 27 products and services. As these products gain more market traction and scale, their contribution to our growth will scale up.

Living our Values & Passion to Deliver

Since our inception, we had stayed focused on building the right character of our organisation and have been driven by the core guiding principles of AU Dharma.

Our people philosophy is anchored around three aspects – Build, Connect and Re-Imagine. These ethos are the corner stone of our employee value proposition. It nurtures a culture of learning and growth; collaboration and building relationships to deliver excellence; and challenges the status-quo. Hence, creating prosperity for all. Over the past several years, we have granted ESOPs

to employees across levels; enabling wealth creation opportunities for them.

After becoming a Bank, the purpose of living our values and steering our passion further assumed a greater importance. I have come to believe that the banking platform tests all the capabilities of a professional. From building relationships to product development, from risk management to right governance, we are learning every day and they are our key assets in our journey.

Like any other bank, we also faced some challenges around attrition.

To address the same, we have renewed our focus on people management and enhanced our focus on skill development. As we are growing and adding new people, we are swiftly integrating new team members with our timeless guiding principles of AU Dharma and 'sharpening the saw' by upskilling and training our employees.

We firmly believe that strategy plays a pivotal role in growing in the right way. Reckoning this, we recently realigned our select seasoned management team members to new strategic roles at the Bank.

Focus on our 4D Strategy

We perceive that Data, Digital and Distribution are the most critical cornerstones of value creation which will allow us to deliver Delight to our customers. We believe this 4D strategy will enable us to build one of the most trusted retail banking franchise.

Data

We are building AU as a data driven bank and data is in the heart of everything that we are doing today. At the same time, we are excited by some of the early data-based outcomes across customer analytics (targeted campaigning), employee analytics (attrition and productivity) and risk analytics (early warning signs and asset quality).

Moreover, I am pleased to apprise you that your bank features amongst one of the first few companies in India to have invested in SAS VIYA – a state-of-art scalable, enterprise-ready machine learning /artificial intelligence ready technology tool, a big enabler of our value creation strategy.

Digital

Acquire, Engage and Transact are the core building blocks of our digital business strategy.



Our people philosophy is anchored around three aspects – Build, Connect and Re-Imagine. This ethos are the corner stone of our employee value proposition. It nurtures a culture of learning and growth; collaboration and building relationships to deliver excellence; and challenges the status-quo.



We are passionately expanding our digital offerings and it encompasses fully digital, assisted digital and phygital solutions around deposits, lending, payments and cross-selling. These solutions are targeted around offering a real time, seamless, cost effective, convenient and omni channel customised solution to our customers.

In 2018-19, your bank strengthened its digital banking team under the leadership of our new Chief of Digital Bank and Digital Strategy. Our select new digital initiatives include paperless Two-wheeler loans, Tab based account opening, 24x7 EMIs payments through website, AU ABHI, etc.

Distribution

We believe that sustainable business growth requires diversified business channels.

At AU, we have been able to build and leverage different distribution channel viz. Physical, Digital and Alternate mode. This has been one of our core strengths and we intend to keep capitalising on this.

Being a new bank, physical distribution formats including branches act as a strong branding and servicing platform for our customers. As we have a go-to-market strategy for acquisition, our new physical roll-outs are strategised around high visibility prominent locations with convenient access for serviceability. We will soon roll-out smaller format branches requiring lower set-up and operations costs. Besides this, we will also leverage other physical formats. For onboarding and servicing, the leverage will also come from our Digital and Alternate modes like Contact Centers, BCs,

DSAs and Connectors (AU-Value, AU Connect), our partnerships with dealers, etc. Our employee referral app (AU Business App) has been a breakthrough for channelising employee leads and has become an important alternate acquisition channel.

Delight

Warmth of a relationship and excellent service delivery are two most important products of a bank.

At NBFC platform too, Customer Focus was one of our key AU Dharmas and we have always had a customer-centric outlook. However, being an NBFC we perceived our customer just as a 'Borrower'. To be honest, the migration of the 'Borrower' to a 'Customer' happened soon after we became a Bank. It has been the most satisfying revelation and we take pride in executing our enhanced understanding.

And as we wore the new lenses, we sharpened our focus to convert customer satisfaction into customer Delight. We believe that a right combination of Data, Digital and Distribution will allow us to deliver Delight to our 'Customers' and help us differentiate between ordinary and extra-ordinary banking.

Catching the Imagination of the Customer

We have endeavored to catch the imagination of our customers and have been consistently scaling up our customer centric efforts.

Recognising the need of our rural customers for consumer durables finance; the Bank came up with a unique solution to meet their demands. The rural branches not only

provided consumer finance loans but went one step ahead and acted as pick up center for the customers who couldn't get the goods delivered in their remote villages. Our customer is paramount to us and if the customer needs it, we will make it happen.

Inclusive Growth

The first steps to empower people is to create jobs and livelihood. Growth can happen only if we provide people with credit. In return, it will propel business generation.

Inclusiveness has been in our DNA since our inception and it has been a part of life at AU Bank. Understanding our customers' needs and partnering in our borrowers' success has been our core pursuit over the years.

Continuing our legacy, last year, AU Bank exceeded the requirements of our key licensing guidelines with 79% loans to priority sector, 59% of our loans less than 25 lakh and 28% of our branches at rural locations.

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

Moreover, to give a further impetus to our corporate social responsibility and propel focused and meaningful contributions, we set up AU Foundation last year. We helped our communities with need-based interventions in the domains of

livelihood enhancement, financial and digital literacy and sports for development.

WAY FORWARD

Ready for the Future

At the start of our banking operations in April 2017, we had aimed to be the fastest bank to reach ₹1 trillion Asset book with a 10 million customers base. We are quite well placed to achieve the first major milestone of ₹700 billion asset book and a customer base of around 5 million by FY 2022. As we scale up, we will leverage our brand outreach, digital capabilities, local insights, balance sheet strength and pricing power to optimise the risk-return matrix. At a broad level, we will focus more on product, productivity and engagement in FY 2019-20.

In our core asset products i.e. Wheels and Secured Business Loans, we have a strong vintage, our core execution USPs, strong underwriting and collection machinery, a vast unserved opportunity landscape and an advantage of the banking platform. This should allow us to compound our scale while maintaining our margins and profitability. Our newly introduced retail products- Gold Loan, Home Loan, Two-Wheeler Loan, and digital solution-based products- Personal Loans and Consumer Finance for existing to bank customers — hold immense growth potential. Our Small & Mid Corporate book, which is largely focused on working capital and non-fund based requirements of Micro and Small enterprises, is shaping up well. Also, scaling up of third-party product distribution (mutual funds,

general insurance, health insurance and life insurance) will add to our income pools in future.

We are building a resilient and trusted institution for all citizens, which can withstand the test of time; and we are grateful for your support in this grand endeavor. We are well positioned to grow sustainably and will continue to focus on delighting customers, fueled by 4D strategy and AU Dharma to build a bank which will last forever.

Board of Directors

We believe that the leadership of an organisation must have diverse experiences merging into a common goal. As a custodian of trust for all our stakeholders, our Board of Directors foster a culture of sound corporate governance. Time and again we have received guidance and support from our Board of Directors and I would express a sincere thanks to all my present and past Board members for their immense contributions in our journey.

Acknowledgement

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

strategies. Lastly, I would like to sincerely thank all the unsung heroes. They have been an integral part of our journey.

If we grow the right way, then we build a brand. If we build a brand, then we will be forever!

संभव की सीमा
जानने का केवल एक
ही तरीका है

असंभव से भी आगे
निकल जाना

चलो आगे बढ़ें

Regards,

Sanjay Agrawal
Managing Director and
Chief Executive Officer

Whole Time Director's Message

Shaped by strength and stability

DEAR SHAREHOLDERS,

FY 2018-19 marked the second year of our operations as a bank. I am pleased to share that, despite temporary hardships such as tighter liquidity and a general slowdown in consumer demand, our overall performance remained commendable. Consumer demand was impacted due to volatile fuel prices, weak capital market sentiment and uncertainties over the impending general elections.

Despite these challenges, we delivered strong financial results. We have always emphasised on steady and consistent operational performance, optimum utilisation of capital and low cost of funds. We are now one of India's fastest growing SFBs, owing to our strong customer focus, high-quality asset and growing liability franchise.

Our confidence stems from the fact that first as an NBFC and then as a

bank, we have successfully navigated through many economic cycles and, over the years, we have been able to build a sustainable growing platform. Another important feature is our deep rooted leadership, well connected to their respective domains, which enable us to successfully map scenarios and take pre-emptive measures.

With our go-to-market approach, strong customer connect and diverse range of products, we have been able to maintain a robust growth even in a challenging market environment.

FY 2018-19 was another year of sound performance, where we expanded our outreach to nearly 572 touchpoints, grew our disbursements by ~49% (to ₹16,077 crore) and, in turn, grew our Assets Under Management (AUM) by 50% to ₹24,246 crore. We achieved a balance sheet size of ₹32,623 crore. It was the power of the Bank's platform

pull that helped us expand our balance sheet ~3.3 times in a short span of two years as a bank. We are overwhelmed with the customer confidence and look forward to the countless opportunities before us in the coming years.

CLOSER LOOK AT OPERATIONS

To remain a trusted custodian of public deposits, to continue to keep the faith of regulators and stakeholders and compliance with the regulatory and policy guidelines, is paramount at AU Bank. The message is clear across all levels in the Bank that we must adhere to guidelines, policies, processes and procedures, at all point of time and ensure that we are growing the right way. Over 80% of our Savings Accounts opened during the year through TAB, became operational within half an hour of documentation, and it has become a major highlight of our Bank's success.



We are focussing on the 4D (Data, Digital, Distribution and Delight), where we are analysing our existing data to be able to serve our customers better. Besides, using analytics we will develop apps for our customers, which would be delivered to them on the digital platform.



Uttam Tibrewal
Whole Time Director

We are focussing on the 4D (Data, Digital, Distribution and Delight), where we are analysing our existing data to be able to serve our customers better. Besides, using analytics we will develop apps for our customers, which would be delivered to them on the digital platform.

We are offering some of the best asset and liability products in the industry, and that too within 24 months of commencement of our operations. Consequently, every month we are adding on an average 40,000 to 50,000 customers. As on 31st March 2019, we had 12 lakh+ customers.

CUSTOMER DELIGHT IS PRECIOUS

Our strategy is to match up to customers' expectations with a balanced and uniform approach. Every prospective customer, who visits our branches or events or via medium of lead or via inbound call centre or through digital channels or even when we visit them, expects a uniform customer service from us. We are also driving ourselves to become the first choice of our customers for all their banking requirements.

As a service-oriented business, the success of a bank depends on providing timely and bespoke services. To deliver best-in-class services to our customers, it is essential that we understand their expectations and remain honest, agile and true to our overarching mission of building one of India's largest retail franchises.

DIGITAL EASE

Our focus is to deliver a seamless omni-channel integrated solution that will ensure consistent high-level customer experience across all channels (website, internet banking, mobile applications). This will further ensure that we scale our operations faster by taking advantage of technological development in digital banking space. We are also putting

to use 360° communication across multiple digital and social media platforms to create impactful brand awareness.

CROSS-SELLING IS CRITICAL

We aspire to grow as a holistic service provider in the banking and financial sector. We believe cross-selling will allow us to grow in diverse business segments. For example, we handhold a car loan buyer to opt for a Savings Account or an insurance policy to build on an existing relationship. Our teams have comprehensive knowledge of our products, and we actively propose these products to our customers, once we find someone interested.

As we grow the scale and scope of the business, cross-selling is going to be a very important fulcrum of our progress. At present, our Bank has 27 product offerings for our customers, which have very attractive features. Cross-selling also provides our customers a wider brand experience.

During the year, we introduced the Employee Business Referral (EBR) App, through which our employees can refer any prospective customer to respective team member and on conversion, the referrer earns an incentive. The EBR model helped us garner business of around ₹1090 crore during the year under review. Moreover, this has elevated the involvement of our people with the Bank and is helping them become a complete banker.

FUTURE GROWTH PILLARS

The pillars of our future growth comprise the following:

- Gaining momentum in our digital channels while maintaining balance in 'phygital' channels
- Sustain our 'go-to-market' approach with efficient time management

- Remain relevant and aligned to evolving customer requirements by constantly learning, reinventing and challenging the status quo
- Build a strong artificial intelligence (AI) and machine learning platform for greater business insights and smarter decision-making
- Adherence to the rules and regulations applicable on Small Finance Bank

We aspire to become a universal bank in the foreseeable future. We are on the right path to grow responsibly and sustainably to create value for all our stakeholders.

I express my sincere thanks to the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), our Board members, AU team members and all other stakeholders for supporting us in our journey of growth.

Warm Regards

Uttam Tibrewal
Whole Time Director

Stable



For over two decades, we have successfully navigated multiple economic cycles and have emerged as a stronger and more stable franchise. Our differentiated business model has enabled us to continuously strengthen our asset quality and profitability. Our esteemed investors have always reposed their faith in our value-accretive business model and execution capabilities.

We remain anchored to our AU Dharma of customer centricity, hard work and eye for detail, ownership, nurturing talent, urgency and integrity.

These attributes have propelled our growth for more than 20 years in the secured asset financing business and enabled us to take the leap on to the banking platform.

The only small
finance bank with two
decades of secured
retail asset lending
track record

High governance
standards



**FACETS OF
STABILITY**

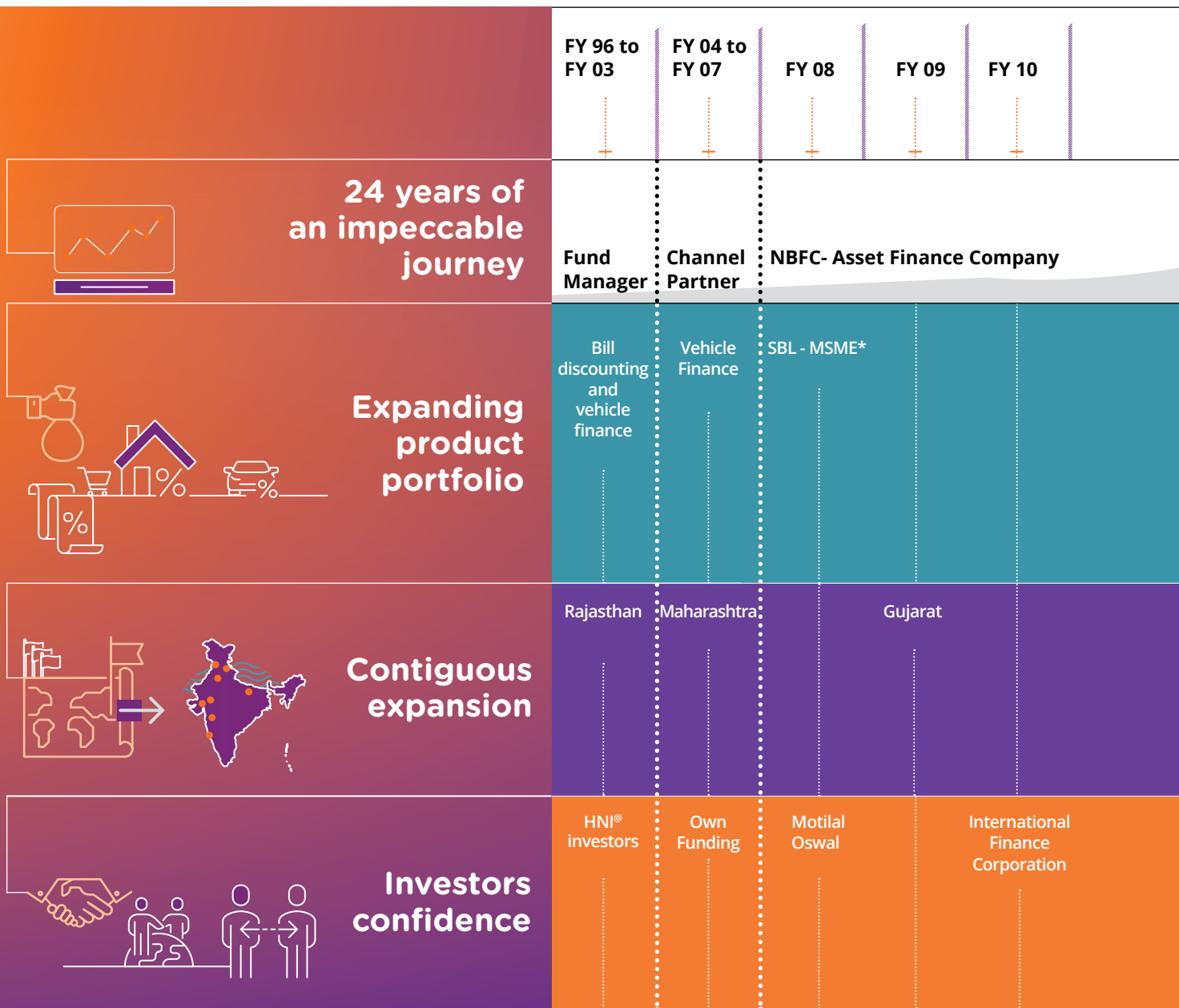
Contiguous
expansion and
deeper penetration

Consistent delivery of
robust returns

Trust of esteemed
shareholders

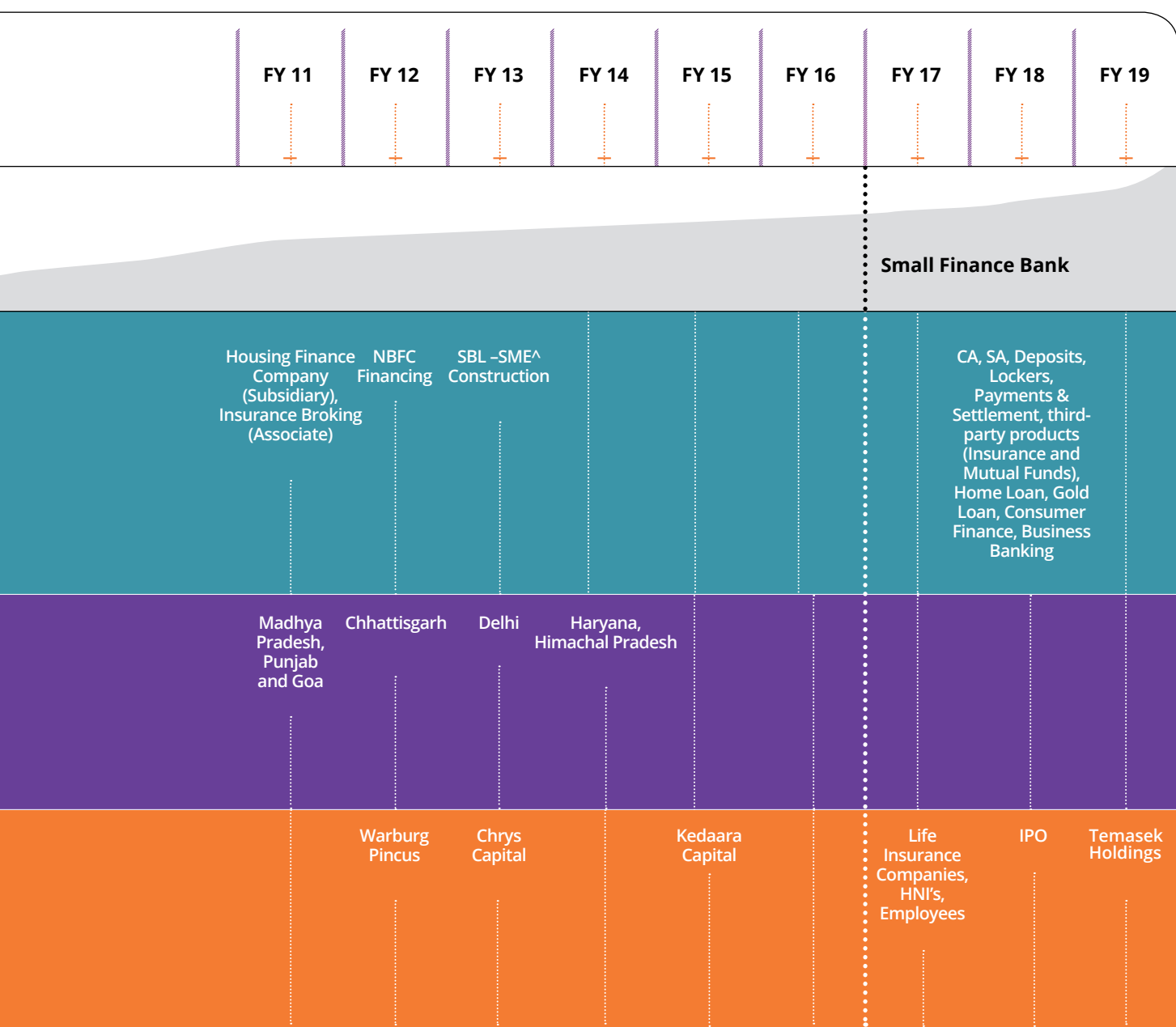
AU Journey

Stable franchise with an impeccable track record



*Micro, Small and Medium Enterprises, ^Small and Medium-sized Enterprises, ®High Net-worth Individuals

Our Bank thrives on stakeholder trust and service excellence. We have steadily expanded our capabilities and outreach as a retail-focussed non-banking finance company and we are now leveraging the power of the banking platform to touch and transform the lives of millions across the social spectrum.



Business Model

Stable growth blueprint

RESOURCE

Capital

We have built a net worth of ₹3,163 crore as on 31st March 2019. We are supported by reputed global and domestic investors.

Team

A team that combines high performance and ethical behaviour and are empowered to deliver exceptional client experiences.

Products

We offer a host of 27 financing, deposit, insurance, mutual fund, transaction banking and digital banking products and services.

Distribution

We have created a 'phygital' distribution ecosystem with 572 physical touchpoints and strong digital franchise, providing exceptional customer experience at every touchpoint.

Brand

Brand AU has garnered significant brand value over the last two decades for customer centricity and trustworthiness.

Local expertise

We have deep insights and understanding of the local markets as we operate through local talent.

Strong governance framework

Our governance and risk frameworks are integrated across our operations. This enables enhanced accountability, effective risk management, clear performance management, greater transparency and effective leadership.

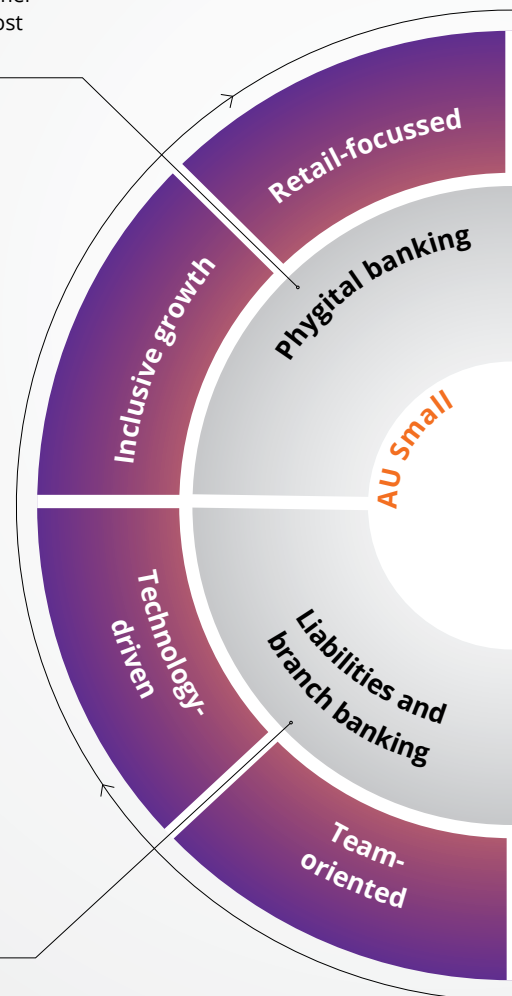
Management

Experienced and committed leadership team is focussed on consistently growing the Bank.

MODEL

Our approach

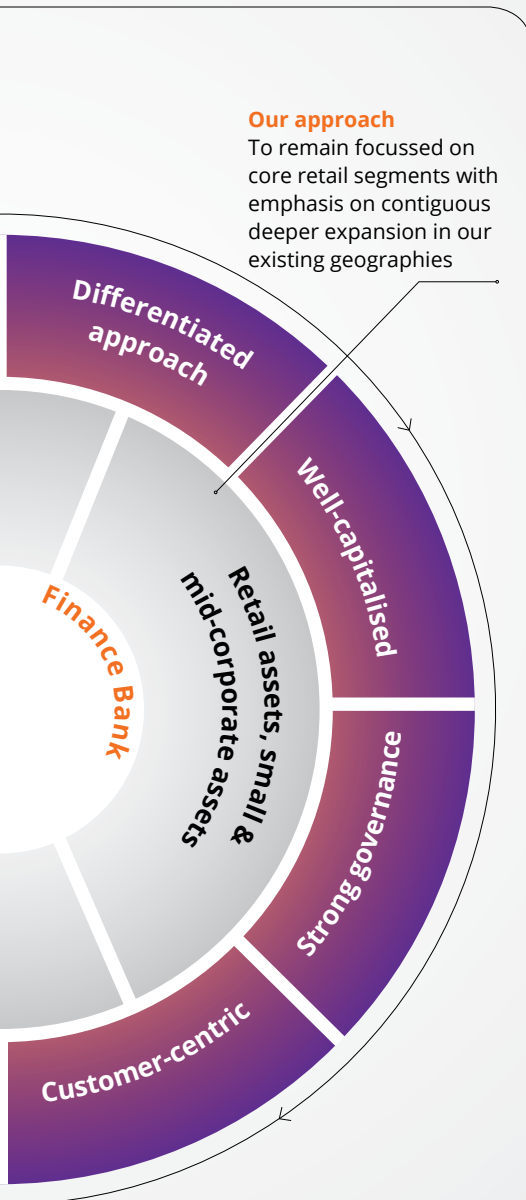
Design product offerings keeping in mind the dual objectives of customer convenience and cost optimisation



Our approach

To have a sizable retail deposit base including CASA and Term Deposits; to densify in our existing markets and foray into newer strong deposit clusters

We aim to create long-term value for a broad range of stakeholders in a sustainable manner.



VALUE CREATED FOR STAKEHOLDERS

Customers

- Understanding and catering to the requirements of our customers
- Providing personalised and comprehensive financial services offering
- Empowering our people to provide an excellent and consistent client experience
- Ensuring faster and safer transactions by accelerating innovation and digitisation

12 LAKH+

Customers

Employees

- Attracting and retaining committed people with right skills and capabilities
- Enabling our people to be agile, adaptive and relevant in a rapidly evolving environment
- Encouraging diversity and inclusion
- Deploying local manpower from the regions in which we operate
- Creating an environment of growth through consistent training, mentoring and participation

1,472

New members added in FY 2018-19

Regulators

- Conducting our business in a responsible manner
- Adhering to relevant regulations and guidelines issued by RBI, SEBI, National Bank for Agriculture and Rural Development (NABARD), National Housing Bank (NHB) and other regulators
- Strong internal culture of governance and ethics

Shareholders and investors

- Focussing on consistent returns
- Maintaining the resilience of our balance sheet
- Safeguarding value with sustainable business practices
- Exploring more opportunities to generate shareholder wealth

₹0.75

Proposed dividend per share for FY 2018-19

Community

- Accelerating financial inclusion in the regions in which we operate
- Incorporated AU Foundation to enhance livelihoods through skill development, improve financial literacy to bolster financial inclusion and nurturing sports talent
- Undertaking several other initiatives aimed at empowering the marginalised sections of the society by providing potable water, affordable healthcare and quality education

2 LAKH

Lives impacted through our social initiatives and financial inclusion drives

Investment Case

Stable value proposition

DIFFERENTIATED BUSINESS MODEL

In assets, our differentiation lies in small ticket, secured, retail lending for income generation catering to self-employed and low & middle-income segments and risk-based pricing mechanism. As a Bank, we have sharpened our edge by expanding our retail asset offering for a wide customer cross-section.

Similarly, our liabilities franchise is credited with unique first-time initiatives, including monthly interest pay-outs on Savings Account, paperless and digital customer acquisitions, no 'home branch' concept, extended banking hours, no slips for cash deposits or withdrawal and no form for Real Time Gross Settlement (RTGS). Moreover, we have put in place a specialised business solution group to cater to transactional banking requirements of our MSME, business banking and small and medium enterprise customers.

~52%

Customers are self-employed (including professionals)

~97%

Secured Advances to Total Gross Advances

STRONG LIQUIDITY AND CAPITAL ADEQUACY

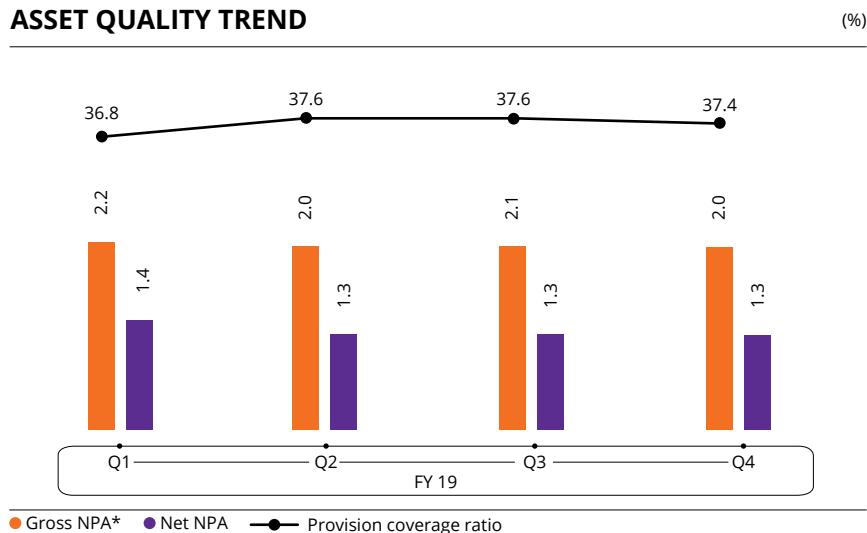
Our Bank has maintained healthy liquidity and comfortable capital adequacy, which are commensurate with our growth aspiration. For FY 2018-19, our average liquidity coverage ratio was comfortably higher than the regulatory requirement of a minimum of 70% for SFBs till December 2018 and 80% from 1st January 2019 onwards. Our capital adequacy ratio (CRAR) stood at 19.3% as on 31st March 2019 (CRAR Tier I: 16.0% and CRAR Tier II: 3.3%) as against the regulatory requirement of 15.0%.

ROBUST ASSET QUALITY

Over the years, we have developed expertise in correctly assessing the repayment capacity and intent of our borrowers. Our underwriting practices are strengthened using best-in-class standard operating procedures (SOPs), deploying local sales and collection workforce and in-field investigation, among others.

The result: our asset quality has remained stable, and we are improving it further.

ASSET QUALITY TREND



*Non-Performing Asset

LEADERSHIP THROUGH GOVERNANCE AND GROWTH

Our Board is constituted majority by independent Directors, ensuring high corporate governance standards. We are led by our Promoter, MD & CEO Mr. Sanjay Agarwal, a first-generation entrepreneur. Our senior leadership team possesses rich experience in the banking and financial services sector, which has helped us deliver value in challenging business conditions as well.

11

Board-level committees, ensuring good governance practices

19 YEARS

Average experience of our senior management team

FORTIFYING 'PHYGITAL' BANKING

We understand the power of a strong digital bank as it will serve various customer segments providing delightful customer experience in a cost-effective manner. Our digital banking strategy is to achieve an optimal integration of our physical and digital presence, thereby managing the dual objective of investing and profitability of this vertical.

Our investments in digital platforms are focussed on four key areas: lending, deposits, wealth management and payments. Within these, we are focussing on automating some of our existing processes and products such as auto loans, customer on-boarding, KYC, and disbursements, among others.

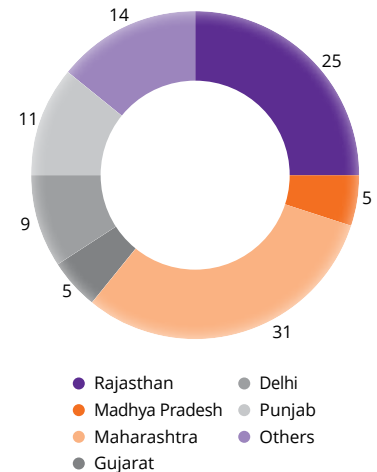
Moreover, we are also leveraging analytics optimally to service our customers better, further improving our credit quality and strengthening efficiency across processes.

We are consistently investing to bolster our digital assets and provide our customers a wide repertoire of digital services, which are fast, convenient and secured. Such a strategy enables us to reduce our cost of aquisition and operations, expand our reach and increase our productivity per customer.

CONTIGUOUS GEOGRAPHIC PRESENCE

We have adopted a strategy of contiguous expansion across regions. Our operations are conducted through 572 touchpoints spanning 11 states and a union territory, with significant presence in Rajasthan, Gujarat, Maharashtra and Madhya Pradesh. These regions offer high-growth opportunities for banking services.

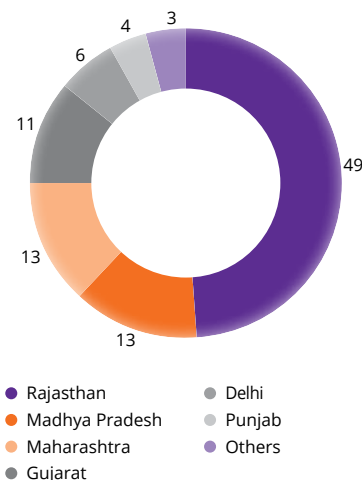
DEPOSITS - GEOGRAPHIC DISTRIBUTION (%)



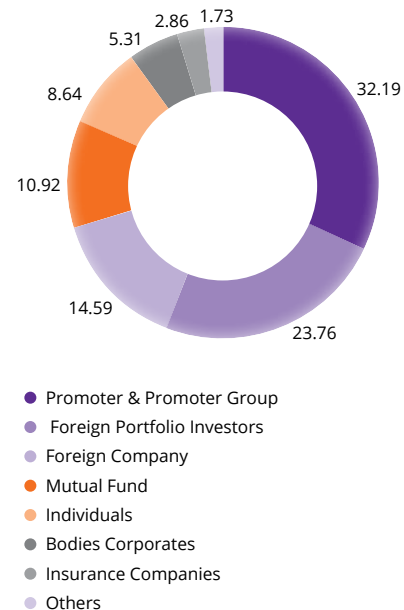
MARQUEE SHAREHOLDER BASE

The strength of our business model has attracted several distinguished investors in our journey since inception, including Temasek Holdings, Nomura, Warburg Pincus, IFC, Motilal Oswal, Chrys Capital and Kedaara Capital, among others.

GROSS AUM - GEOGRAPHIC DISTRIBUTION (%)



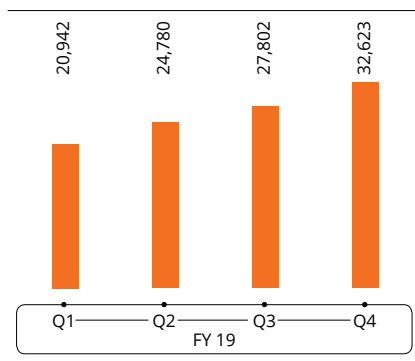
SHAREHOLDING PATTERN (%)



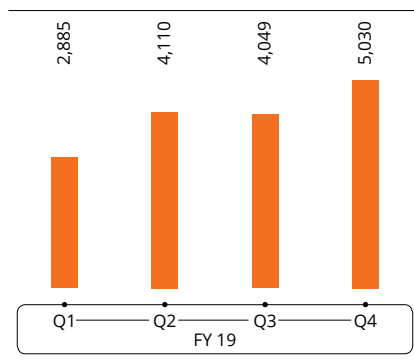
Operational Highlights

Every quarter takes us ahead

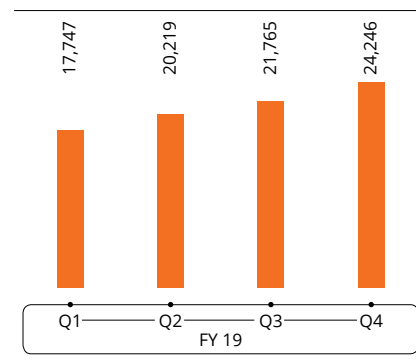
TOTAL BALANCE SHEET ASSETS (₹ in crore)



DISBURSEMENTS (₹ in crore)



LOAN ASSETS UNDER MANAGEMENT (₹ in crore)

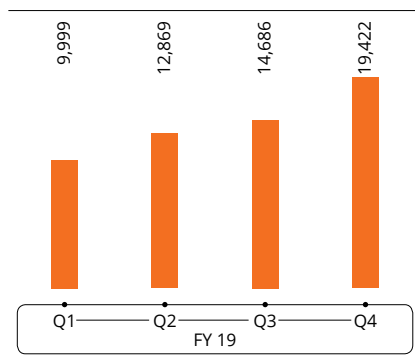


- Empanelled with India's largest insurer LIC for offering our branch banking products at LIC's pan-India offices
- Commenced Public Fund Management System (PFMS) application to manage public fund distribution
- Launched AU ABHI – the new-age instant digital savings bank account opening application
- Made corporate internet banking available for all business segment customers
- Received ~₹1,000 crore equity investment from Temasek Holdings to fuel 'phygital' growth

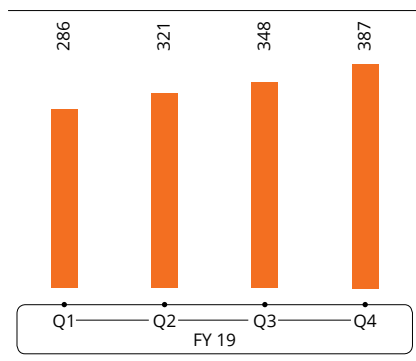
- Long-term rating upgraded to CRISIL AA-/Stable from CRISIL A+/positive and short-term rating re-affirmed at the highest rating of CRISIL at A1+
- Empanelled BSE, NSE, NCDEX for margin collaterals – Fixed Deposit Receipt (FDR) and Bank Guarantee
- Expanded deposits footprint with entry into 'Miniratnas' and 'Navratnas'
- Complied with Small Finance Bank (SFB) guidelines on account of non-promoter shareholding (Warburg Pincus stake reduced to 7%)
- Strengthened leadership with the induction of new Chief Treasury Officer, Chief of Digital Bank and Digital Strategy and the National Credit Manager - Housing Loan, among others

DEPOSITS

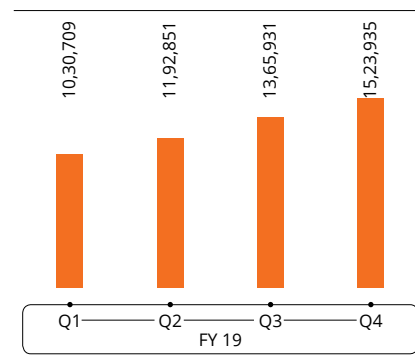
(₹ in crore)

**NET INTEREST INCOME**

(₹ in crore)

**TOTAL CUSTOMERS**

(No.)



Q3

Q4

- Invested further in digital bank; hired for most key roles
- Added ATM services in 193 locations in collaboration with RajCOMP Info Services Ltd. (RISL) and Cash Management Services (CMS) in Rajasthan as a banking partner
- Raised ₹500 crore Tier II Capital through private placement of non-convertible bonds

- New loan disbursement IRR inched up by 50bps, led by a strong uptick in retail assets disbursement yield at 15.2% in Q4 FY 2018-19 as against 14.5% in Q3 FY 2018-19
- Portfolio IRR was stable at ~14.3%; retail assets continued to be ~82%; vehicle portfolio climbed to over ₹10,000 crore
- Mobilised ₹1,100 crore plus in retail Term Deposits
- Launched a new version of our mobile banking app

Scalable

Over the years, we have maintained a consistent performance trajectory, building on our achievements and fine-tuning our approach with our experience and progress. The result is a growing edifice of value creation with multiple synergies.

We have the right pivots to grow, capitalising on the industry's vast opportunity landscape. Our investments in products, services, technology, infrastructure, processes and talent pool give us a significant headroom to scale up.

We connect with customers through various touchpoints (pan-India branches, asset centres, business correspondents and ATMs). At the same time, we are building a digital team for our next growth phase.

Vast
opportunity
landscape

Building a
future-ready
digital bank

**ELEMENTS OF
SCALABILITY**

Consistent
performance
trajectory

Well-spread and
growing physical
distribution
network

Megatrends

Blue ocean of opportunities

SECTORAL OPPORTUNITY LANDSCAPE

MARKET	MARKET SIZE
New vehicles	262 lakh Vehicles sold in FY 2018-19*
New Passenger Vehicle (PV)	33.77 lakh Vehicles sold in FY 2018-19*
New Commercial Vehicle (CV)	10.07 lakh Vehicles sold in FY 2018-19*
New two-wheelers	212 lakh Vehicles sold in FY 2018-19*
Used car	40 lakh Vehicles sold in FY 2018-19^
Micro, Small & Medium Enterprises (MSME)	630 lakh Registered MSMEs as on 31 st March 2018 [#]
Gold	20,000 tonnes Of gold valued at over ₹56 lakh crore in India ^{&}
Housing loan	₹7.5 lakh crore Overall market size as on 31 st March 2018 ^{>}
Deposits	₹125.58 lakh crore Outstanding in schedule commercial banks as on 31 st March 2019 ^{<}
Current Account (CA)	₹11.89 lakh crore Outstanding in schedule commercial banks as on 31 st March 2019 ^{<}
Savings Account (SA)	₹41.15 lakh crore Outstanding in schedule commercial banks as on 31 st March 2019 ^{<}
Term Deposit (TD)	₹72.55 lakh crore Outstanding in schedule commercial banks as on 31 st March 2019 ^{<}

Source: *Society of Indian Automobile Manufacturers (SIAM), ^ India Bluebook, [#]The Ministry of Micro, Small and Medium Enterprises, [&]KPMG Report and World Gold Council, [>]National Housing Bank and [<]Reserve Bank of India (RBI)

Operating in such a stellar opportunity landscape, we see a larger role for ourselves in helping facilitate safe, secured and next-generation banking.

NOTES

7.4%
CAGR for past 5-years (FY 2014-15 to FY 2018-19)

6.2%
CAGR for past 5-years (FY 2014-15 to FY 2018-19)

9.7%
CAGR for past 5-years (FY 2014-15 to FY 2018-19)

5.8%
CAGR for past 5-years (FY 2014-15 to FY 2018-19)

5.0%
CAGR for past 5-years (FY 2015-16 to FY 2018-19)

₹25.80 lakh crore
Addressable credit gap

₹3,10,100 crore
Projected market growth by 2020

4.3 crore
Shortage of homes

₹37,500 crore
Share of small finance banks (SFBs)

₹1,813 crore
Share of small finance banks (SFBs)

₹7,232 crore
Share of small finance banks (SFBs)

₹28,454 crore
Share of small finance banks (SFBs)

AU BANK'S RESPONSE

- Building a strong digital bank by adding best-in-class digital assets
- Fortifying our best-in-class technology and robust operational efficiency driving better productivity
- Driving proactive use of analytics in steering better credit decisions, customer service and collections, higher new customer acquisition, smoother onboarding process and greater cross-selling opportunities
- Leveraging our deep credit capabilities and growing with strong market insights in the geographies we operate
- Scaling new verticals like gold loans, home loans, two-wheeler loans and consumer finance
- Expanding physical distribution at new locations
- Continuing engagement with customers to understand their evolving requirements and cater to them with relevant solutions
- Empowering people with bespoke training and tools for offering customised solutions

Key Performance Indicators

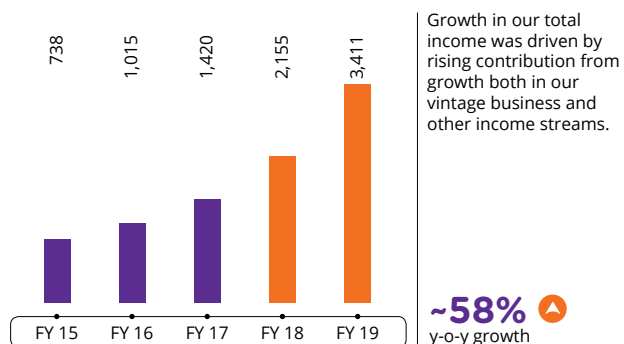
Scaling benchmarks

Profit and loss metrics

● AU Small Finance Bank
● Au Financiers

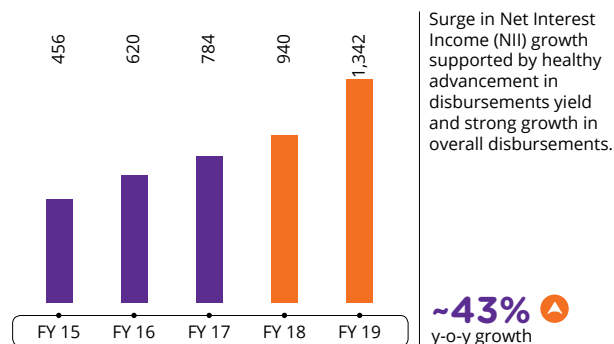
TOTAL INCOME

(₹ in crore)



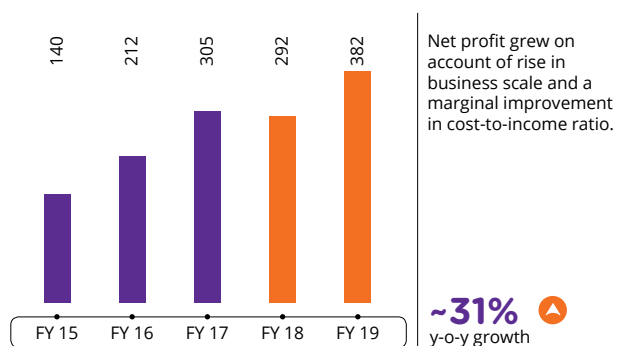
NET INTEREST INCOME (NII)

(₹ in crore)



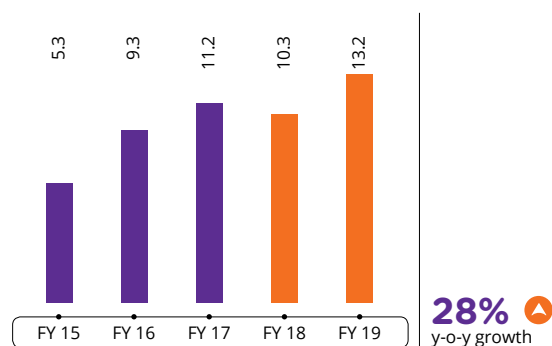
PROFIT AFTER TAX (PAT)

(₹ in crore)



EARNINGS PER SHARE (EPS)

(₹)



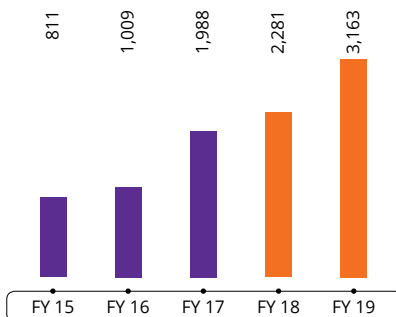
* PAT is including profit from exceptional items.

● AU Small Finance Bank
● Au Financiers

Balance sheet metrics

NET WORTH

(₹ in crore)



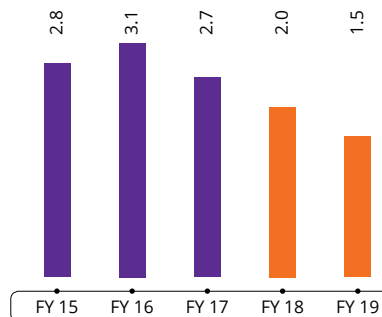
Internal accruals constitute a significant portion of net worth.

Our net worth of ₹3,163 crore as on 31st March 2019, includes capital infusion of ₹475 crore received from Temasek Holdings in Q2 FY 2018-19.

39% ▲
y-o-y growth

RETURN ON AVERAGE ASSETS (ROAA)

(%)

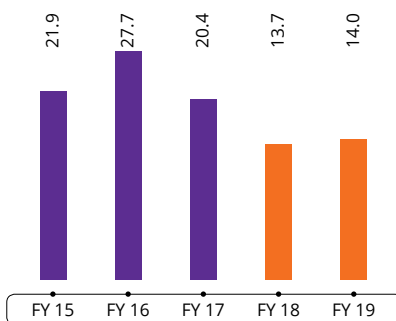


Despite being in the investment mode, we delivered RoAA of 2.0% and 1.5%, respectively right in the first two years of our banking operations. RoAA drag largely attributed to upfronting of banking transition costs.

56 bps ▼
y-o-y growth

RETURN ON AVERAGE EQUITY (ROAE)

(%)

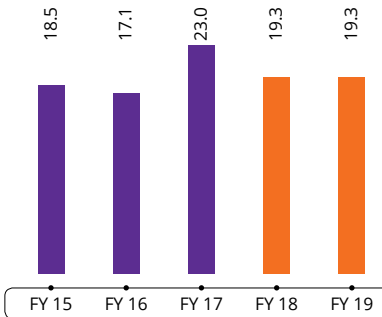


Despite being in the investment mode, we delivered a healthy RoAE of ~14% right in the first two years of our banking operations.

35 bps ▲
y-o-y growth

CAPITAL ADEQUACY RATIO

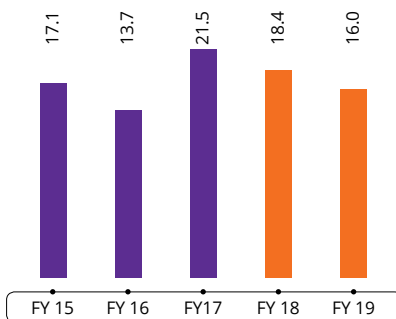
(%)



Strong Capital Adequacy, significantly above the statutory requirement of 15.0%.

CAPITAL ADEQUACY RATIO - TIER I

(%)

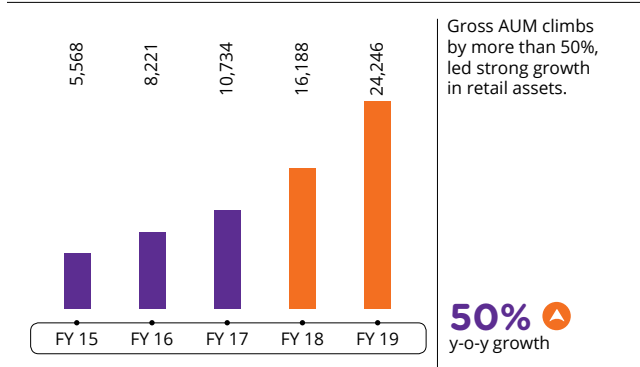


Strong Capital Adequacy, significantly above the statutory requirement of 7.5%. Consumed 240 bps of Tier I capital to drive growth.

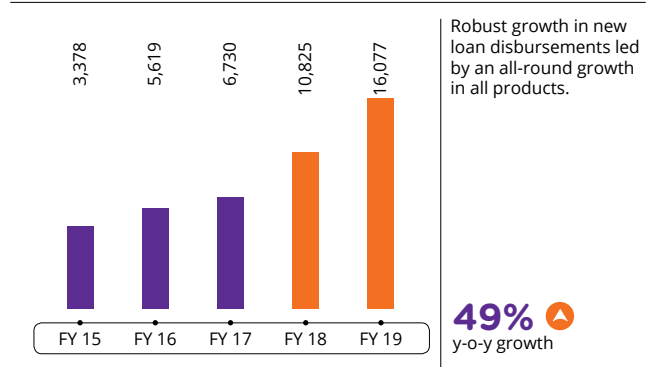
Note: Above nos./% have been inserted on the basis of latest regrouped/recast/restated nos./% as required.

Key business metrics

GROSS AUM (ON AND OFF BOOK) (₹ in crore)

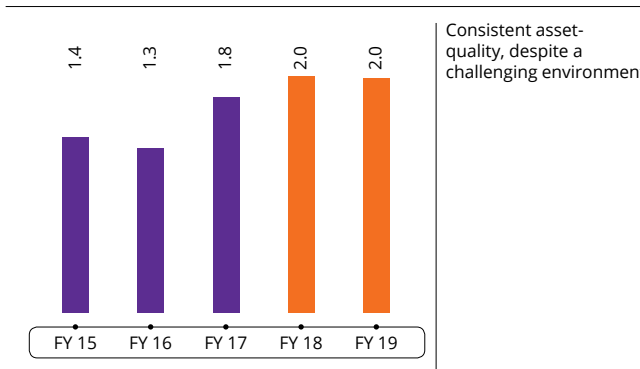


DISBURSEMENTS (₹ in crore)

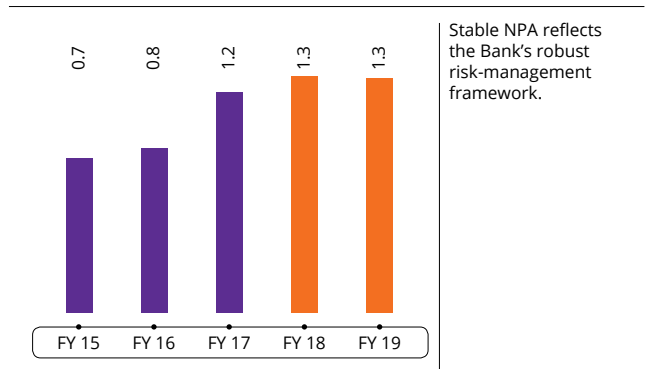


Asset quality metrics

GROSS NPA (%)

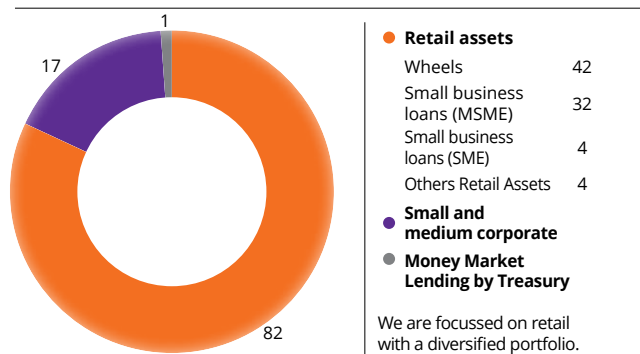


NET NPA (%)

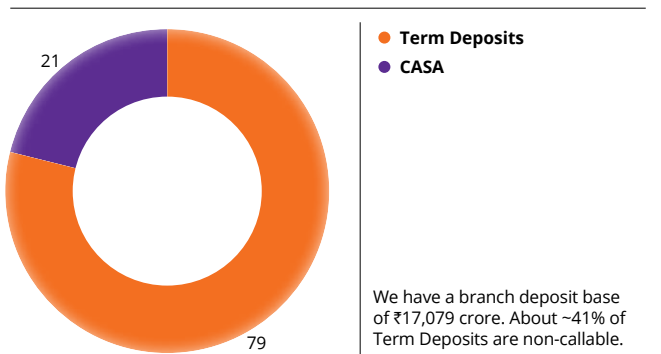


Business mix in FY 2018-19

ASSET (%)



LIABILITY (%)



Note: Excluding Certificate of Deposits

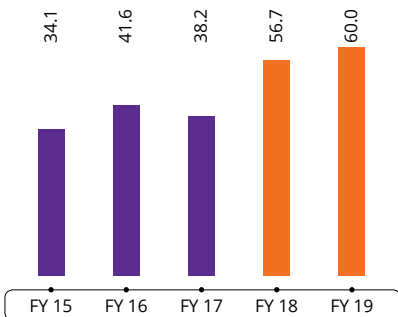


Operational metrics

- AU Small Finance Bank
- Au Financiers

COST-TO-INCOME RATIO

(%)

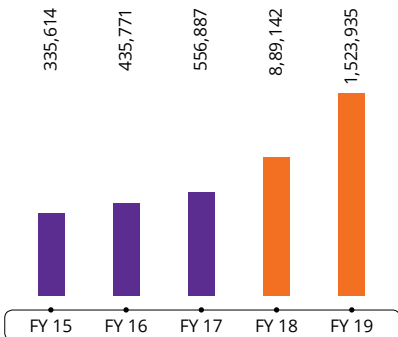


Surge in cost-to-income ratio due to bank transitioning cost, however it declined in Q4 (58.3%)

334 bps ▲
y-o-y growth

LIVE CUSTOMER ACCOUNTS

(No.)

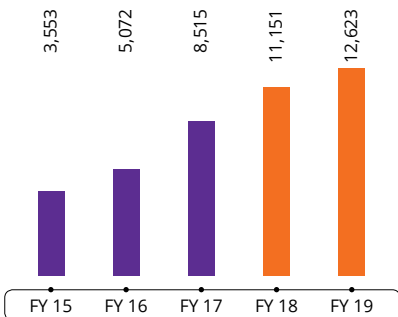


Number of customer accounts has grown across our asset and liability franchises.

71% ▲
y-o-y growth

EMPLOYEE STRENGTH

(Nos.)



Added 1,472 new employees.

13% ▲
y-o-y growth



Deeper Outreach

Expanding distribution network

Over the years, we have successfully adopted a strategy of contiguous expansion across regions. This has enabled us to grow our footprint across 11 states and Union Territory. Our long standing track record of serving the unserved and underserved has yielded strong customer loyalty.

We have followed a contiguous expansion strategy, enabling enhanced operational efficiency and optimal turnaround time. Over 62% of our branches are now in rural and semi-urban areas (Tier 2 to Tier 6).

NEW BRANCH EXPANSION

During the year under review, we received the RBI's approval for 142 new banking outlets and identified 27 key locations, including in Mumbai, Delhi and Pune for roll out in first phase in FY 2019-20.

OUR DEEP DISTRIBUTION OUTREACH ENSURES

1

Strong customer connect

3

Ease of operations

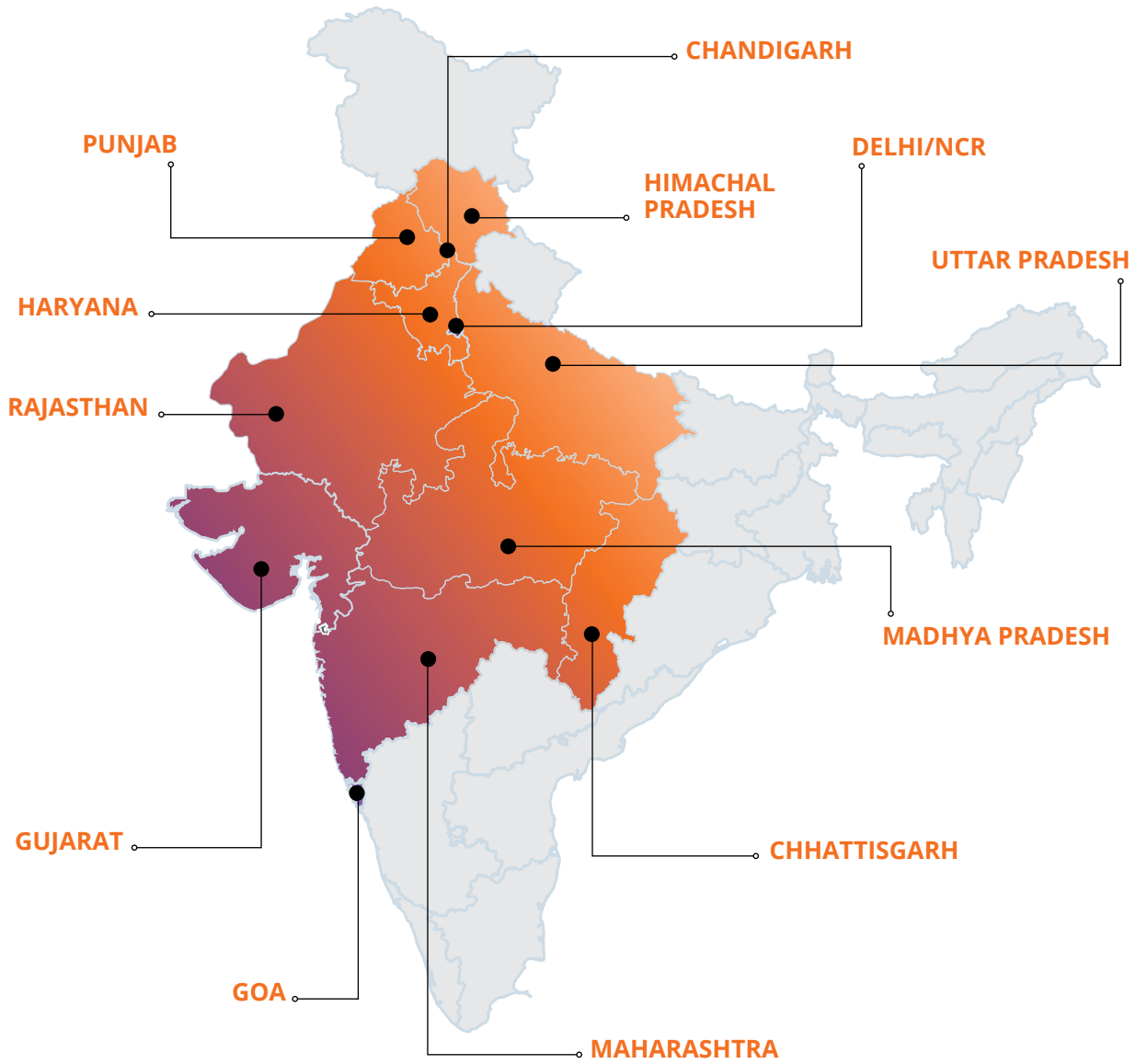
2

Strong referral checks and credit assessment

4

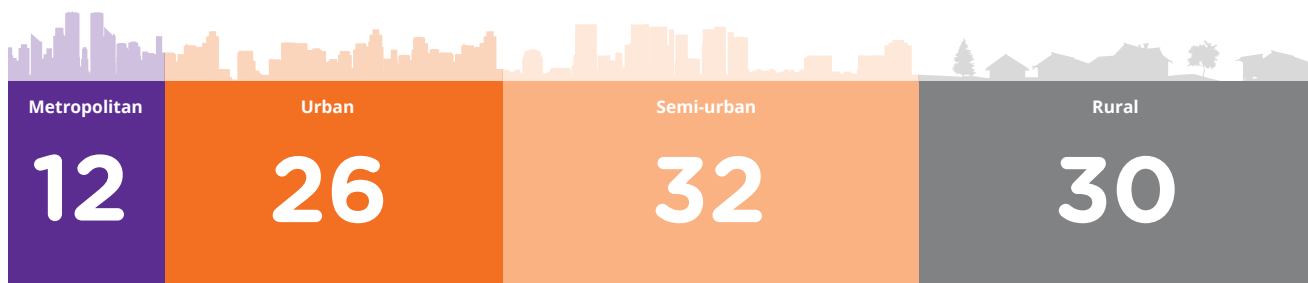
Local employment generation

GROWING PAN-INDIA PRESENCE



Branch distribution

(%)

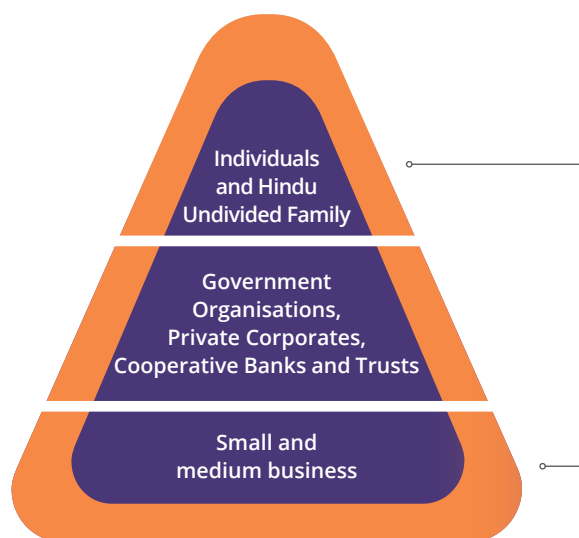


States	Metropolitan	Urban	Semi-urban			Rural		Rural/ Unbanked		Total branches and BOs	Asset centres
	Tier 1	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6	Tier 5	Tier 6		
Rajasthan	16	23	19	43	21	3	3	-	84	212	31
Madhya Pradesh	5	16	7	9	-	-	-	1	16	54	9
Gujarat	8	20	4	5	3	-	-	-	2	42	14
Maharashtra	12	16	6	2	1	-	-	-	3	40	12
Punjab	1	11	4	2	-	-	-	-	3	21	6
Haryana	1	11	1	1	-	-	-	-	7	21	3
Chhattisgarh	1	4	-	-	-	-	-	-	-	5	2
Delhi/NCR	5	-	-	-	-	-	-	-	-	5	5
Himachal Pradesh	-	1	-	2	1	-	-	-	-	4	1
Uttar Pradesh	1	1	-	-	-	-	-	-	-	2	-
Chandigarh	-	1	-	-	-	-	-	-	-	1	-
Goa	-	-	1	-	-	-	-	-	-	1	-
Total	50	104	42	64	26	3	3	1	115	408	83
Branch Distribution	12%	26%	32%			30%		100%			

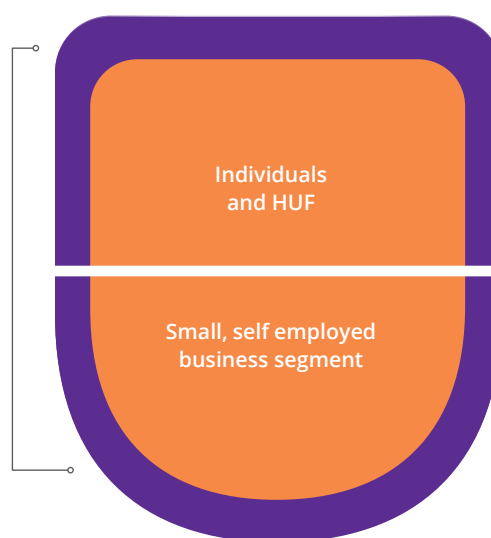
*322 bank branches; 86 BOs, 83 Asset Centres and 67 BCs. In addition to 292 ATMs, we have commenced operation of 251 ATMs in collaboration with RajCOMP Info Services Ltd. (RISL)/Cash Management Services (CMS).

OUR TARGET CUSTOMER SEGMENT

Liabilities



Assets

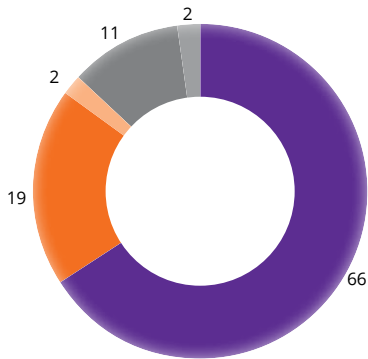


WIDENING DISTRIBUTION

We are focussing on direct and in-house distribution for business sourcing. We are also developing multiple alternative channels to broad base our business channels.

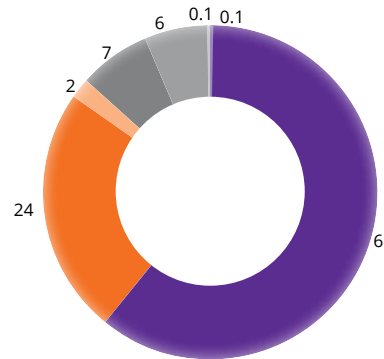
MULTI-CHANNEL DISTRIBUTION

DISBURSEMENTS FY 2017-18 (%)



- Sales Executives
- AU Value - Dealerships & equivalent
- AU Connect - Referrals & equivalent
- Telemarketing
- Employee Cross-sell (including AU BUSINESS mobile application)

DISBURSEMENTS FY 2018-19 (%)



- Sales Executives
- AU Value - Dealerships & equivalent
- AU Connect - Referrals & equivalent
- Telemarketing
- Employee Cross-sell (including AU BUSINESS mobile application)
- Banking Outlet (BO) & Business Correspondents (BC)
- Digital

During FY 2018-19, 4% of our asset & liability business was sourced through AU Business App.

Digital Footprint

New-age banking

At AU Bank, we have laid the foundation of a reliable digital presence to serve various customer segments with speed, precision and safety. Our digital strategy is to build a future-ready bank, offering omni-channel, convenient and cost-effective solutions to customers and automate a large part of the current business processes.

INDIA IS EMBRACING DIGITAL

With 566 million internet users, India is the second largest online market, second only to China (Source: World Bank). A large proportion of Indians are seeking online banking solutions, as internet users across the country grew significantly in the last few years. Digital adoption is now being propelled by rural India, registering a 35% growth over the past year. Internet users grew by 7% in urban India, reaching 315 million in 2018. India is estimated to have over 800 million mobile phone users in 2019 (Source: Statista).

INDIA OPPORTUNITY LANDSCAPE

41%

Growth in queries for Savings Accounts

3X

Rise in queries for 'Savings Account interest rate'

2X

Increase in queries for 'online Savings Account opening'

2X

Surge in queries for Business Loans

55%

Rise in searches for SME loans

1.5X

Growth in queries for Small Business Loans

60%

Surge in queries for Home Loans

61%

Increase in queries for Personal Loans

(Source: Google Year in Search, 2017)

DIGITAL STRATEGY

We have a three-step digital strategy for our customers.

1. Acquire

We are targeting customers with digital marketing campaigns conducted through internet or mobile banking app. Our customer acquisition model is propelled by a fully digital, assisted digital and phygital model.

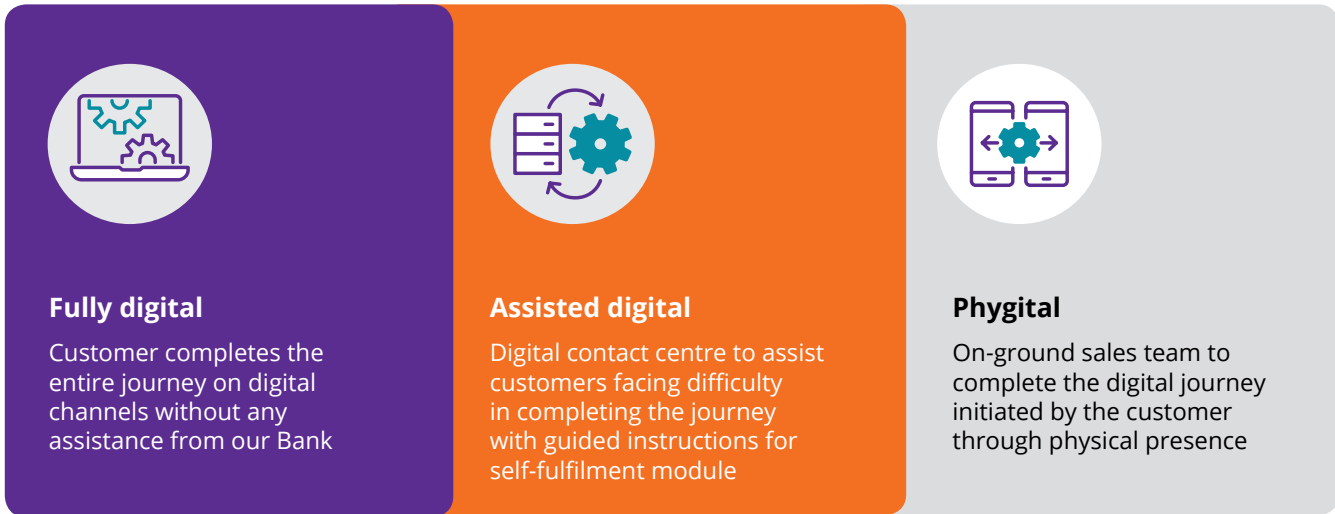
2. Engage

We will provide customers contextual and convenient services supported by big data, machine learning and artificial intelligence. Our objective is to integrate our digital offerings with our customers' daily requirements such as travel booking, cab and food booking, e-commerce services and other financial transactions.

3. Transact

We are gradually moving towards providing an entire bouquet of payment options including Unified Payments Interface (UPI), UPI 2.0, Immediate Payment Service and Bharat Bill Payment System for a seamless experience.

OUR WHOLESOME CUSTOMER ACQUISITION MODEL



BOLSTERING THE DIGITAL PARADIGM

- Key products that we are offering through the digital platform are Savings Account, Term Deposits, Two-wheeler Loans, Consumer Finance and Personal Loans. We intend to craft delightful customer journeys through our digital footprint.

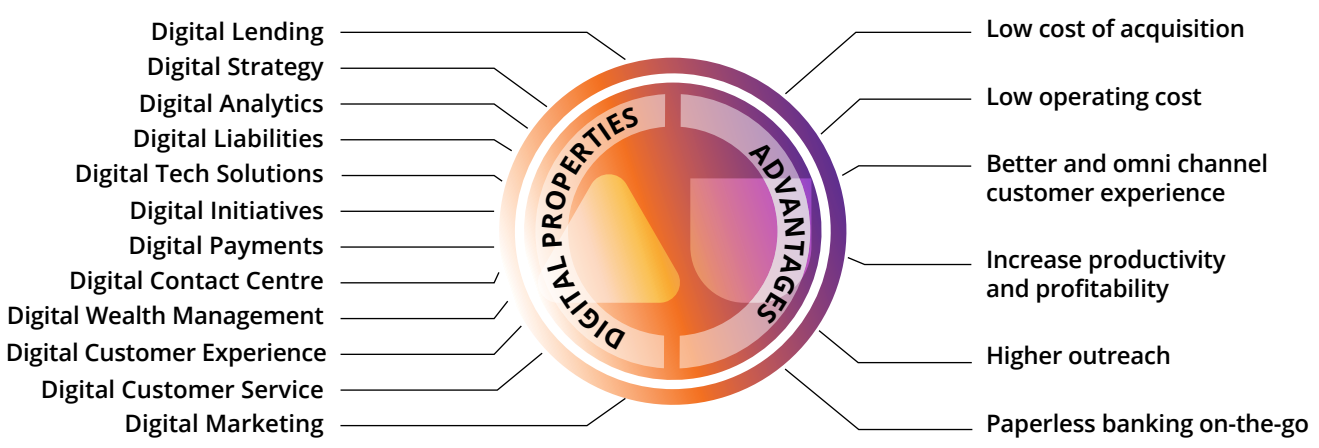
- Hiring the right talent and creating an omni-channel experience across various touchpoints
- Onboarding people with banking, non-banking and fintech experience for new-age banking solutions
- Crafting synergies with existing structures for a uniform banking experience
- Driving a shared vision to be the best-in-class digital bank

DOWNLOAD AND EXPERIENCE OUR AU MOBILE APP





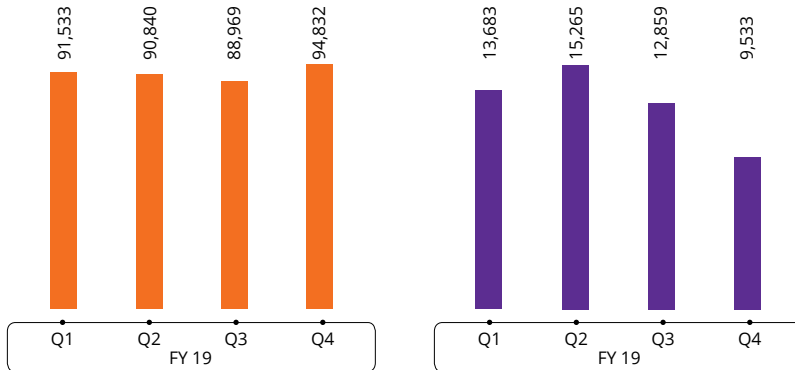

AU BANK'S DIGITAL VALUE PROPOSITION PLAN



OUR DIGITAL FOOTPRINT

TAB-BASED PAPERLESS ONBOARDING - SAVINGS ACCOUNTS OPENED

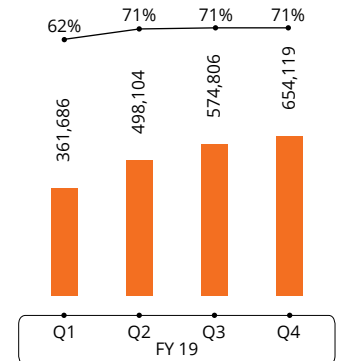
(Nos.)



● TAB ● Traditional

INCREASING DEBIT CARD PENETRATION

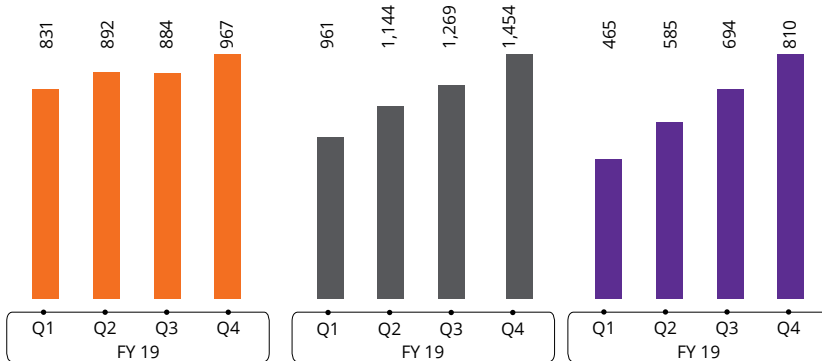
(Nos.)



● No. of active debit card users
→ Debit card penetration

DEBIT CARD TRANSACTION VOLUME

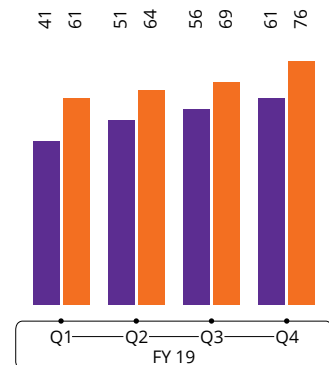
(in '000's)



● AU BANK ATM Network ● Shared Network ● POS & ECOM transactions

ALTERNATE DELIVERY CHANNEL TRANSACTION

(₹ in lakh)



● Total CBS transaction
● Total ADC transaction

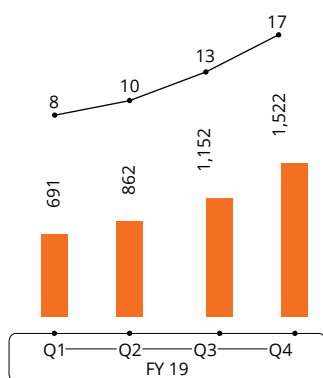


~2,400
POS MACHINES INSTALLED

~7.7 LAKH
TRANSACTIONS WORTH
₹120 CRORE IN FY 2018-19

INTERNET & MOBILE BANKING TRANSACTIONS

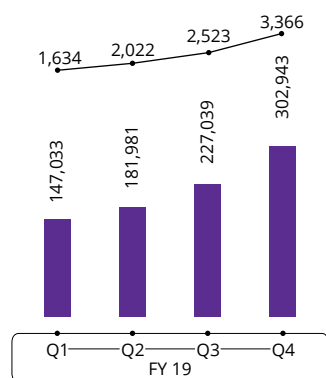
(₹ in crore)



- Mobile & Internet Banking transactions
- ➔ Mobile & Internet Banking transactions per day

INTERNET & MOBILE BANKING USERS

(Nos.)



- No. of Mobile & Internet Banking transactions
- ➔ Avg. No. of Mobile & Internet Banking transactions per day

CONSUMER FINANCE

We have started offering Consumer Finance through online (paperless) channels. We facilitate online sourcing through our technology partners covering e-commerce portals. We have signed up with a partner to improve rural product availability. We also have an offline digitally assisted model at our branches.

ONLINE LEAD GENERATION

We started an online lead generation and tracking application for our employees.

AU BUSINESS APPLICATION FOR LEAD GENERATION IN FY 2018-19

	Leads converted (No.)	Value of business (₹ in crore)
Retail assets	9,884	614.0
Liability business leads	39,891	139.0
Business banking	376	337.0
Total	50,151	1,090.0



Data and Analytics

Harnessing the power of data

We are progressively leveraging the abundance of data within our system and the external world to design products and experiences that are customised to their needs.



STRENGTHENING THE DATA ANALYTICS INFRASTRUCTURE

We are building a robust data and analytics architecture at the Bank. We completed Extraction Transformation Loading (ETL) implementation—Oracle Phase I—for faster retrieval of clean data. We also adopted an interactive dashboard—Oracle OBIEE Phase 1—for automated, interactive, scalable and secure dashboards that cater to ever-increasing reporting needs of the organisation.

We are also preparing for artificial intelligence (AI) and machine learning (ML) readiness by implementing SAS VIYA, which will enable us to be future-ready for AI/ML adoption.

DEVELOPING THE ANALYTICS TEAM

We are building a team of professionals to enhance our forte in customer analytics, risk analytics, people analytics, digital analytics, data distribution and competency. We are recruiting from Tier I engineering and management institutions to build a robust team.

CAPTURING QUALITY DATA

We are focussed on quality data capturing at the source and training our people on the importance of data. We are building a strong culture and conducting awareness programmes on importance of data, which along with other steps is helping us lay the foundation for quality data analytics.

We foresee data analytics as a crucial element in our growth story, helping us scale in the most cost-effective way through:

- Acquisition of new customers and implementing a faster customer on-boarding process
- Credit decision-making
- Customer servicing
- Collections and cross-selling

APPLICATION OF ANALYTICS ACROSS FUNCTIONS

Business analytics

- Operating loan origination propensity models for wheels and small business loans
- Using POD and propensity models to identify the right set of customers for cross-sell campaigns
- Utilising historical data analysis to align incentive policies with business goals
- Identifying the best unbanked locations for opening branches through location analytics
- Operating loan application scorecards and auto-approve algorithms designed for wheels, already deployed for Consumer Finance
- Identifying and tracking repeat purchase
- Profiling customers from various source systems
- Recognising key business drivers—Product Per Customer (PPC)—with customer-centric business approach

Collections and risk analytics

- Predicting default for early vintage customers through Probability of Default Model
- Identifying customers with high/low contact-ability through a Customer Contact-ability Model
- Recognising customers who are going to pay in a given month—current, 1st and 2nd bucket—through collection predictability
- Optimising collection allocation, based on collectability of customer
- Pricing of Consumer Finance based on risks
- Simulating collection roll rates, right up to the 12th bucket

Human resources analytics

- Tracking employee attrition, analysis and prediction
- Using Roll Rate simulator for ACR prediction and manpower planning
- Mapping employee performance to help them grow and contribute to organisational growth

₹ 50 crore+

Business sourced through analytics driven programme in its first year of operation

Data is precious. It is going to last longer than organisations' people, processes and systems.

Bankable

If our customers aspire for something, we make it happen. We go the extra mile and work beyond banking hours to reassure our customers that we care, resulting in deeper customer trust and more repeat business.

Our teams are our true brand ambassadors who are hired from communities we operate in. We are driven by a dynamic leadership and robust governance framework.

Our business mandate is to mainstream the financially disadvantaged. Besides our business teams, our CSR arm (AU Foundation) also works for strategic community development.

Our comprehensive product portfolio, focus on customer convenience, compliance & risk management framework and building trust through community, marketing and CSR initiatives make us a bankable brand.



Strong brand
prominence in
geographies that we
are present in

Experienced
and dynamic
team of
bankers

Robust and
credible risk
management

**BANKABLE
PROPOSITION**

Diligently
fulfilling social
commitments
as a responsible
bank

Brand AU

Crafting a reliable brand

Our branding initiatives revolve around showcasing our key brand attributes that we have nurtured over the years. These attributes are reliability, equality, transparency, convenience and customer centricity. We are strengthening our brand salience through various impactful activities and communication.

MARKETING THROUGH SOCIAL ENGAGEMENTS

AU Bank marketing connect is a year-long marketing programme, which reaches people residing in the vicinity of our bank branches. The initiative touches 11 states and Union Territory where we operate. The objective of this project is to build an emotional connect with customers and provide a platform for our team to pitch our products and services. In FY 2018-19, we reached over 1 lakh customers through various social engagement programmes including:

AU Bank SMS Gold Vase Polo Tournament

We stepped into the polo arena with Jaipur Polo Season in January 2019. This was the first time that we tied up with the renowned SMS Gold Vase Polo Tournament, which was renamed as 'AU Bank SMS Gold Vase' Polo Tournament. The 8-goal tournament was scheduled in the second week of January at Rajasthan



Polo Club (RPC), Jaipur. It also witnessed the participation of our polo team AU Bank Jaipur Polo Team.

Tree plantation

This programme has a social message (Green India, Healthy India) and encourages tree plantation. As part of this project, we distributed over 10,000 saplings in 100+ cities and villages. We connected with people in nearby housing societies, offices, temples, public parks and

presented them with plants; while we participated in various plantation drives near different social institutions.

Other initiatives

We also conducted Diwali Puja kit distribution, Say No to Plastic programme and retail connect, at various locations.



ON GROUND ACTIVITIES

As a bank, we initiated many on-ground activities like 'Just-a-Minute' and 'GST Doctor' activities to target traders; health check-up camps to reach senior citizens; mall and society activations; school and college activities and more to touch different segments of society. One of the major below-the-line activities was AU Festival Fungama to reach families.



Festival Fungama

Festival Fungama is a platform for all families residing in an area to come together and have fun collectively. It also provides us the opportunity for business development through lead generation. The platform offers us a chance to educate prospective customers about the benefits of our products and their features. Our trade partners Future Generali Life Insurance (FGLI), Maruti, Hyundai and Honda also participated with us in this programme.

EVENTS AND SPONSORSHIP ENGAGEMENTS

We regularly participate in sponsorship engagements and events across the country to create brand salience with our customers. Some of the key initiatives in FY 2018-19 were:



Paakhi

Paakhi is an exclusive programme to provide relief to distressed birds in the fierce summers of Rajasthan, Delhi, Madhya Pradesh, Gujarat, Haryana, Punjab and Maharashtra. We distributed 9,000+ clay utensils among community members near our 52 branches and encouraged them to keep water in them for birds. We associated with shop owners, corporates, government employees, devotees in temples and households through this initiative. This programme received appreciation from all quarters.

AU Bank Jaipur Marathon 2019

We have been champions of a healthy life, and this translated into our title sponsorship of the 10th edition of AU Bank Jaipur Marathon in 2019. The programme witnessed the participation of 52,000+ runners. The marathon was attended by fitness enthusiasts, celebrities and dignitaries from different walks of life. Besides, over 1,000 AU Bank employees ran the marathon.



Garnering eyeballs and mindshare in Indore and Sangrur

Following the success of the Jaipur Marathon, we also enhanced our visibility in the Indore Marathon and Sangrur Marathon with the message of a healthy life.

Garba at Ahmedabad

Garba is one of the biggest festivals of Gujarat, which brings a strong connect among local communities. AU Bank also participated in one of the leading Garbas of Ahmedabad, which was attended by more than one lakh people, including many social influencers across nine days of Navratri festival. This helped us build a strong brand connect and recall.

BRAND VISIBILITY

Our focus has been on driving AU Bank visibility at catchment areas of our branches. This has helped in building a strong brand recall and build credibility. Society gates, 'no parking boards', direction signages, park and temple branding were conducted across our core markets. To capture the mindshare of potential customers, co-branded boards were installed at various government offices and mandis, among others. Branding at key airports was carried out to build brand premiumness.

SOCIAL MEDIA PRESENCE



3 lakh+
Followers

Customer centricity

Customers bank on us

Our endeavour is to catch the imagination of our customers and provide them customised solutions. Moreover, our focus is on delighting customers with a convenient banking experience throughout their journey with us.



CREATING A STRONG ASSET BASE BY 'WOW'ING CUSTOMERS

Enhancing market penetration with local personnel

Our journey towards delighting customers begins by understanding their requirements. Therefore, we hire local personnel who recognise customer needs and remain close to them. This strategy further encourages repeat business, leads to referrals and increases collection efficiency, apart from building enduring relationships with our customers.



Delivering customer service in local languages

Around 400+ seater call centre is operational for handling all customer service queries, along with tele-calling, which is focussed on originations and collections. The calling services are offered in English, Hindi and vernacular languages for ease of Banking with us.



Building bonds with dealers and manufacturers

We have enduring relationships with vehicle manufacturers and dealers for benefits of our customers. This facilitates favourable financing agreements with them that enable us to garner more business and simultaneously providing easy access to finance.

ENHANCING CUSTOMER CENTRICITY

Showcasing value proposition of our products and services

We facilitate hassle-free tab-based account opening, delivering seamless services to our customers. Besides, we display our different products, along with their top three unique selling propositions, in our branches. As a result, we create strong recall value for our various products and services among customers for future use or generated referrals.

Focussing on customer convenience

We provide true 'anywhere banking' and have done away with the concept of 'home branch'. We offer extended banking hours and 'auto-upgrade' features. At our

branches, we have no deposit slips and we have reduced forms to increase convenience of our customers.

Offering unique features

We provide monthly interest pay-outs on deposits, paperless and digital customer acquisitions, extended banking hours, Real Time Gross Settlement (RTGS), among others.



Fueling hopes for the gold



I was a rickshaw puller but a chance meeting with an AU Bank representative changed my life. They gave me a loan for my loading vehicle. Now my monthly income has tripled and I can save enough to refocus on my body building dream. I hope this time I win gold at the national championship.



Mr. Sharad Savang was a professional body builder from Indore who had once won the 'Mr. Indore' title. However, to make ends meet, he was forced to start pulling a handcart in the local cloth market. He earned a meagre ₹600 every day and the tedious labour robbed him of his hard-earned physique. He became frail and the body building ambition became a distant dream.

A chance meeting with a representative of AU Small Finance Bank turned out to be a life changing moment for him. He suggested Sharad to buy a loading vehicle so that both his earnings and physique could improve. AU Bank provided him a quick and hassle-free vehicle loan. Soon, Sharad bought his own loading vehicle and within two months he almost tripled his monthly income.

Now Sharad has enough money to send his children to school, take care of his parents' health, live a better quality of life and save for his future too. He is taking the right diet and is back to rebuilding his body building dream. He has already won some contests and now he is preparing to win the gold in national championships.

Lending wings to passion



I owe my success to AU Bank. Getting my loan approved was really easy and it provided the much-needed boost to my business.



Mr. Manish Kumar Sharma is a Kolayat-based event manager and photo studio owner. He recognised the importance of drone technology in developing his business and wanted to buy the necessary equipment for it.

Our Kolayat team had approached Manish to open an account and on further enquiry realised that he lacked adequate funds to obtain the drone camera gear. Besides, Manish was clueless about the right place from where to acquire the gadget, as Kolayat does not offer such products for purchase.

Our team suggested the possibility of procuring the product online at easy EMIs. Manish readily agreed. The loan application was accepted within 15 minutes and the device was delivered to his doorstep in three working days!

The new gadget helped Manish build his brand as a leading event manager and photographer in Kolayat. His satisfaction with AU Bank is demonstrated in his plan to purchase a DSLR HD Camera next, with a loan from AU Bank.



Competent Team

Wealth of opportunities

At AU Bank, we are committed to empowering our employees to remain agile, providing opportunities for continuous learning, building strong relationships and do even the ordinary things extraordinarily every day.

Our team's hard work and ideas go a long way in realising the dreams and aspirations of everyone who is connected to us, whether it is by bringing prosperity to the unbanked or touching the lives of communities in which we operate. Our team is not just doing a job, but they are helping transform the nation, because we believe that there is no greater joy than creating wealth of opportunities for everyone.

At AU Bank, we believe that everyone has a unique potential and a hidden talent. Which is why we constantly inspire our employees to discover their true talents, hone their skills and achieve perfect their true potential.

THE PEOPLE PHILOSOPHY AT AU BANK

There are three supporting pillars of our people philosophy - Build, Connect and Reimagine

Build

We believe that every individual has a unique potential and we offer our people a chance to learn and grow every day. We are a dynamic and growing Bank and our Employees will grow with us.

Connect

Over the past more than two decades, we have been doing extra ordinary things and we continue to be like that. Our belief that the power of collaboration and relationships is imperative, and this has helped deliver excellent Business outcomes. We connect with our people and

foster enduring relationships to help them create value not only for the Bank, but also for the country, society and themselves.

Reimagine

We have been challenging the status-quo and creating prosperity for all since inception. The way we go about doing our Business is not only about Business growth, but reimagining possibilities for our customers, employees, partners & investors and making an impact.

12,623

Total team size

27,000

Participants across 19 different types of trainings conducted in FY 2018-19



Build



Connect



Reimagine

We empower our people to grow with us. We offer opportunities for consistent learning. Today, every member at AU Bank has a unique story to share on how they've grown with the organisation.

We engage with our people using various methods, including townhall meetings, regional meets and recognition programmes. These platforms allow us to motivate our team and connect with our people better. Some of our key employee engagement activities include:

TOWNHALL MEETINGS

Townhall meetings promote awareness among employees about new sales & marketing plans, new customers, sales milestones and new products & services. It's a branch-level initiative where all business leaders and respective team members of the branch gather to review macro-level performance numbers, felicitate **'Employee of the month'**, define future targets and discuss focus areas of the current month.

Townhall meetings help us build trust and cohesiveness as a unit and develop a channel for effective communication.

REGIONAL LEADERS MEET (RLM)

We have initiated the concept of RLM meet where the leaders (typically influencers in the region) come together for strategic-level discussions on how to improve the performance of the region. They also deliberate on important issues (if any), and make action plans for business enhancement by outlining a clear set of responsibilities and accountabilities.

RLM enhances collaboration and inter-departmental synergy, along with better understanding that leads to cross-pollination of ideas and trust building to achieve organisational objectives.

EMPLOYEE RECOGNITION PROGRAMME

Employee recognition programme is an integral part of AU Bank. It offers us a chance to recognise the performance of our people and reward them—by nominating them for foreign tours to celebrate their success—building an emotional connect with them as well. It helps our team feel empowered and motivated.

In FY 2018-19, we organised an event for 15% of our people to celebrate their success and performance in planned programmes at overseas locations. The events reinforced our Bank's performance-driven culture.



PIVOTAL ROLE IN EMPLOYMENT GENERATION

We are associated with the Government of India's skill development programme for providing employment opportunities to youth in rural and semi-urban India. This is a testimony to our responsibility towards the nation and unwavering focus on touching unbanked areas and creating employment opportunities for the youth around us.

EMPLOYEE OWNERSHIP

We offer Stock/Equity Incentive Plans (ESOPs), where we grant the option of acquiring Equity Shares of the Bank at a future date and at a pre-determined price to all our people. The best part of the scheme is that all employees, irrespective of levels, are eligible based on their performance. We ensure to make our people a part of the AU growth story by sharing ownership and accountability.

1,941

Employees have ESOPs as on 31st March 2019

Financial Inclusion

Serving the unserved and underserved

Since our inception, we have steered financial services to the remotest corners of the markets we serve. Inclusive financing remains at the core of our purpose, leading us to serve unserved and underserved communities.

Our wide market penetration and deep understanding of the rural and semi-urban economies enable us to create a platform that facilitates Financial Inclusion (FI). Over the years, we have benefitted over a million people with our various FI initiatives. We have funded micro/small enterprises, which could not secure credit due to lack of formal income documents, credit history and banking services in remote areas.

KEY FINANCIAL INCLUSION HIGHLIGHTS, FY 2018-19

~28.43%
Branches in UBRs*
(including BOs)

~80%
Assessed
income cases

~79%
of Gross Loan
AUM# in PSL[§]

~39%
Customers with
no CIBIL history

~34,000
BSBD[^] Accounts

~₹ 3,400 crore
MUDRA[@] loan disbursement

*Unbanked Rural Area | ^Basic Savings Bank Deposit | §Priority Sector Lending | @Micro Units Development and Refinance Agency

OUR FINANCIAL INCLUSION CUSTOMER PROFILE

- Drivers
- Small transport operators
- Kirana shops

- Hardware and electrical shops
- Fabrication units
- Flour mills

- Educational institutes
- Carpenter and furniture works
- Small restaurants

- Dairy
- Small manufactures and traders

REACHING THE INTERIORS OF INDIA

Most of our branches ~62% are in rural, semi-urban and unbanked rural areas (UBR) areas, with 86 banking outlets in UBRs. We have ~4,03,000 deposit accounts in these markets, where overall deposits for the year was recorded at ~₹2,200 crore. We have tied up with RajComp Info Services Limited (RISL) for the launch of up to 1,000 ATMs in the interiors of Rajasthan, of which 251 ATMs have already commenced operations.

CATERING TO UNSERVED AND UNDERSERVED CUSTOMERS

We serve customers with limited or no access to organised finance through our deep understanding of their needs and a robust local team. We provide loans to borrowers with no/low credit history by analysing the business, which enables them to grow in the right way.

Around 59% of our gross loan AUM were of a ticket size below ₹25 lakh.

STRENGTHENING OUR DIGITAL PRESENCE

We enabled digital services for our FI customers. They can now open accounts at their doorstep with minimal paperwork for all their banking requirements.

We facilitate paperless hassle-free banking with 80% of our Bank accounts being opened through tablets in rural and semi-urban areas. We also have a Financial Inclusion app for our Business Correspondents (BC), which helps them in cross-selling assets, EMI collections, cheque drop at their locations.

Additionally, we are patronising Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and issued 650 policies. We also offer Pradhan Mantri Suraksha Bima and we will soon launch Atal Pension Yojna. We will also unveil Unified Payments Interface (UPI) and Unstructured Supplementary Service Data (USSD) gateways.

EVANGELISING INSTITUTIONAL BANKING

We organised ~300 financial literacy camps, which helped provide comprehensive education regarding the benefits of inclusive banking to over 23,000 people.

USING UNIQUE EVALUATION TECHNIQUES FOR FI TARGET CUSTOMERS

In most cases, our customers are not formally registered and do not have proper income proof. We have devised various unique ways to assess such borrowers, including evaluating their purchase bills, visiting business premises and examining the turnover through informal sources, diaries, registers and others. We further include reviews of guarantors, references, existing customer recommendations, along with general viability of the business to complete the assessment of borrowers. The approach allows us to further the financial inclusion agenda and bring more people into the formal banking channel.

REPLACING THE LOCAL SAHUKAR

Our target customers reside in rural and semi-urban India and include low and middle-income individuals with micro or small businesses. They mostly connect with the local *sahukar* (money lender) for their financial requirements, primarily because of proximity, minimal documentation requirements and fast disbursements of cash. The *sahukar* lends where a bank generally avoids, as he is well informed about everyone's sources of income and ability to repay.

By reaching the remotest corners of India with institutional banking services, we seek to serve the underserved and unserved populace, helping our customers stay away from the clutches of the moneylender and achieve their aspirations.

Supporting Communities

A socially responsible bank

We undertake several social initiatives to elevate the communities in which we operate. To better implement these projects, AU Foundation, the CSR arm of AU Bank in FY 2018-19 was registered. We aligned our core competence and sectoral expertise with the communities' requirements and identified key pressing areas for developing our CSR programmes.



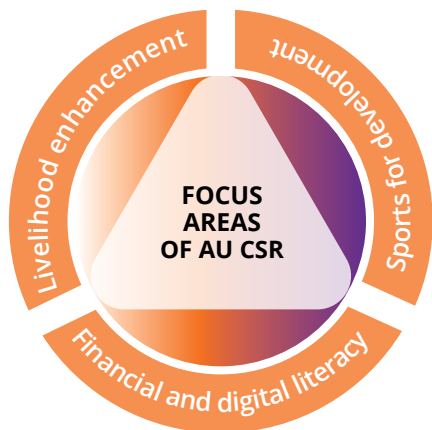
Our livelihood enhancement programme functions at two different platforms by delivering skill development opportunities to urban and rural marginalised communities through our training centres:

- AU Skills Academy
- AU Udhogini – A Self Employment Training Centre

AU Skills Academy

AU Skills Academy caters to youth from the low-income segment by offering vocational skilling programmes, along with grooming sessions to prepare them for future professional life. The academy focusses on soft skills like communication, presentation, leadership, teamwork, language proficiency and personality development, which are essential for holistic development of an individual.

We inaugurated the first academy in the heart of Jaipur (Ramesh Marg, C-Scheme) and the second academy is coming up at Gopalpura Road, Jaipur.



LIVELIHOOD ENHANCEMENT

Since inception, AU's philosophy has been to facilitate asset-backed loans, enabling the borrower to expand his/her business and create wealth for self and others. Over the years, we have consistently lent to first-time entrepreneurs and youth, who ventured out to write their entrepreneurial stories. Hence, through our CSR, we wanted to follow the same approach and reach out to people who are willing to take up the challenge.

150+

Youth benefitted from AU Skills Academy



Skill developed	Number of workshops	Location
Mangodi Making Workshop	3	Jobner area, Jaipur
Zari and Embroidery Skill Training	1	Kanota, Jaipur
Rajasthani Lugdi Making	2	Jobner area, Jaipur
Nursery Raising and Vermicompost Making	5	Jobner area, Jaipur
Food Processing (Turmeric, Chilli and Coriander)	2	Jobner area, Jaipur



AU Udyogini

As the name suggests, this programme aims at empowering rural women with self-employment opportunities. We identify villages where a group of women are trained in an income generating skill required in their immediate geography, along with multiple soft skills and business skills. They are also taught about market linkage for procurement of raw materials and selling the finished product. The objective is to transform them into village-level entrepreneurs with a sustainable business model. Till March 2019, we had organised 13 workshops.

175+

Women benefitted from AU Udyogini project.

FINANCIAL AND DIGITAL LITERACY

Our primary agenda as an SFB is to enable financial inclusion and build a strong banking and financial ecosystem for the unbanked and underserved masses. Therefore, our objective is to facilitate easy access to funds for rural Indians, small business units, small and marginal farmers, micro and small industries, and unorganised sector entities.

In delivering services to the underserved and unserved, we witnessed the lack of financial literacy, which impedes their adoption of formal financial services necessitating our focus on financial literacy.

Over the years, we have organised financial and digital literacy camps at remote and rural locations to educate people about the basics of banking and financial products. We use creative infotainment to make learning interesting and keep our audience engaged which encourages them to select the right banking products.

We use *nukkad nataks* (street plays), one-to-one surveys, financial awareness campaigns and puppet shows to deliver these workshops.

The objective is to mobilise people and deliver information about the banking system, various banking products and social security schemes like the PMSBY, PMJJY and APY. The camps also show RBI-approved educational videos and distribute financial awareness booklets. We also support the participants to connect with the banking ecosystem and clarify their queries on banking services.

The camps have been successful in building trust and confidence towards formal banking services among villagers.

23,000+

People benefitted from AU financial literacy camps

SPORTS FOR DEVELOPMENT

We believe that sport plays a crucial role in character development and providing life lessons. At AU Foundation, we are helping to bring out the best in children, from rural areas, by encouraging them to take up sports.

AU Sports Village

AU Sports Village is a sports intervention programme that aims to bring about a social change in the rural community. It is a multi-faceted programme, involving children across social groups, focussing on diverse physical, mental and emotional development.

250+

Children benefitted from AU sports village



WATER COOLERS INSTALLATIONS

The availability of potable water is important for national public health. Over the years, we have installed 110+ safe water dispensers and chillers in high-density locations in and around Jaipur.

OTHER PROJECTS

We have other community development programmes that include:

Pratham Shiksha Charitable Trust

We financially support the Pratham Shiksha Charitable Trust for operating schools for underprivileged children in the Jaipur district. The trust focusses on collecting funds and channelising

them to improve the quality of education in India.

Government of Kerala CM's Distress Relief Fund (Kerala Flood in 2018)

After the catastrophic floods in Kerala in 2018, the Bank contributed towards the CM Relief Fund.

Health camps and eye check-up camps

We have been associated with the Shekhawati Agrawal Samaj in providing affordable and free healthcare services to the urban poor. We collaborate with them to organise monthly health and eye check-up camps in Jaipur. We sponsor these events, which leads to free OPD service for eye check-up.

Alternative Development Centre (Vikalp Vikas Kendra)

The Alternate Development Centre (ADC) is a non-profit organisation, which works for the development of slum children and adults who have been devoid of opportunities. It aims to promote education and skills, especially among women and children of slums. Currently, it has

three development centres in various Jaipur slums and runs a school and skill development centre benefitting over 130 children.



OUR IMPLEMENTATION PARTNERS

Partner	Objective
Akshaya Patra Foundation	A not-for-profit organisation that seeks to eliminate classroom hunger by implementing the Mid-Day Meal Scheme in government schools and government-aided schools
Ambuja Cement Foundation	An organisation that implements grassroot-level programmes across India harnessing the power of partnerships between communities, government, corporates and non-government organisation to help resolve pressing community issues and foster prosperity
Round Table India	An international friendship organisation, comprising businessmen, entrepreneurs, technocrats and professionals, who can rise above personal concerns to seek and serve the larger needs of the community
Gram Chetna Kendra	An NGO that recognises the needs of Rajasthan's rural communities and works towards helping individuals to overcome their barriers or challenges
Lok Kala Jagrati Vikas Sansthan	A non-profit organisation of Rajasthani folk artists who are engaged in driving financial and digital literacy through <i>nukkad natak</i> , puppet shows, folk songs, folk dances and other forms of unique infotainment
MOHAN Foundation	An NGO that encourages organ donation

NUDGE TO MAKE A DIFFERENCE

Asim Kumar completed his graduation with flying colours in the small town of Dehra. Like most small-town youngsters, he dreamt of moving to a big city with a white-collar job. After moving to Jaipur with some friends, Asim got confused about how to fulfil his aspirations as he was faced with several options.

That is when he came across AU Skills Academy's programme and enrolled. This programme offered him abundant skill sets bundled with life skills such as communications, grooming, etiquette, interpersonal skills and many more, which could enable him to grow both professionally and personally.

Today, Asim is a confident youngster and says "I can now speak confidently in Hindi as well as English, and this has been my biggest achievement that affects many aspects of my life".

ADDING A SILVER LINING

Uma Shankar hails from an economically backward family in Jaipur. He could not pursue his education post his higher secondary examinations and joined his father as a barber's assistant due to financial challenges.

He found about AU Skills Academy's Vocational Skilling Course and joined it. Before joining the course, he used to be a shy young man with weak communication skills. After completing the course, his life turned around as he received a placement with Satin Credit Care Network Limited as a Community Service Officer.

He is now helping his family financially and is an asset to his company as well. Uma Shankar says, "Discipline and grooming learnt in the academy is what makes me different in my organisation and society as well."

Risk Management

Safeguarding our business

At AU Bank, we have developed a three-step risk monitoring process, which allows us to identify, assess and mitigate existing as well as potential risks to our Bank. Our risk framework helps us identify existing and potential risks in the product and processes of the Bank. In the Bank, risk management is an independent function, which monitors Operational, Market and Credit risks.



We have an integrated Risk Management function, which is independent of business functions and is entrusted with the responsibility of managing Credit Risk, Market Risk, Assets-Liabilities Management (ALM), Operational Risk and Information Security Risk. We have set up a Risk Management Committee at the highest level of our Bank to examine risk mitigation policies and procedures, monitor adherence to various risk parameters, and set prudential limits for various departments. We have maintained a conservative approach to risk management, helping protect customers and investors interest. By prudently aligning our risk appetite to our business strategy, our goal is to deliver sustainable long-term return to shareholders.

OPERATIONAL RISK MANAGEMENT (ORM)

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

FRAUD RISK MANAGEMENT

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

VIGILANCE RISK

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

CREDIT RISK MANAGEMENT

All aspects of Credit Risk are governed by the Credit Risk Management Policy managed by the Credit Risk team. The Credit Risk unit scope includes measuring, assessing and monitoring credit risk within our Bank. We laid down prudential limits and caps on various aspects to control the magnitude of credit risk. Rigorous risk reporting and controlling mechanism is prevalent throughout the organisation. Loan Administration and Monitoring is done through Portfolio Profiling, Early Warning Framework, Rapid Portfolio Review and Annual Monitoring of High Value Customers. We have in place an integrated risk measurement framework

that captures all components of market risks, including volatility and unpredicted movement in the market value of the investments.

LIQUIDITY AND MARKET RISK MANAGEMENT

The Asset Liability Management Committee (ALCO) of our Bank oversees the framework for identification measurement and management of market risk, interest rate risk and liquidity risk in our Bank and ensures compliance with established internal and regulatory, prudential limits. ALM helps in strengthening the framework to ensure that enough liquidity and contingency buffer are maintained for the banking business.

We have put in place an integrated risk management framework that captures all components of market risk, including volatility and unpredicted movement in market value of the investments. Market risk is being managed using Board-approved investment limits and monitored using different measures that give a detailed picture to the management of potential gain/losses for a range of market movement. Our Bank has a well-developed market risk framework comprising Board-approved policies and governance structure. In our Bank, Market Risk management is an independent function, which reports to the CRO. There is a clear functional separation in Treasury operations among front office, mid office and back office. We have well defined internal control systems and limit governance structure to effectively run our business and ensure compliance with regulatory guidelines.

Board of Directors

Delivering industry
knowledge and expertise





Mr. M. Venugopalan

Independent Director (Part-Time) Chairman

1 2 4 5 7 8 10 11

Mr. Mannil Venugopalan is a Director with the Company since 2011. He is a Gold medalist Commerce graduate from University of Kerala. He has over 49 years of experience in the Banking industry. Mr. Venugopalan has an impeccable career record spanning four and a half decades. He has worked in various leadership positions across the globe. Within India, he has worked across centres in North, South and West India. He was associated with Union Bank of India as ED, Bank of India as Chairman & Managing Director and was also designated MD & CEO of Federal Bank in May 2005.

He was awarded with the honorary fellowship by governing council of Indian Institute of Banking and Finance in 2005. A strong believer in the principles of corporate governance, he always carried in his heart a critical space for his stakeholders, viz. shareholders, customers and staff. Hard-work and passion for excellence in all that he has been the driving force of his life all throughout.

COMMITTEE Chairman/Member

- | | |
|--|---|
| 1
Risk Management | 7
Corporate Social Responsibility |
| 2
Audit | 8
Review of Classification of Wilful Defaulters |
| 3
Stakeholders Relationship | 9
Disciplinary |
| 4
Nomination and Remuneration | 10
Fraud Monitoring |
| 5
Customer Service | 11
Management |
| 6
IT Strategy and Information Systems Security | |

Chairman ■ Member ■



Mr. Krishan Kant Rathi

Independent Director

2 3 4 6 7 8 9 10

Mr. Krishan Kant Rathi is associated with the Bank as a Director since 2008. He is a Commerce graduate from the University of Rajasthan, a rank-holder Chartered Accountant from the Institute of Chartered Accountants of India and Qualified Company Secretary from The Institute of Company Secretaries of India.

He has over 31 years of experience at senior positions at some of India's most respected business houses, Future group being one of them. He is a vital asset in the management and brings knowledge and executive competence of a rare kind encompassing strategic finance management in high growth organisations, treasury management, mergers, expansions, joint ventures (JVs), divestments, financial restructuring and fundraising (domestic and international), system driven operations, risk management and acquisitions.



Ms. Jyoti Narang

Independent Director

1 2 4 5 7 9

Ms. Jyoti Ishwar Chandra Narang is associated with the Bank as a Director since 2015. She has completed her MBA in Finance with additional specialisation in Marketing from Faculty of Management Studies, Delhi, and BA in Economics from Lady Shriram College, University of Delhi and has completed Advanced Management Programme from Harvard Business School, USA.

She is a business leader in the hospitality and services industry with around 39 years of experience and has strong strategic perspective. Her domain expertise lies in the understanding of diverse consumer lifestyles, management of human capital and the impact of technology on both distribution and operations. She was the Chief Operating Officer for Taj Hotels, a group of luxury hotels and a founding member of Experience India Society that created the first global campaign for marketing India.



Mr. Raj Vikash Verma

Independent Director

1 2 3 6 7 8 10 11

Mr. Raj Vikash Verma is associated with the Bank as a Director since 2018. He has completed his graduation and post-graduation in Economics from Delhi University and Master's degree in Business Administration from FMS, Delhi University. He has over 36 years of experience in the financial sector, particularly in the field of development finance, housing, mortgage finance and real estate sectors.

He held the position of Chairman and Managing Director at National Housing Bank (NHB) and has also headed key positions in Central Registry of Securitisation Asset Reconstruction and Security Interest (CERSAI) and was a Whole-time Member and Director of Pension Fund Regulatory and Development Authority of India (PFRDA).



Mr. Narendra Ostawal

Additional Director (Non-Executive)

1 2 4 6 9

Mr. Narendra Ostawal was earlier associated with the Bank as Nominee Director since 2018 and has been appointed as Additional Non-Executive Director in January 2019.

He is a Commerce graduate from Bengaluru University and an all-India rank holder Chartered Accountant. He has also completed postgraduate diploma in Business Management from Indian Institute of Management (IIM), Bengaluru.

He currently serves as the Managing Director of Warburg Pincus India Private Limited (WPIPL). He is engaged with Warburg Pincus investment advisory activities and evaluates opportunities in the healthcare and financial services sectors.



Mr. Sanjay Agarwal

Managing Director & CEO

1 2 3 5 7 8 9 10 11

Mr. Sanjay Agarwal has been associated with the Company since its inception in 1996 and was first appointed as Managing Director in 2008. He is a Commerce graduate from Government College, Ajmer and all-India rank holder Chartered Accountant.

He is a first-generation entrepreneur and a retail finance business leader with more than 24 years of experience in retail finance, credit risk management and strategic planning.

He plays a key role in the Bank's strategic & corporate planning and risk management. His strategic insight, vision and execution-oriented approach has resulted in multi-fold increase in the size of the organisation.

He was awarded with 'EY Entrepreneur of the year 2018' award in financial services category.



Mr. Uttam Tibrewal

Whole Time Director

6 8 9 10

Mr. Uttam Tibrewal is associated as Director of the Bank since 2008. He is a Commerce graduate from the University of Delhi.

He has more than 22 years of experience in the finance industry. He joined as Business Head in 2003 and later he was appointed the Whole-time Director of the Company in 2008.

His dynamic vision, consistent approach, eye to details, strategic focus and entrepreneurial skills continue to guide the growth of the Bank's businesses across markets and industry. From designing to implementation, he is known to build result-oriented strategies for achieving targeted growth and momentum.

He spearheads strategy and retail business of the Bank and played an instrumental role in bringing AU Bank to its present scale and size.

Leadership Team

Experienced and enterprising

KEY MANAGEMENT PERSONNEL



Mr. Deepak Jain
Chief Financial Officer



Mr. Manmohan Parnami
Company Secretary

LEADERSHIP TEAM



Mr. Manoj Tibrewal
Group Head - HR,
Marketing & Distribution



Mr. Rishi Dhariwal
Chief of Secured Business Loans



Mr. Bhaskar Karkera
Chief of Wheels



Mr. Yogesh Jain
Group Head Strategy - Treasury,
FIG, DCM, Wholesale Liability and
Investor Relation



Mr. Sumit Madan
Chief of Branch Banking



Mr. Vivek Tripathi
Chief of Strategy Business
Solutions & Transaction Banking



**Mr. Vijendra Singh
Shekhawat**
Chief of Operations - Assets



Mr. Vimal Jain
Chief of Finance and Accounts



Mr. Mayank Markanday
Chief Risk Officer



Mr. Vinay Vaish
Chief of Credit Risk



Mr. Shantanu Prasad
Chief Treasury Officer



Mr. Shekhar Shukla
*Chief of Operations -
Branch Banking*



Mr. Pankaj Sharma
*National Business Manager -
Secured Business Loan (MSME)*



Mr. Aalekh Vijayvargiya
*National Credit Manager Secured
Business Loans (MSME)*



Mr. Ankur Tripathi
*Senior Vice President -
Information Technology*



Mr. Nitin Gupta
Chief Audit Officer



Mr. Ashok Khandelwal
Chief Compliance Officer

Seasoned and dynamic senior leadership team with over 19 years of average experience.

Key Awards Recognised for excellence



▲ EY Award for Mr. Sanjay Agarwal, MD & CEO 'Entrepreneur of the year' in Financial Services category



▲ 6th ASSOCHAM SMEs Excellence Award for Best MSME Bank (SFB category)



▲ CNBC Awaaz Rajasthan Ratna Award



▲ ABP BFSI Awards 2018 for Bank with more rural branch expansion & with leading Financial Inclusion initiatives



▲ ET Now CSR Leadership Award for 'Livelihood Creation' for AU Skills Academy and 'AU Self Employment Training Centre'



▲ ET Now CSR Leadership Award for Mr. Akshay Gujar, Lead, CSR as 'Young CSR Leader of the Year-2018'

Corporate Information

BOARD OF DIRECTORS

Mr. Mannil Venugopalan
Independent Director (Part-Time)
Chairman

Mr. Krishan Kant Rathi
Independent Director

Ms. Jyoti Narang
Independent Director

Mr. Raj Vikash Verma
Independent Director

Mr. Narendra Ostawal
Additional Director (Non-Executive)

Mr. Sanjay Agarwal
Managing Director & CEO

Mr. Uttam Tibrewal
Whole Time Director – ED

KEY MANAGERIAL PERSONNEL

Mr. Deepak Jain
Chief Financial Officer

Mr. Manmohan Parnami
Company Secretary and Compliance
Officer

REGISTERED OFFICE

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

HEAD OFFICE

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

CORPORATE OFFICE

5th Floor, E- Wing, Kanakia Zillion,
Junction of CST Road & LBS Marg,
Kurla (West) Mumbai - 400070,
Maharashtra

STATUTORY AUDITOR

M/s S.R. Batliboi & Associates LLP
Chartered Accountants
Golf View, Corporate Tower B,
Sector 42, Sector Road,
Gurgaon-122002, Haryana

SECRETARIAL AUDITOR

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



aubank.in



aubankindia



investor relations



ausmallfinancebank



aubankindia



aubankindia



ausmallfinancebank

Management Discussion and Analysis

MACROECONOMIC ENVIRONMENT

Global growth continued its cyclical upswing and remained steady in the first half of the previous year. However, the pace of growth slowed down in the second half primarily due to moderating investments, geopolitical uncertainties, risk aversion and elevated trade tensions. Despite the rise in crude prices, inflations across most developed and major developing economies remained low. This slowdown in economic activity appeared to be synchronised and was reflected in several downward revisions to the 2019 global growth forecasts. Reckoning the slowdown, most central banks shifted towards a more accommodative monetary policy stance to extend a growth stimulus. In some economies, fiscal stimuli are being used to support growth. Given the interplay of these events, Organisation for Economic Co-operation and Development (OECD) projects that weakness may persist in 2019 and estimates that the real global GDP would grow at a sub-par rate of 3.2% in 2019, from the higher levels of 3.5% in 2018.

India, while being the fastest growing economy and averaging GDP growth at 7% levels, mirrored a similar trajectory in the previous fiscal with growth slowing down in the second half. The slowdown was due to a host of external and internal factors such as weak industrial output, led by contraction in manufacturing, capital goods and consumer durables, coupled with subdued urban and rural demand. Several high frequency indicators such as growth in manufacturing and capital goods, index of industrial production (IIP), credit flow to micro, small and medium enterprises and auto sales, among others pointed to a slackening urban & rural demand and investment activity. Moreover, an increase in the crude oil (from levels of US\$56 per barrel in FY 2017-18 to US\$70 per barrel in Financial Year 2018-19) and headwinds in financial markets also impacted the growth momentum in the second half of the previous fiscal. In fourth quarter, Gross Domestic Product (GDP) growth dipped to 5.8%, which led to real GDP growth for FY 2018-19 coming at a five-year low of 6.8%, further lower from Central Statistics Office's (CSO's) second advanced estimates of 7.0%, released in February 2019. However, in the last financial year, India improved its ranking in World Bank's Ease of Doing Business 2019 survey and jumped 23 places to climb to 77th place globally. This has been an outcome of government's focus on reforms, on improving the quality of infrastructure, implementation of key reforms including the Insolvency and Bankruptcy Code (IBC), among other things.

On the external front, Reserve Bank of India's (RBI's) latest estimate suggests that India's Current Account Deficit (CAD) is expected to widen to 2.5% of GDP in FY 2018-19 because of higher trade deficit and imports growing more than the exports. Though there was slippage on the fiscal front too as the target for fiscal deficit, set originally at 3.3% was revised upward to 3.4%. However, it is important to highlight that India continues to remain firm on meeting its medium-term fiscal deficit targets of 3.0% by FY 2021-22.

Retail inflation, measured by the Consumer Price Index (CPI), remained moderate and within the RBI's targeted 4% range for most part of FY 2018-19, as higher agricultural productivity kept food (~46% of CPI) inflation benign. Wholesale inflation (WPI) too remained in low single-digits.

The moderate inflation scenario prompted the RBI to return to its 'neutral' stance from 'calibrated tightening' (adopted between October 2018 and December 2018). The apex bank announced a 25-basis-point cut in the repo rate in its last policy review of FY 2018-19 to boost economic growth. Liquidity in money markets in general shrunk in the second half and the apex bank took suitable active measures, including Open Market Operations (OMO) and introduction of Foreign Exchange (FX) swap auction facility for banks, to augment the liquidity.

India's strong fundamentals, prudent macroeconomic policy framework, continued focus on reforms, strong banking and capital markets and a massive base of over 1.3 billion populous, make it one of the few most resilient economies globally. Besides, the present government's sweeping majority in the recent general assembly elections ensures continuity of reforms and growth agenda, going forward. However, weakening investment activity, probability of El Nino effects on monsoon and uncertain global outlook could impact the growth going forward. World Bank, in its latest projection has retained the GDP growth estimates for India at 7.5% for the next two years.

INDIAN BANKING INDUSTRY

The banking and financial services industry has played a pivotal role in supporting the US\$2.65 trillion economy to maintain its growth momentum. For Indian Banks, FY 2018-19 was the second consecutive year of double digit credit growth. As per RBI, in 2019, Banks' credit rose 13.1% to ₹98.18 lakh crore. Private sector banks recorded over

28% credit growth year-on-year (y-o-y) while public sector banks registered 5.5% growth. Retail loans continued to be at the forefront of systemic credit growth followed by services. Within the retail segment, the top three products were credit cards, housing loans and personal loans. Loans outstanding under credit cards, grew 28.6% y-o-y in FY 2018-19. This was more than double the 13.1% y-o-y growth recorded by overall bank credit.

Credit growth recovers in FY 2018-19 (%)

Non-food credit	12.3
Services	17.8
Personal	16.4
Agriculture and Allied	7.9
Industry	6.9

Improving credit offtake from the agriculture sector was another highlight of the year, though loans to corporates continued to lag. Lending to Non-Banking Financial Companies (NBFCs) witnessed a mixed trend, though NBFC borrowings grew at a rapid rate till September 2018, but the liquidity squeeze at some NBFCs due to asset-liability mismatch reversed the trend. In a bid to address this liquidity squeeze, RBI introduced a slew of measures such as allowing reduction in holding period of loans before securitisation by NBFCs, allowing banks to provide Partial Credit Enhancement to NBFC bonds, increasing single borrower exposure limits for NBFC lending by banks,

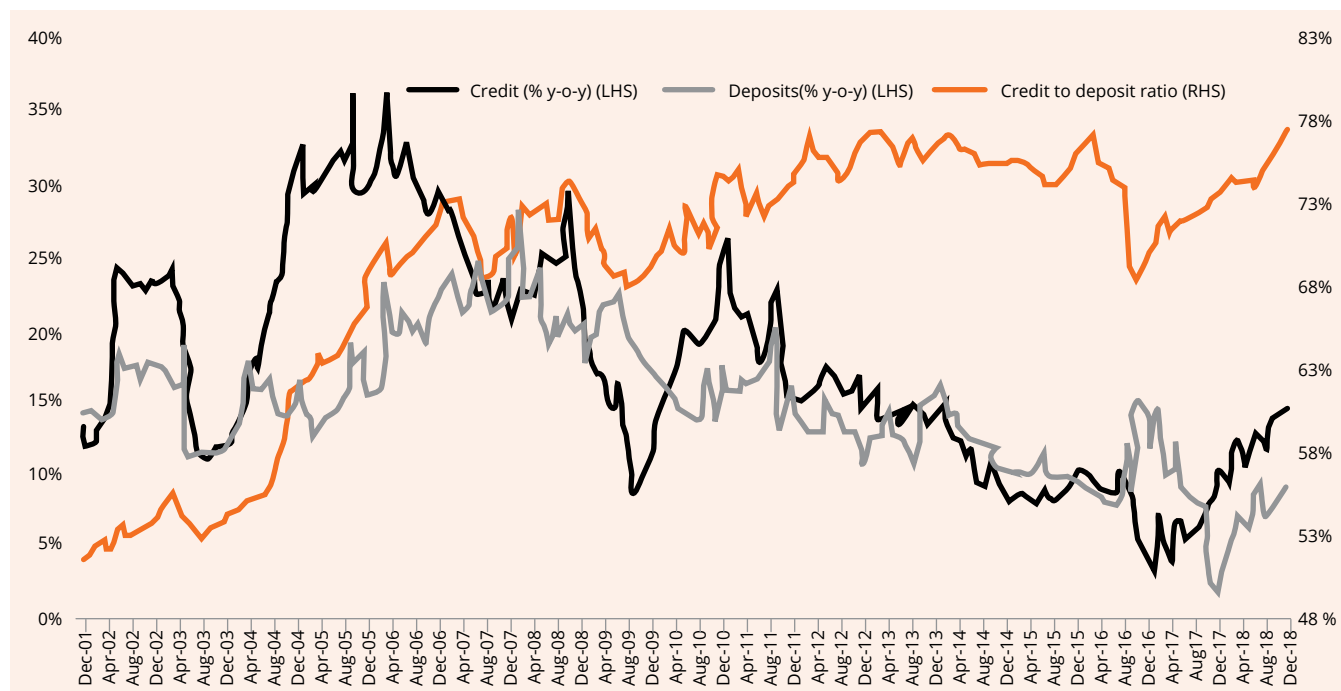
simplifying the external commercial borrowing framework and relaxing the Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) where RBI allowed banks to use government securities equal to their outstanding credit to NBFCs and HFCs, to be used to meet Liquidity Coverage Ratio (LCR) requirements.

While higher provisioning due to deteriorating asset quality had pulled down the banking sector in FY 2017-18, the strong revival in bank credit growth in the first half of FY 2018-19 of private and public sector banks suggests an overall improvement in the health of banks. Credit to industry, which remained depressed in FY 2017-18, also pointed to an uptick. Stressed assets of scheduled commercial banks (SCBs) began to stabilise, albeit at an elevated level, capital positions were buffered and the provision coverage ratio improved to 52.4% by end-September 2018 (Source: RBI).

Deposits continued to grow at a steady pace across all banks. Private sector banks continued to lead deposit mobilisation. However, deposit growth for public sector banks remained low, amid visible signs of a gradual pick up.

As on 31st March 2019, growth in deposits lagged the credit growth as deposits grew at 9.4% to ₹125.59 lakh crore. This was partly a function of the liquidity crisis at some NBFCs, which brought commercial paper trading to a virtual halt. This in turn, resulted in higher demand for bank loans, widening the gap between credit and deposit growth.

Credit and deposit trend



Source: RBI, CME, JM Financial, *Dec'17 and Dec'18 data based on RBI's fortnightly release

Private banks continued to outpace their public sector peers on both credit as well as deposit growth, as many public sector banks got tied up with resolving their bad loans and faced growth restrictions under the Prompt Corrective Action (PCA) framework.

Interim Union Budget FY 2019-20: Key positives

Proposal	Impact on sectors
Section 80I-BA extended for one year. Under this section, 100% of profits derived from development of affordable housing projects is exempt from taxes. This benefit is applicable to projects approved till 31 st March 2020	• Positive for affordable housing companies
Tax Deducted at Source (TDS) limit for deduction of tax on rent is increased from ₹1,80,000 to ₹2,40,000	• Positive for housing segment
Individual taxpayers with a taxable income of up to ₹5 lakh will get full tax rebate and will not be required to pay any income tax	• Provide tax relief to salaried individuals
Extension of Kisan Credit Card (KCC) scheme interest subvention to animal husbandry and fisheries	• Positive for KCC lending business of banks
Income support for farmers, interest subvention on loans (for full tenure) to farmers affected by natural calamities	• Improve asset quality on agriculture loans
Pension scheme for workers in unorganised sector	• Positive for MSMEs
TDS limit on interest earned on bank/post office deposits raised from ₹10,000 to ₹40,000	• May propel growth in bank deposits

OUTLOOK

Credit growth is expected to remain strong driven by the continued momentum in retail loans, a gradual recovery in private sector capex and the emergence of public sector banks out of the PCA framework. Improving economic growth and lower interest rates are other factors which should propel the growth in the medium term.

The retail and SME segments are likely to fuel loan growth, with demand for home loans, car loans and small business loans witnessing higher growth. Besides, growth in semi-urban and rural areas is likely to outpace that in urban areas, which should benefit players with a dominant presence in those markets.

It is expected that RBI will address the liquidity issues and the foreign inflows should increase because of a stable government. Moreover, there is a scope for interest rates to come down on the back of growth slowdown, benign inflation levels and liquidity squeeze.

SMALL FINANCE BANKS: UNIQUE, FAST-GROWING

Small Finance Banks (SFBs) were introduced by the RBI to drive financial inclusion for the unbanked and underbanked sections of the economy. In the two years of their existence, SFBs have made a remarkable impact and gained significant scale with a combined asset portfolio size of over ₹60,238 crore and a deposit base of over ₹37,500 crore as on March 2019.

SFBs are diligently delivering on the RBI mandate by engaging with customers and offering them a comprehensive suite of financial products and services through their sprawling branch network and digital platforms. Moreover, catering to demand for small ticket loans (for 50% of their portfolio) and the priority sector (higher exposure target of 75%) have always been their mainstay and core competence. Thus, the opportunity landscape for SFBs is expanding and the road ahead looks bright, presenting a win-win situation for both customers and SFBs.

KEY GROWTH SECTORS

Auto loans industry/Vehicle loans

In last few years, the opportunities in vehicle financing business have expanded beyond the traditional core segment of new vehicles to the used vehicle and refinance as well. This has been fuelled by multiple factors, including roll out of new used vehicle dealers by OEMs, emergence of well-funded online used car dealers offering certification, quality, ease of transfer and financing. This has opened a lot of opportunities for vehicle financiers in India. The key trends of both the segments are outlined here under.

New vehicles – Trends and Opportunities

India is one of the biggest automobile markets in the world. In FY 2018-19, 2.62 crore new vehicles were sold in India which grew 5% from 2.49 crore vehicles sold in FY 2017-18. The five-year CAGR (FY 2014-19) for all vehicles sales was 7.4%, reflecting that it is cyclical in nature.

Vehicles sales in India

Particulars (in Units)	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	5-year CAGR
All vehicles including two-wheelers	1,84,23,223	1,97,24,371	2,02,68,971	2,18,63,281	2,49,81,312	2,62,67,783	7.4%
y-o-y growth		7%	4%	7%	14%	5%	

Source: Society of Automobile Manufacturers of India

However, excluding two-wheelers, sales of new vehicle was 50.85 lakh units in FY 2018-19, which was more than 6.4% from 47.81 lakh units sold in FY 2017-18. The five-year CAGR (FY 2014-19) for new vehicles sales excluding two-wheelers was 7.1%.

Particulars (in Units)	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	5-year CAGR
All vehicles excluding two-wheelers	36,16,445	37,48,810	40,13,120	42,73,543	47,81,195	50,85,766	7%
y-o-y growth		4%	7%	6%	12%	6%	
Passenger Vehicle (PVs)	25,03,509	26,01,236	27,89,208	30,47,582	32,88,581	33,77,436	6%
y-o-y growth		4%	7%	9%	8%	3%	
Commercial Vehicle (CVs)		6,32,851	6,14,948	6,85,704	7,14,082	10,07,319	10%
y-o-y growth		-3%	12%	4%	20%	18%	
Three-wheelers	4,80,085	5,32,626	5,38,208	5,11,879	6,35,698	7,01,011	8%
y-o-y growth		11%	1%	-5%	24%	10%	

Source: Society of Automobile Manufacturers of India

Indian auto sales witnessed a mixed FY 2018-19, with passenger vehicle (PV) sales growth slowing significantly to 2.7%, while commercial vehicle (CV) sales increased by 17.6% over FY 2017-18.

In FY 2018-19, within the PV segment, the sales of new passenger cars and utility vehicle grew just marginally above 2% whereas the sales of new vans grew by 13.1%, albeit on a lower base, over the levels of FY 2017-18. Within CV segment, new medium and heavy commercial vehicles (M&HCVs) sales rose by 14.7% and light commercial vehicles (LCV) grew by 19.5% in FY 2018-19 over FY 2017-18.

The slowdown in new vehicle sales of PVs in the second half coincided with most NBFCs facing liquidity issue with elevation in their cost of funds. This resulted in rise in fresh loans yields and higher Loan To Value ratio (LTV) in some cases. However, despite the above, most vehicle lending NBFCs reported some slowdown with lower incremental loan spreads.

According to CRISIL Research, new PV sales are expected to grow at a CAGR of 7-9% over FY 2018-22 and will be driven by increase in nuclearisation, rise in disposable income, shorter replacement cycles, launch of newer models and electric vehicles.

M&HCV and LCV should continue to witness strong tailwinds and be aided by improved road infrastructure, Goods and Services Tax (GST) implementation paving way for bigger warehouses, increased e-tailing, last mile delivery opportunities and migration to newer emission standards. M&HCV and LCV is expected to grow between 6-8% and 5-7%, respectively over the next five years.

Used Vehicle - Cars

According to Indian bluebook, pre-owned car market has grown steadily in FY 2018-19. It has crossed the 4-million-unit mark and is 1.2x the size of new car market. The industry is seeing tailwinds post the rationalisation of GST to 12-18% and increased investments across the value chain from procurement to retail.

New car market (in million units)



Pre-owned car market (in million units)



Source: Indian bluebook

Indian pre-owned car industry is expected to reach between 6.7 to 7.2 million cars annually and will be valued at ₹50,000 crore by FY 2021-22 from current size of 4 million cars/year.

The growth drivers are as follows:

- Migration of two-wheeler owners to pre-owned car owners and increased composition of value seekers
- Trickle down impact of massive investment of ₹5,000 crore in India's used car industry in previous four years
- Leasing and corporate fleet buyers are expected to double in the next couple of years
- Emergence of online market places catapulting options for on-line seekers

The banks also have more room to grow in this segment, as this segment is currently underpenetrated with only 17% purchases being financed. Market share of the organised

channel of the pre-owned car market has almost doubled from 10% to 18%, from FY 2010-11 to FY 2018-19 and is expected to go up to 30% by FY 2020-22. The growth of the organised channel bodes well for the banks. Buyers who use the organised channel can be offered pre-approved loans as majority of the transactions are below ₹3 lakh and the ease of finance will encourage buyers to avail loans.

MSME LENDING

MSMEs overview

Globally, Micro, Small and Medium Enterprises (MSMEs) are regarded as engines of equitable economic development. In India too, they are the backbone of Indian economy. As per the Annual Report FY 2017-18 of Ministry of Micro, Small and Medium Enterprises, in terms of value, MSMEs accounts for ~45% of the manufacturing output and ~40% of the total exports of India.

OVERVIEW OF MSMEs IN INDIA AND AU BANK'S FOCUS SEGMENTS

According to MSME Act 2006, in India MSMEs are classified under following three subcategories basis the threshold investment in plant and machinery (for manufacturing enterprises) and investment in equipment (for units in services)

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

According to the Annual Report of the Ministry of MSME of FY 2017-18, India is home to about 63 million MSMEs, of which about 51% are in rural areas; micro enterprises accounted for 99%.

ACTIVITY WISE NUMBER OF MSMEs

Activity category	Estimated number of enterprises			Share (%)
	Rural	Urban	Total	
Manufacturing	114.14	82.50	196.65	31
Trade	108.71	121.64	230.35	36
Other Services	102.00	104.85	206.85	33
Electricity*	0.03	0.01	0.03	0
All	324.88	309.00	633.88	100

*Non-captive electricity generation and transmission and distribution by units not registered with the Central Electricity Authority (CEA)

SECTOR-WISE NUMBER OF MSMEs

Sector	Estimated number of enterprises				Share (%)
	Micro enterprises	Small enterprises	Medium enterprises	Total	
Rural	324.09	0.78	0.01	324.88	51
Urban	306.43	2.53	0.04	309.00	49
All	630.52	3.31	0.05	633.88	100

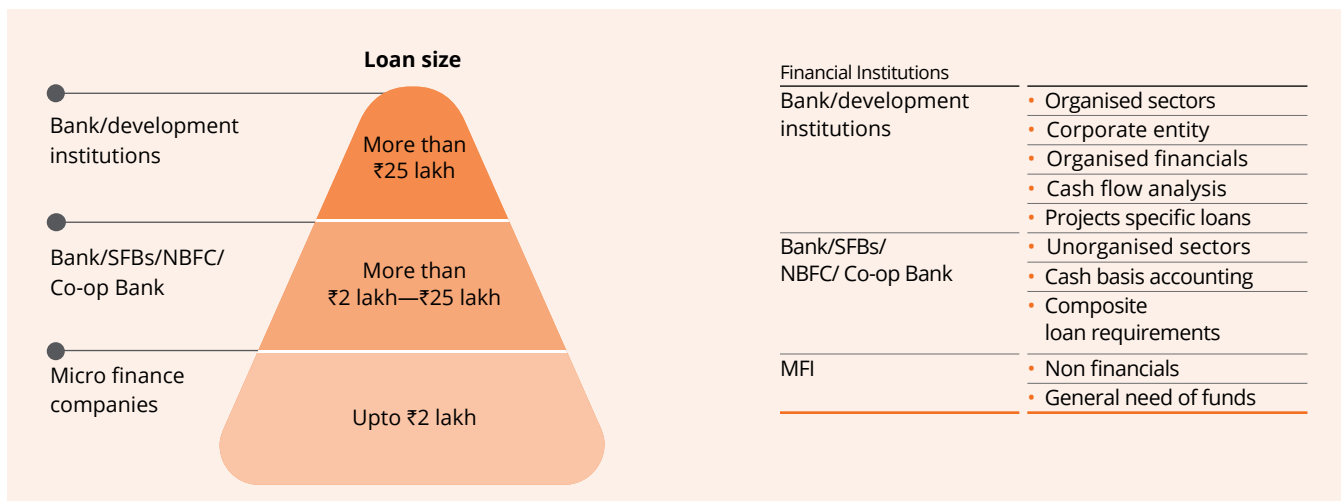
ACCESS TO CREDIT AND OPPORTUNITIES FOR AU BANK

Despite MSMEs' significant contribution to GDP and ability to generate significant employment, loans to this segment have grown at a sluggish pace over the past few years, and there exists significant gap in addressable debt demand. According to International Finance Corporation (IFC), the addressable credit gap of MSMEs in India stands as high as ₹25.8 trillion.

Analysis of credit gap

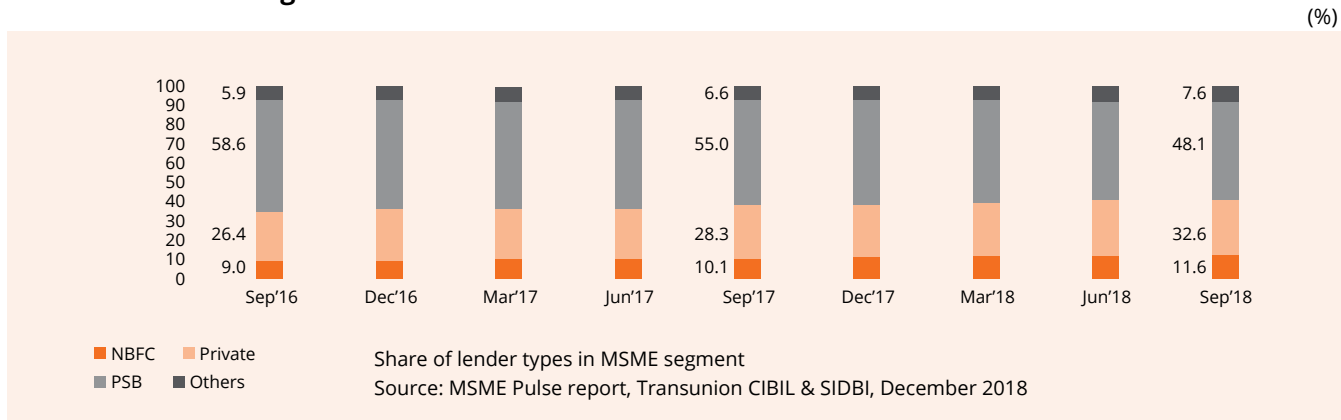
Analysis of credit gap in MSME space	Micro enterprises	Small enterprises	Medium enterprises	(₹ trillion) Total
Debt demand	11.9	21.65	3.2	36.7
Share of debt supply	3.9	4.8	2.2	10.9
Credit gap	8	16.8	1	25.8

Credit Opportunities for Lenders in India's MSME Space



AU Bank has emerged as one of the leading lenders to MSMEs since 2009 and is perceived as a trusted solution provider to the sector. With average ticket size around ₹10-12 lakh, AU Bank has catered to only 0.11 million units as on date and has a long way to grow in this segment.

Market share shifting from Public Sector Bank to Private Banks and NBFCs



Housing loans

With a population base of over 1.30 billion people, India ranks 2nd amongst world's most populous countries. Out of this, rural population constitutes over 70% as nearly 0.93 billion people stay in rural areas. However, there is a massive shortage of housing in rural areas (around 43.6 million homes). Similarly the opportunity in urban areas is of ~18.8 million homes. Moreover, according to latest industry estimates, India's mortgage penetration hovers around 10% and is expected to reach to 14% by FY 2021-22. With urbanisation and nuclearisation taking place at a rapid pace, clearly more houses are needed. It is expected that by 2030, nearly half of India will be residing in urban areas. Existing cities will have to grow beyond their boundaries and many new cities will come up.

The Government of India addressed this gap with massive and unprecedented impetus to the housing sector in the past two years, especially in the affordable housing space. Under 'Housing for All' scheme, 60 million houses are to be built—40 million in rural areas and 20 million in urban areas by 2022—creating a holistic demand for housing industry. In 2018, the National Urban Housing Fund was launched with an outlay of ₹60,000 crore. Simultaneously, National Housing Bank (NHB) introduced stricter norms around capitalisation and borrowing limits for housing finance companies (HFCs). Earlier, government had promulgated Real Estate (Regulation and Development) Act, 2016, strengthening the confidence for prospective buyers.

Housing loans has been one of our main stay retail asset loan and was relaunched in Q4 of 2018. Through our housing loan offering, we aim to help our customers in building/buying the most important asset of their life and on board their entire family with us.

Gold loans

India's organised gold loan market is likely to grow to ₹3,10,100 crore by 2020, at a three-year CAGR of 13.7% (Source: KPMG). Although gold has been one of the oldest forms of collaterals for loans, the organised gold loan segment still has very low penetration. Informal and unregulated players, including local money lenders control about 60% of all gold loan transactions and charge usurious interest rates due to the lack of formal financing channels. Of the organised part, PSBs and NBFCs control nearly 81% given their extensive reach in terms of branch network. India is the world's largest consumer of gold jewellery and possesses over 20,000 tonnes of gold valued at over US\$800 billion; with rural India holding about 65% of the stock. However, technological advancements and the entry of new

age banks, such as Small Finance Banks (SFBs), are changing the game by leveraging their presence in the remotest parts, investing in technologies to maximise accessibility and offering tailored schemes with flexible tenors.

Key growth enablers

- Lower interest rates than unorganised lenders
- High under-penetration of gold loans
- Significant potential to monetise idle gold
- Prompt disbursements, minimal documentations and flexible repayment options make gold loan an attractive option for short-term loans

Consumer durable loans

Consumer durable loans remained one of the fastest growing credit segments in the banking and financial services industry, recording almost 30% growth in FY 2018-19. The government and the industry's continued push for digitisation, as well as a higher financial inclusion, will likely keep consumer durable loan growth at elevated levels. With the entry of more NBFCs and new age banks, consumer durable financing received the much-needed boost in terms of speed and convenience, with paperless disbursements.

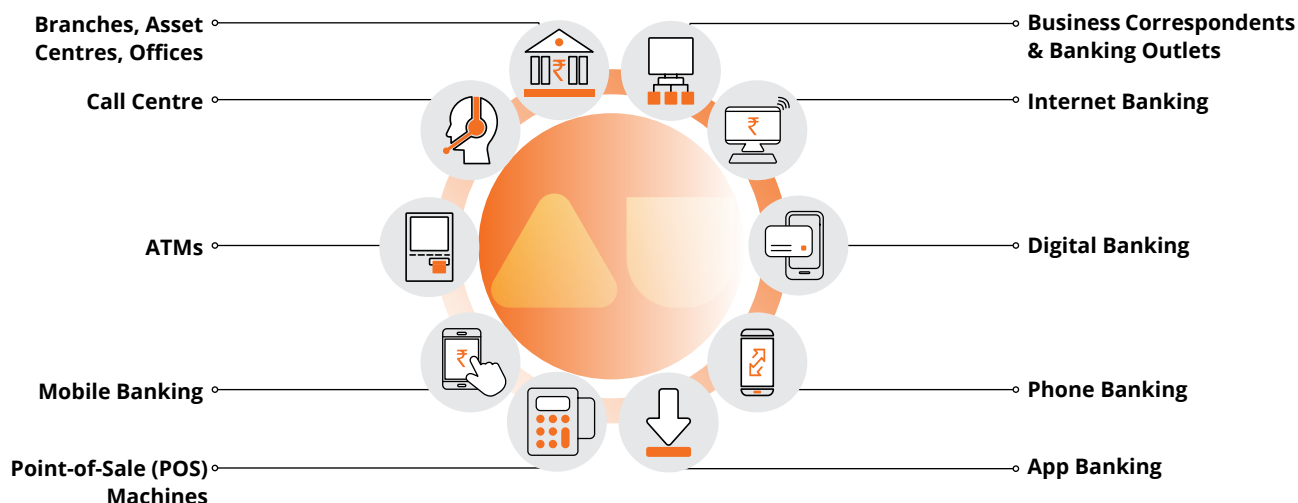
ABOUT AU SMALL FINANCE BANK

AU Small Finance Bank, a Fortune India 500 Company, is the only scheduled commercial bank headquartered at Jaipur, Rajasthan. We are redefining the banking ecosystem in India with enhanced convenience and uncomplicated banking experience for our customers.

Key highlights

- Among the fastest growing banks in India
- Extensive 'phygital' presence in the regions where we operate
- Experienced and highly qualified team
- Comprehensive portfolio of products and services
- Judicious investments in data, digital and distribution to build a future-ready bank
- Focussed on secured retail lending and customer centricity
- Profitable with stable asset quality
- Sound business ethics and strong corporate governance standards

CHANNELS OF BANKING



REVISITING FY 2018-19

Financial highlight

Profit and loss summary

	FY 2018-19	FY 2017- 18	(All figures in ₹ crore) y-o-y
Income			
Interest earned (excluding securitisation and assignment income)	2,796	1,464	91.0%
Interest expended	1,606	827	94.3%
Net Interest Income (excluding securitisation and assignment)	1,190	637	86.7%
Securitisation and assignment income	153	303	-49.7%
Other income	462	388	19.1%
Total net income	1,805	1,329	35.8%
Expenses			
Operating expenses			
Employee cost	601	425	41.5%
Other operating expenses	481	328	46.9%
Operating profit before provisions and contingencies	722	576	25.3%
Provisions (other than tax) and contingencies	142	133	6.9%
Exceptional items	-	-	0.0%
Profit before tax	580	443	30.9%
Tax expenses	198	151	31.1%
Profit after tax	382	292	30.7%

Key ratios

	FY 2018-19	FY 2017- 18	(%)
Net interest margin (NIM)	5.5	7.0	
Net interest income (Excluding income from securitisation and assignment) as a % of average total assets	4.6	4.5	
Total cost to average assets	4.2	5.3	
Return on Average Total Assets (ROA)	1.5	2.0	
Return on Average Total Equity (ROE)	14.0	13.7	
Gross Non-Performing Assets (GNPA)	2.0	2.0	
Net Non-Performing Assets (NNPA)	1.3	1.3	

Our net interest income (excluding securitisation & assignment income) grew to ₹1,190 crore in FY 2018-19 from ₹637 crore in FY 2017-18. Securitisation & assignment income declined to ₹153 crore in FY 2018-19 from ₹303 crore in FY 2017-18 as our securitisation & assignment outstanding book is declining over the past two years given that we have not done much of securitisation/assignment in the last 2 years. Other income was up by 19.1% to ₹462 crore from ₹388 crore. Profit After Tax (PAT) grew by 30.7% to ₹382 crore from ₹292 crore.

For the first two quarters of FY 2018-19, average disbursement yield for new loans hovered around 13.2–13.4%. However, responding to external market conditions, we increased our rates from the third quarter and the trend continued in the last quarter as well. In Q4 FY 2018-19, blended disbursement yield for our new loans was around 14.6–14.7%. As on 31st March 2019, our full-year yield on our assets under management was at ~14.3%. Despite rising cost of funds in the second half of FY 2018-19, we improved our average cost of funds by nearly 50 basis points to 7.9% as on 31st March 2019. Our spreads at around 6.4% levels were stable in all four quarters. Our net interest

income excluding securitisation/assignment income was also stable at around 4.8% in the last four quarters.

Cost-to-income ratio stood at 60% in FY 2018-19 from 56.7% in FY 2017-18. After peaking in the third quarter at 60.7%, the ratio improved to 58.3% for the quarter ended 31st March 2019.

There was a marginal improvement in our Return on Average Equity (ROAE) to 14% for FY 2018-19 from 13.7% for FY 2017-18. We continue to generate strong Return on Average Assets (ROAAs) in our existing business. However, our branch banking, which is in its build-out phase, was a drag on overall ROAA at 1.5% for FY 2018-19.

Our other asset products (business banking, gold loan, home loan, Agri-SME, consumer durables and two-wheelers) were introduced in the last few quarters and are gradually gaining volumes.

As our branch banking and new asset businesses scale, we expect our ROA to improve driven by higher productivity and operational efficiency.

Asset and liability composition

	31 st March, 2019	31 st March, 2018	(₹ in crore) y-o-y
Liabilities			
Capital	292	286	2.3%
Money received against Share Warrants	175	-	N.A.
Employees stock options outstanding	43	17	145.4%
Reserves and surplus	2,653	1,978	34.1%
Deposits	19,422	7,923	145.1%
Borrowings	8,613	7,639	12.8%
Other liabilities and provisions	1,424	989	43.9%
Total liabilities	32,623	18,833	73.2%
Assets			
Cash and balances with RBI	811	492	64.8%
Balances with banks and money at call and short notice	929	1,269	-26.8%
Investments	7,162	3,051	134.8%
Advances	22,819	13,312	71.4%
Fixed assets	447	386	15.8%
Other assets	455	323	41.0%
Total assets	32,623	18,833	73.2%

Our total balance sheet size grew 73.2% to ₹32,623 crore as on 31st March 2019 from ₹18,833 crore as on 31st March 2018.

Our assets under management (AUM) increased to ₹24,246 crore as at 31st March 2019 from ₹16,188 crore as at 31st March 2018, up by 50% y-o-y.

Total net advances grew 71.4% y-o-y to ₹22,819 crore from ₹13,312 crore, owing to satisfactory performance of our core products and a pickup in newly launched products.

Our asset quality remained stable on account of stringent monitoring and engagement. Gross NPA and Net NPA stood at 2% and 1.3% as on 31st March 2019 from 2% and 1.3%, respectively as on 31st March 2018.

Our capital to risk weighted asset ratio (CRAR) and Tier-I CRAR stood at 19.3% and 16%, respectively as on 31st March 2019 vis-à-vis 19.3% and 18.4%, respectively as on 31st March 2018.

BUSINESS REVIEW

We are among the new entrants in India's dynamic banking landscape with a steady focus on growing the right way. With over 62% of our branches in rural and semi-urban areas, we have enhanced focus on unbanked and underbanked customers at the bottom of the pyramid to drive financial inclusion.

Vertical-wise performance

We have been a retail focussed bank with retail loan assets comprising over 80% of loan AUM. We also offer small & mid corporate loan asset products. Both these segments clocked strong growth in FY 2018-19.

Retail assets

For more than two decades, we have been lending small ticket, secured, retail loans primarily to the unbanked and the underbanked self-employed population and helping them improve their earnings and quality of life.

Within retail assets, vehicle loans, small secured business loans to MSME (SBL-MSME) are our two focussed products.

Breakup of retail assets

Type of retail asset	Share in total AUM (%)
Vehicle Loans	42.2%
SBL - MSME	31.8%
SBL - SME	3.7%
Gold Loan, Agri SME, Housing Loan, others	1.7%
OD Against FD	2.3%
Total	81.7%

As on 31st March 2019, 59% of our loan portfolio was upto ₹25 lakh.

Vehicle loan

Vehicle loans has been our mainstay retail product since our inception and is the most seasoned book in our portfolio. As of 31st March 2019, our vehicle loan AUM recorded a growth of 43% and stood at ₹10,224 crore comprising 42% of our total AUM. Wheels disbursements grew by 52% y-o-y to ₹6,725 crore in FY 2018-19.

Within vehicle loans, AU Bank offers one of the widest product range and extends credit for 2 to 22 wheel vehicles, for new vehicles as well as used vehicle, for personal use as well as commercial use.

We have been serving First-Time Buyers (FTBs), First-Time Users (FTUs), Small Road Transport Operators (SRTOS) and captive users. Our wheels loans are secured by the vehicles we finance.

We offer loans for new, pre-owned vehicles and for refinancing of vehicles across several categories including: (i) multi-utility vehicles (MUVs); (ii) cars; (iii) sports-utility vehicles (SUVs); (iv) small commercial vehicles (SCVs); (v) light commercial vehicles (LCVs); (vi) medium-and heavy-commercial vehicles (M&HCVs); (vii) tractors; (viii) three-wheelers (TWHs); (ix) two-wheelers (TWs); and (x) construction equipments (CEs).

During FY 2018-19; we launched a slew of initiatives such as:

- Offered pre-approved loans to existing customers
- Initiated School Connect programme where we target loans for school buses, along with offering a host of asset and liability products and refinance
- Focussed strategy to tap the used car market in India
- Empanelled tractor dealers for funding exchange vehicles
- Launched a two-wheeler online loan module

Secured business loans – MSME (SBL-MSME)

Secured business loans MSME is our second mainstay product within retails assets and accounts for ~32% of our total AUM as on 31st March 2019.

We extend loans to various micro, small and medium enterprises (MSMEs) primarily for business expansion, working capital and purchase of equipment. Our typical customer base for this segment includes self-employed individuals with small businesses (annual turnover between ₹40 lakh and ₹10 crore), having at least a few years of track record in such businesses, generating cashflows at high frequency and having limited or no formal documented income proofs (for example grocery/kirana stores, dairy/cattle rearing and hotel/restaurants). Such loans are then secured by immoveable property.

Gross AUMs for our SBL-MSME business increased 54% y-o-y to ₹7,708 crore as on 31st March 2019. SBL-MSME disbursements grew 35% y-o-y to ₹3,691 crore in FY 2018-19.

Secured business loans – SME (SBL-SME)

We offer business loans to small and medium enterprises (SMEs) for their expansion, working capital and purchase of equipment. Our SME customers have relatively bigger businesses in terms of turnover and have more formal documented income proofs. They include traders, wholesalers, distributors, retailers, manufacturers and self-employed professionals. Our approach for such customers is to understand their business loan requirements, estimate business cashflows, appraise documented income proofs and then determine their loan eligibility. These loans are secured by immoveable property.

Gross AUMs for our SBL-SME business marginally increased to ₹891 crore as on 31st March 2019 from ₹871 crore a year earlier. We continue to be cautious while pursuing new growth opportunities in this segment.

Agri business loans

We offer specially designed loans to cover a comprehensive set of requirements of all stakeholders under agri-allied activities and its value chain. While product features and approaches are similar to SBL-SME loans, we have set up a dedicated team to tap into credit needs of the agriculture and allied value chain such as food processing units, fertiliser/seeds wholesalers and retailers. Gross AUMs for our agri business loans increased substantially to ₹244 crore as on 31st March 2019 from ₹33 crore a year earlier; agri business loan disbursements grew more than 4.5 times to ₹277 crore.

Home loans

We provide a complete bouquet of services to customers to meet their home loan requirements, catering to self-construction, purchase of flat/house, extension/renovation and takeover/top-up. Customers can easily apply for a loan with branches spread across India. Our relationship officers help customers in every step of their journey by helping them select the right loan mix, calculate a suitable loan EMI and tenure. We offer home loans from ₹2 lakh to above ₹50 lakh for a maximum 30-year tenure for salaried customers; and 20 years for self-employed non-income proof/self-employed income proof profile customers. Gross AUMs for our home loans business increased to ₹116 crore as on 31st March 2019 from just ₹2 crore a year earlier.

Gold loans

We offer instant gold loans across the table at many of our bank branches with attractive interest rates and repayment options. We provide a simplified banking experience for our gold loan customers and cover complete safety of collaterals with easy documentation and faster turnaround time (TAT). Gross AUMs for our gold loans business increased to ₹49 crore as on 31st March 2019 from ₹26 crore a year earlier; gold loan disbursements grew 128% year on year to ₹67 crore.

Small and mid-corporate assets

As on 31st March 2019, small and mid-corporate assets comprised ~17% of gross AUMs. In small and mid-corporate assets, we cater to small and medium enterprises for their business banking, working capital and trade finance needs. We also service Non-Banking Financial Companies (NBFCs), Housing Finance Companies (HFCs), Micro Finance Institutions (MFIs) for onward lending and Real Estate Developer for construction finance.

Business banking

Business banking provides fund-based credit facilities such as overdraft and cash credit and non-fund based facilities such as letters of credit and bank guarantees to small and medium enterprise customers. We have increased presence in non-fund based credit facilities, along with trade and remittances. We cater to all segments of businesses including wholesalers, retailers, traders, manufacturers, service providers, contractors, stockist, distributors, educational institutes and healthcare enterprises. Gross AUMs for our business banking increased 88% year on year to ₹818 crore as on 31st March 2019; business banking disbursements grew 82% year on year to ₹925 crore.

Lending to NBFCs, HFCs and MFIs

Non-Banking Financial Companies (NBFCs), Housing Financial Companies (HFCs), Micro Finance Institutions (MFIs) and Asset Finance Companies (AFCs) need constant stream of funds for growth and expansion. After completing our journey as an NBFC and witnessing several credit and business cycles, we have gathered first-hand perspective and experience of their specific needs. With our customer-centric approach and customised product suite, we are well prepared to serve them at various stages in their business cycles.

Our lending in this segment is spread across diverse asset classes with a substantial proportion to asset finance companies (around 60%). Our book has granular spread across 140+ customers. Over 92% of our lending is Term Loans (mostly for two years and above). We have a robust verification methodology where we check assets, governance practices, capital and balance sheet strength, and promoter involvement. We focus on completely understanding all the above & other key parameters and once we are convinced, we start with small ticket size loans and gradually build upon it.

Gross AUMs for NBFC, HFC, MFI and AFC lending business increased by 65% to ₹2,511 crore as on 31st March 2019 from ₹1,525 crore a year earlier. Responding to macro headwinds facing the NBFC sector, we remained cautious in the second half of the previous fiscal. NBFC, HFC, MFI and AFC lending disbursements grew 27% year on year to ₹2,399 crore in FY 2018-19.

Real estate group (REG)

Real estate companies require a constant cash stream, right from the under-construction stage to the handover stage to ensure timely delivery of housing or commercial units. At AU Bank, we primarily serve credit requirements of small builders, who operate in affordable housing segment with smaller projects and target to complete the project between 18 months to 24 months. In this vertical, we typically do last

mile funding towards project completion. Gross AUMs for this segment's lending business rose to ₹801 crore as on 31st March 2019 from ₹779 crore as on 31st March 2018; disbursements in FY 2018-19 were at ₹440 crore versus ₹481 crore in FY 2017-18.

Liabilities and branch banking

As a bank, our objective is to be an integral part of our customers' life by empowering them with financial products and services whenever they need. Today, we have 408 branches (including 86 banking outlets), along with 67 business correspondents, 83 asset centres, 14 offices and 543 ATMs across 11 states and a Union Territory. We have an entrenched contiguous distribution franchise addressing customers across Tier I to Tier VI regions with multiple financial products and services.

We offer an entire bouquet of deposit products, including Current Account, Savings Account, Term Deposits and

Recurring Deposits. Total deposits grew 145.1% year on year to ₹19,422 crore in FY 2018-19; total number of deposit accounts increased 94% y-o-y to 10,28,726.

We are driving Savings Account (SA) opening digitally on tablets that offers Aadhar validation through biometric identification along with a printer. It enables our team to seamlessly open an account without any forms, documents or photographs. Currently, over 80% of our SAs are being opened every month through TABs. We are rolling out Current Account (CA) sourcing digitally on tablets as well. We increased thrust on the CA segment with a separate specialist team and have developed a specialised team for government business in Rajasthan, Punjab and Delhi.

During the year under review, we focussed significantly on building a granular retail deposit base. We are also increasing the share of retail in savings accounts and term deposits.

Deposit account mix

Financial year	(₹ in crore)			
	Current Account	Savings Account	Term Deposits	Total deposits
FY 2017-18	392	1,742	5,790	7,923
FY 2018-19	1,082	2,508	15,832	19,422

Building granular retail deposit base

Financial year	(Nos.)			
	Current Account	Savings Account	Term Deposits	Total deposits
FY 2017-18	22,838	4,50,204	58,020	5,31,062
FY 2018-19	47,783	8,73,031	1,07,912	10,28,726

Our branches cross-sell the entire bouquet of asset products. During FY 2018-19, our branches sourced ₹810 crore of asset products.

We are strongly focussing on building new avenues. During FY 2018-19, we did 1,539 trade and remittances transactions amounting to ₹425 crore.

We provide debit card offerings to our SA customers in collaboration with Visa and Rupay. We made locker facility available at 238 branches and marketed lockers during FY 2018-19. We successfully installed 2,200 Point-of-Sale (POS) machines.

We offer a wide basket of third-party products such as mutual funds (including SIPs), life insurance, health insurance, motor insurance, general insurance and fire insurance. As on 31st March 2019, our mutual fund AUMs stood at ₹42 crore. During FY 2018-19, we sourced 62,792 life insurance policies with premiums amounting to ₹132 crore; 2,93,337

general insurance policies with premiums amounting to ₹120 crore and 30,229 health insurance policies with premiums amounting to ₹12 crore.

Recently, we received the RBI's approval for 142 new banking outlets. We have identified 27 key locations, including in Mumbai, Delhi and Pune for the first phase.

Digital bank

Digital banking plays a pivotal role in delivering banking services with ease, resulting in superior customer satisfaction. As a constantly evolving bank, we have been investing in our digital banking franchise. Our digital products and services will enhance customer convenience and delight and reduce our cost of acquiring customers and operating expenses, expand our reach and increase our revenue per customer. Our digital offerings include an instant Savings Account and consumer finance loan.

Instant Savings Account

We launched a new age instant Savings Account, AU ABHI. One can open an ABHI account by just downloading the AU ABHI App and registering using the Aadhaar number, PAN and other minimal details.

Savings Account opened via AU Abhi

	FY 2018-19 (Q1)	FY 2018-19 (Q2)	FY 2018-19 (Q3)	FY 2018-19 (Q4)
AU Abhi (Nos.)	219	5,072	5,322	5,313

Consumer finance loans

We offer consumer finance loans through a fully digital paperless platform. The entire loan is processed digitally either by sales personnel at the point of sale or by customers themselves, thereby reducing operational processes and costs. We also offer consumer durable loans in partnership with 'Snapmint', a digital platform, where we offer cashless Equal Monthly Instalment (EMI) options to customers purchasing consumer durables from various online retailers. Consumer finance loan disbursements through our digital platform grew from ₹8 crore to ₹16 crore in FY 2018-19.

FINANCIAL INCLUSION

We drive financial inclusion programmes across the remotest part of the markets that we serve in India. We enjoy wide market penetration and have a deep understanding of our markets, which enable us to create a platform for fostering financial inclusion.

At AU Bank, we have benefitted a million plus of underbanked and unbanked Indians with our financial inclusion initiatives. About 62% of our branches are in rural, semi-urban and unbanked rural (UBR) areas. We are participating in various financial inclusion initiatives such as the Pradhan Mantri Jan Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana, RuPay cards, Pradhan Mantri Suraksha Bima Yojana.

We appointed 86 Banking Outlets (BOs) at 86 unbanked rural centres. We opened 33,619 accounts with a balance

of ₹10.55 crore and disbursed ₹20.24 crore through these BOs in FY 2018-19. Aadhaar seeding is a process by which Aadhaar numbers of residents are included in the service delivery database of the Bank. This is useful for direct benefits transfer. We seeded ~54,000+ accounts as on 31st March 2019. We organised more than 300 financial literacy camps to provide comprehensive education regarding the benefits of formal banking to over 23,000+ people.

We intend to launch 1,000 ATMs under at the Atal Seva Kendra in the interiors of Rajasthan, of which 251 had commenced operations as on 31st March 2019.

TREASURY MANAGEMENT

Our treasury department 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 and compliance of the statutory guidelines and judiciously managing investments and trading portfolio as per internal policy framework of the Bank. In addition, risk management is key focus for the Bank whereby market risk, funding risk, interest rate risk and liquidity related risks are effectively monitored and managed. The Treasury, along with Financial Institutions Group (FIG) maintains close interface with financial markets and participants for augmentation of counter-party lines for our Bank's balance sheet management.

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

Increasing proportion of deposits further diversifying the funding profile

Funding sources	FY 2018-19 (Q1)	FY 2018-19 (Q2)	FY 2018-19 (Q3)	FY 2018-19 (Q4)
Deposits + borrowings (₹ in crore)	16,874	20,699	23,508	28,036
Deposits (%)	59.3	62.2	62.4	69.3
Refinance from FIs (%)	22.4	23.2	22.7	18.6
NCDs (%)	14.3	9.6	8.5	6.1
Loans from Banks and NBFC (%)	1.9	1.7	1.2	0.8
Tier II capital (%)	1.5	1.1	3.1	2.6
CBLO*/line of credit/inter-bank/others (%)	0.6	2.2	2.1	2.7
Total (%)	100	100	100	100

*Collateralised borrowing and lending obligation

Cost of funds trend

(In %)			
FY 2018-19 (Q1)	FY 2018-19 (Q2)	FY 2018-19 (Q3)	FY 2018-19 (Q4)
7.9	7.8	7.9	8.0

Our incremental cost of funds stood at 7.65% in FY 2018-19 due to tight systemic liquidity. Our cost of deposits (excluding certificates of deposit) stood at 7.27%.

As on 31st March 2019, we maintained Statutory Liquidity Ratio (SLR) investments of ₹5,061 crore (versus requirement of ₹4,009 crore) in the form of government securities/SDLs (held to maturity) and government securities/T-Bills (available for sale). There was no Mark-to-market (MTM) provision/loss during FY 2018-19 for both SLR and non-SLR portfolio. In FY 2018-19, we also maintained a healthy Liquidity Coverage Ratio (LCR) of more than 100%, well above the minimum requirement of 70% till December 2018 and 80% from 1st January 2019. We have built a profitable and high-quality non-SLR investment book of ~₹1,070 crore to offset negative carry on account of incremental cost of funds to maintain SLR and LCR.

Our treasury reported a profit of ₹6.9 crore in FY 2018-19.

Liquidity, interest rate and ALM management

We continue to maintain sufficient liquidity and contingency buffer in the wake of volatile markets. We have strengthened and diversified our liquidity profile in view of additional regulatory requirements through a mix of long-term deposit mobilisation and rupee borrowing in the form of re-finance from various domestic financial institutions.

The treasury closely works with the internal team and monitors deposit mobilisation and competitive landscape on interest rates to broad base the Bank's deposit franchise. The treasury further optimises cost of funds to enable branches to mobilise deposits by offering competitive rates of interest, keeping in view the prevailing interest rate scenario.

In FY 2018-19, we established a desk for trading government bonds and highly rated money market instruments. We endeavour to generate trading surplus by prudently taking advantage of interest rate movements through proprietary positions at appropriate levels. During the year, the Bank also actively participated in Open Market Operations (OMO) bond buying programme of RBI and generated capital gains from SLR portfolio.

Our portfolios' asset-liability profiles Structural Liquidity Statement (SLS) and Interest Rate Sensitivities (IRS) positions are efficiently monitored under the guidance of the Asset and Liability Management Committee (ALCO)

and managed through investments and borrowings in appropriate buckets.

Debt Capital Market (DCM) Desk

During FY 2018-19, we started a DCM desk for investments in short-term and medium-term bonds and debentures, enhancing return on funds, as well as to create high-quality liquid assets to aid in regulatory LCR. DCM undertakes investments, origination and trading of bonds, and works closely with asset managers, insurance companies, other banks and market participants.

Update on Financial Institutions Group (FIG)

Financial Institutions Group (FIG) is responsible for managing overall relationships with various financial market participants such as banks, mutual funds, insurance companies, Development Finance Institutions (DFI) and multilaterals, as well as associates and intermediaries such as credit rating agencies, legal firms and stock exchanges. FIG also facilitates the raising of medium-term/long-term liability for AU Bank depending on our funding and ALM position. The group also helps in setting up fund-based and non-fund-based limits with various counter parties and market participants.

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

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

As part of liquidity management measures, we continued to enhance our relationship with domestic Development Financial Institutions (DFI) and availed long-term, low-cost refinance facilities under various schemes. This enabled us to continue providing long-term assistance to various underbanked and underserved customers in rural and semi-urban locations and improve ALM in these branches.

CREDIT MANAGEMENT

Credit underwriting is at the core of our frontline functions and plays an active role in portfolio building within the accepted risk appetite limit of the organisation. We have built a formidable credit team that uses in-house field investigation techniques to evaluate and analyse customers' income and repayment ability. We have a robust and comprehensive credit assessment framework as a large proportion of our customers belong to the underserved

segment of the society and are primarily first-time purchasers of financial products.

We have a separate credit team for each business vertical, which evaluates prospective customers' business needs, identifies expansion plans and analyses their ability to repay. We have a three-layered system of assessment, which includes visits by credit officers, relationship officers and business officers to inspect the business and collateral quality.

Legal check and organised setup: We have a strong central legal team with experience and domain knowledge that facilitates both external and internal legal checks. We conduct two-level checks of title papers and legal reports and have enlisted legal persons across all states and branches.

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

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

Post disbursement monitoring: We have put in place a post disbursement monitoring process to help maintain portfolio quality. This also helps our internal and external audit teams to ensure adherence to policy and improve the documentation process. The monitoring of working capital limits also falls under post disbursement monitoring and is being conducted regularly for all working capital products across the Bank.

COLLECTION MANAGEMENT

At AU Bank, collection management is one of the key functions ensuring our stable asset quality. Our collection management function is streamlined by key attributes such as geography, delinquency, products and customer repayment history.

We focus on regular customer engagement and emphasise Business-to-Employee (B2E) communication. We are focussing on capturing profile data of customers to ensure we develop a strong customer database. Our robust MIS and reporting ensure regular updates to management. Over 85% collection is in-house, which enables us to maintain superior asset quality. We have specialised partners in select metro and micro markets for bucket 1 and bucket 2 cases, which is an efficient model to manage efficiency and cost.

Collections Approach

We focus on inculcating a practice of proactive collections rather than reactive collections.

INFORMATION TECHNOLOGY

Our best-in-class technology enhances customer convenience and streamlines operations to reduce costs. Alongside our transition onto a banking platform, we underwent a major technology upgradation across different business lines and implemented modern hardware, software, risk management products and solutions commensurate to our size. This modern infrastructure will support our banking journey for the next few years.

Our core technology stack (CBS) is procured from Oracle Corporation and our other key systems include customer relationship management application, treasury application, expense management system, compliance and others encounter regular upgrades and integration.

Our technology infrastructure is a robust yet flexible architecture, which allows us to foster partnership with digital applications of other technology and IT partners.

We have strategically aligned our skilled workforce into three focussed IT sub verticals viz: Build the Bank, Run the Bank and Govern the Bank to ensure hassle-free banking for our customers and growth of our organisation.

We will continue to upgrade our technology systems with automated, digitised and other technology-enabled platforms and tools. A greater adoption of our digital service delivery mechanism and innovative applications will enable us to be more efficient and customer-friendly.

Information technology is a key tool, which can help us in delivering banking services to a broad spectrum of customers. During the year under review, we equipped our branches with paperless and faster customer onboarding processes across products.

During FY 2018-19, we worked on bringing banking to the fingertips of our customers by implementing login via fingerprint/PIN on AU Bank's mobile app. The app was optimised to support multiple payments, scheduled payments, IMPS and other such features.

For our corporate customers, a new 'Corporate Internet Banking' platform was launched. For further empowering our customers, we have integrated our systems with one of the largest payment gateway aggregator, CCAvenue; integration with other aggregators including Bill Desk is on

the cards. This will help our customers to make payments to various merchants directly from their bank accounts.

During the year under review, we implemented Rupee Power, a paperless two-wheeler loan origination system, which enables us to process two-wheeler loans faster.

On one hand, we are focussing on implementing cutting-edge solutions in banking, on the other, we are concentrating on enhancing our systems' stability and sustainability. Our disaster readiness has been tested in all scenarios to ensure there is no business disruption beyond the stipulated threshold.

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

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

HUMAN RESOURCE

AU Bank has built a culture that is the key enabler for progress of our people and enrich their experience of working with us.

We have a well defined HR Structure and processes that focus on Talent Acquisition, Performance Mapping and Rewards & Recognitions. The focus for all HR Processes primarily has been around the three facets of Build, Connect and Reimage.

AU Bank offers the employees a wealth of opportunities to grow both professionally and personally while engaging with them consistently. The distinguished performances are recognised under the rewards framework. As a ready reference, during FY 2018-19, events were organised at overseas locations to celebrate the success of our people.

As part of Employee Connect and Engagement, Town Hall meetings and Regional Leaders' Meet are regularly conducted.

We are also associated with Government of India's Skill Development Programme for providing employment opportunities for youth in rural & semi-urban India.

Employees are granted ESOPs at AU Bank; this not only strengthens the pride and ownership but leads to inclusive growth for employees and the Bank.

As on 31st March 2019, the no. of employees employed were 12,623.

COMPLIANCE

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

Compliance with the policies, rules and regulations are not just the responsibility of the specialist compliance staff, but is a shared responsibility of all AU Bank employees.

To build a 'compliance culture' within the Bank, we promote awareness of compliance obligations and ethical values across the organisation. The key elements for building and maintaining a strong compliance culture in the organisation are as follows:

Leaders' engagement: The Board and senior management actively participate, provide direction and vision within the defined compliance and risk management framework. We have a well-defined structure where the senior management is involved in monitoring operations of the Bank on an ongoing basis. We have various Board-level and Board-delegated committees where the Board members and the senior management are apprised of the current affairs of AU Bank.

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

Monitoring: We have a robust monitoring framework in place. Audit, risk and compliance departments conduct regular reviews to ensure that our operations are within the defined framework. These functions ensure that we operate on the laid down/defined principles, guidelines and policies, thereby reducing risk and uncertainty through the establishment of sound governance mechanism and strong compliance culture. These three functions roll up to the Audit Committee and Board through managerial hierarchy.

Training: We ensure that employees are educated on our organisation's internal policies and external regulations in a regular and influential way. We have a dedicated training department in place, which ensures that key information is supplied to all our employees. We have open communication channels as well where employees can approach various departments and senior management officials for guidance and resolution of their queries.

Technological support: We are a tech-led Bank, where we significantly rely on systems and technology. Controls are implemented at system levels to ensure that all transaction-based requirements/limits are adhered to. Systems and applications are used for monitoring transactions as well as for ensuring that post facto controls are in place.

Incident reporting and case management: Incident reporting and case management is an important aspect of our compliance programme to ensure that we can track and address any misconduct. Being aware of non-compliance is half the battle won, when it comes to mitigating risks. Through regular monitoring programme and system controls, we can identify any misconduct/noncompliance/violation. We take appropriate action in all such cases.

We believe integrity, ethics and compliance are important, and it is reiterated to employees through policies and trainings. Ensuring that we have our finger on the pulse of changing laws and regulations helps us proactively steer the organisation in accordance with the requirements. Effective technology, and continuous education help set a positive and rewarding culture of compliance across the Bank.

INTERNAL CONTROL SYSTEMS

At AU Bank, our management is the first line of defence and is primarily responsible for ensuring adequate and effective internal control systems. Risk, Compliance and Internal Audit together form the governance function.

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

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

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

- Our Internal Audit function performs independent and objective assessments. It monitors adequacy, effectiveness and adherence to internal controls, processes and procedures instituted by the management and extant regulations
- Following RBI's guidelines, we have adopted a robust Internal Audit policy, which drives the conduct of risk-based internal audit (RBIA) across all auditable entities
- The audit frequency of auditable units is aligned with the risk profile of each auditable unit
- As part of audits, internal audit also provides process improvement recommendations to the management and the same is tracked/followed up for implementation
- As part of meeting management expectations, in addition to the approved internal audit plan, internal audit also carries out certain management-advised audits based on specific areas/triggers identified and communicated by the management/senior leadership to internal audit
- Moreover, the internal audit function conducts self-assessment of our internal financial controls, adequacy and operating effectiveness of such controls in terms of the Companies Act, 2013

Our Audit Committee is appointed by the Board of Directors and it assists the Board in reviewing auditing and accounting matters and risks related thereto. It assesses the robustness, adequacy and reliability of our internal control systems and provides assurance to stakeholders accordingly.

SWOT ANALYSIS

Strengths

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

- Established as a robust retail-focussed scheduled commercial bank with strong brand recognition in the markets we operate in
- Offers a well-balanced product portfolio enabling us to penetrate different customer segments and helping us diversify our revenue streams
- Extensive phygital distribution network enabling efficient delivery of products and services to customers across urban, semi-urban and rural (Tier I to VI) centres
- Strong technology architecture helping efficient and seamless operations
- Led by experienced Board of Directors and leadership team



Weakness

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

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

Opportunities

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

- Leveraging technology, along with doorstep servicing would enable us to rapidly gain market share
- Significant exposure in underpenetrated regions offers strong growth potential

- New retail products—gold loan, home loan, two-wheeler loan, agri-SME loan and consumer durable loan—hold immense growth potential
- Scaling of third-party products (mutual funds, general insurance, health insurance and life insurance)

Threats

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

- Growing competition intensities from other banks and financial institutions
- With several new banks, fintech companies and existing banks vying for the same talent pool, nurturing and retaining human capital may get difficult
- Volatility in global or domestic economy and political uncertainty might hamper growth

Board's Report

To
The Members,
AU SMALL FINANCE BANK LIMITED

Your Board of Directors has immense pleasure in presenting the 24th Annual Report of AU Small Finance Bank Limited covering the business and key operational highlights of your Bank together with Audited Financial Statements for the year ended on 31st March 2019.

A. BUSINESS OUTLINE AND FINANCIAL PERFORMANCE HIGHLIGHTS

Financial Performance:

Particulars	y-o-y Growth (%)	For the year ended (₹ in crore)	
		31 st March 2019	31 st March 2018
Total Income	58.26 ↑	3,410.86	2,155.25
Interest Income		2,948.84	1,767.19
Other Income		462.02	388.06
Interest Expenditure		1,606.35	826.73
Operating Expenses (excluding depreciation)		1,020.85	699.36
Profit before Depreciation, Provisions and Tax	24.56 ↑	783.66	629.16
Depreciation		61.75	53.25
Provision for Income Tax		198.32	153.08
Other Provisions and Write-offs		141.78	130.79
Net Profit	30.74 ↑	381.81	292.04
Appropriations			
Transfer to Statutory Reserve		95.45	73.01
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		37.80	20.50
Transfer to Capital Reserve		2.76	0.00
Transfer to Investment Fluctuation Reserve		22.12	0.00
Dividend (including tax/cess thereon) pertaining to previous year paid during the year		17.48	0.00
Dividend (in ₹) (Per Equity Share)		0.75*	0.50
Surplus carried over to Balance Sheet		1,572.03	1,365.84
EPS			
(After excluding Exceptional Items not annualised)			
Basic		13.16	10.26
Diluted		12.90	10.00

*Proposed Dividend as recommended by the Board of Directors.

i. Key Highlights on Profitability

- Total Profit before Tax was ₹580.13 crore for FY 2018-19 vis-à-vis ₹443.35 crore for FY 2017-18 and Earnings Per Share (EPS) was ₹13.16 compared to ₹10.26 last year
- Net Profit stood at ₹381.81 crore for FY 2018-19 vis-à-vis ₹292.04 crore for FY 2017-18, with y-o-y growth of 30.74%

- Net Interest Income grew by ₹402.02 crore from ₹940.46 crore during FY 2017-18 to ₹1342.48 crore during FY 2018-19, with a y-o-y growth of 42.75%

ii. Key Highlights on Balance Sheet

- Balance sheet size grew to ₹32,623 crore as on 31st March 19 vis-à-vis ₹18,833 crore as on 31st March 18 with y-o-y growth of 73%
- CASA increased by ₹1456.61 crore to ₹3590.09 crore during FY 2018-19 from ₹2,133.49 crore during FY 2017-18, registering a growth of 68.27%

- Capital Adequacy Ratio stood at same level, i.e. 19.31% as on 31st March 2019 vis-à-vis 19.31 % as on 31st March 2018

iii. Key Highlights on Asset Quality

- The Return on Equity (RoE) stood at 14% and the Return on Asset (RoA) stood at 1.5%
- Gross NPA and Net NPA remained stable at 2.0% and 1.3%, respectively, as on 31st March 2019 as compared to 2.0% and 1.3 %, respectively, as on 31st March 2018

iv. Key Operational Highlights

- During FY 2018-19, your Bank's disbursement rose to ₹16,077 crore vis-à-vis ₹10,825 crore in FY 2017-18, registering an increase of 49%.
- As on 31st March 2019, your Bank's distribution network stood at 322 Branches, 83 Asset Centres, 86 Banking Outlets (BOs) and 67 Business Correspondents (BCs), 14 Offices and 543 ATMs spread across 11 States and Union Territory
- Keeping an objective of making 'Digital Bank as good as Traditional Bank', in its second year of operation, your Bank focussed on enriching the 'Customer Phygital Experience' by creating a robust technology platform to create a new age Digital Banking

Management Discussion & Analysis section covers the industry overview, financial and operating performance of the Bank and forms part of this Annual Report.

Change in the Nature of Business

There is no change in the nature of business of the Bank for the year under review.

Dividend

Your Board of Directors is pleased to recommend dividend for 2nd consecutive year to reward its shareholders with 7.5% i.e., ₹0.75/- per equity share on face value of Rupee 10/- each for the year 2018-19 (previous year 5% i.e. ₹0.50/- per equity share) subject to the approval of the members in the 24th Annual General Meeting (AGM). There was no interim dividend declared during the reporting period.

The total outgo on account of dividend inclusive of taxes, for FY 2018-19 is ₹26.43 crore which represents a pay-out of 6.92% of the Bank's profit.

In terms of Regulation 43A of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Bank adopted Dividend Distribution Policy and the dividend proposed is

in line with the Dividend Distribution Policy of the Bank. The Policy is hosted on the website of the Bank and can be viewed at www.aubank.in/au-notice-board

Closure of Share Transfer Books and Record Date for Dividend

The Register of Members and the Share Transfer Books of the Bank will remain closed from 20th July 2019 to 26th July 2019 (both days inclusive) for the purpose of the 24th AGM of the shareholders of the Bank to be held on 26th July 2019 and for determining the names of the members who would be entitled to the dividend, if any, declared by the Bank for the financial year ended 31st March 2019. The said dividend shall be paid to those members whose names appear on the Register of Members of the Bank as on 19th July 2019.

Transfer to the Investor Education and Protection Fund

In terms of Sections 124 and 125 of the Companies Act, 2013 (the Act) read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules 2016, dividend that remain unpaid or unclaimed for a period of seven years from the date of transfer are required to be transferred to the Investors Education and Protection Fund. There is no unclaimed/unpaid dividend liable for transfer to the Investors Education and Protection Fund for the year under review. The Bank has uploaded the details of unclaimed dividend amounts lying with the Bank on its website and can be viewed at <https://www.aubank.in/unpaidunclaimed-dividend-details>

Branch Banking and Liability Products

In line with the Government of India's focus, your Bank is committed to increase the reach of formal banking services across the country and extend banking services to the 'belly of the nation'.

The Branch Banking and Liabilities product suite caters to the financial needs of all set of customers, including self-employed, salaried individuals, children, women entrepreneurs, senior citizens, companies, societies, trusts, educational institutions, hospitals, government corporations and local bodies among others. Our wide-ranging product suite includes Savings Account, Current Account, Term Deposit, Locker, Bank Guarantee, Gold Loan among others. Through our empanelled partners, we also provide Point of Sale (POS) for business needs, Life and Health Insurance, along with Mutual Fund investment solutions for customers.

Your Bank is steadily building a granular deposits book based on simple and clear value proposition, competitive interest rate on deposits, superior customer service and

achieved strong traction in CASA. During the FY 2018-19, Bank expanded its presence to 543 ATMs as on 31st March, 2019 vis-à-vis 292 ATMs as on previous year end.

Financial Inclusion

Small Finance Banks were set up with the objective of enhancing financial inclusion and offer banking services in India by providing a saving vehicle and supplying credit to small business units, small and marginal farmers, micro and small industries and other unorganised entities through high-end technology and low-cost operations.

In the FY 2018-19, your Bank exceeded the benchmark targets prescribed under the licensing conditions and further contributed to Financial Inclusion through several initiatives.

With around 62% of the total branches in Semi-Urban, Rural and Unbanked Rural areas your Bank expanded reach to the hitherto excluded population and even in Metropolitan and Urban Area. Your Bank opened 4,03,000 deposit accounts and mobilised deposit of around ₹2200 crore from these areas. Your Bank added 16 new Unbanked Rural Branches in its reach, taking the total Unbanked Rural branch count to 30. Your Bank also has 86 Banking Outlets (BOs) in Unbanked Rural Areas of Rajasthan, Madhya Pradesh, Gujarat, Punjab, Haryana and Maharashtra, which is a low cost alternative for providing banking services to take banking to the last mile. Banking Outlets not just offer Savings Accounts and remittances services but also encourages these outlets to mobilise Term Deposits, Loans, Loan Repayments and other services. Together the BOs and the Unbanked Rural Branches have opened 47,218 accounts in the Unbanked Rural areas with a total deposit of ₹45.80 crore. In addition to this, the Unbanked Rural Branches and BOs have disbursed loans to the tune of ₹39.38 crore through 1,123 cases.

The BO Model at AU Small Finance Bank encourages the following:

Entrepreneurship: AU Bank has hand-picked dynamic individuals to take up the crucial responsibility of BOs at a village level. Many of these are either engaged in small-time employments like retail shops, juice shops, or were homemakers etc. These individuals are from nearby villages, the local area trusts them and they understand these customers better and are able to persuade them to use banking. AU Bank identified their entrepreneurial spirit and encouraged them to become BOs and act responsibly. Your Bank organised regular training programmes for them to gain a better understanding of the banking business and customers' needs.

Unbanked rural area empowerment: Areas that had no access to any form of banking, started banking

transactions such as cash withdrawal and cash deposit. AU Bank offered a wide range of services through BOs. Besides opening bank accounts, BOs are also disbursing loans in rural areas. The BOs can open accounts, conduct Aadhar-based and card-based deposit and withdrawal transactions, non-financial transactions like balance inquiry, mini-statement, etc. and can share leads of all other AU products via the AU Business App. We encouraged them and conducted 300 plus literacy camps at these locations to provide comprehensive education regarding the benefits of formal banking to over 23,000 people. The camps were organised via *Nukkad Natak* to engage rural population to understand benefits of banking in their local language.

In the FY 2018-19, the unbanked rural BOs have opened 33,619 accounts in these scantily populated areas. We focussed not just on account opening in these areas, but also disbursed loans of ₹20.24 crore. Over 1,12,264 financial transactions, including cash deposit and cash withdrawal took place through these BOs.

Apart from the above, your Bank also contributed towards the government's novel MUDRA Yojana and opened 33,658 BSBD accounts with a deposit of around ₹12 crore, issued around 2,61,000 RuPay Cards and disbursed MUDRA Loans to the tune of ₹3,482 crore in FY 2018-19. The Bank also launched Pradhan Mantri Jevan Jyoti Bima Yojana in FY 2018-19 and went live on an online module and issued 650 policies under this scheme. The Bank also launched Pradhan Mantri Suraksha Bima Yojana and shall soon go live with the Atal Pension Yojana.

Retail Assets

Your Bank provides a wide range of retail asset products, including Vehicle Loans, Secured Business Loan to Micro, Small and Medium Enterprises (MSMEs) and Small & Medium-sized Enterprises (SMEs), Gold Loan, Agri-SME Loan, Consumer Durable Loan, Home Loan and Education Loan to cater to the entire financial lifecycle needs of customers. Vehicle Loans and Secured Business Loans constituted the bulk of the retail loan book and revenues.

The Bank would remain focussed on core retail segments with emphasis on contiguous deeper expansion in existing geographies and enter new geographies gradually. The Bank would continue to focus on '**customer delight**' by building strong and personalised relationships with retail clients and serving their needs with the use of emerging technologies. We customise our product offerings and features according to customer's business needs after assessing the business model of clients. This leads to deeper customer engagement in a cost-effective manner. Your Bank's operating model is lean, credit processes are robust, technology driven and cost efficient.

During the year, your Bank enriched its bouquet of product offerings to its customers through 'digital empowerment' by offering financial products and services via an online platform against a new set of multiple collaterals. The Bank would continue to offer and introduce new tailor-made products to service the financial needs of customers.

Small and Mid-corporate Assets

The Bank's Small and Mid-corporate business caters to the diverse needs of a wide range of corporate customer segments, including SMEs, Agri-SMEs, Indian corporates, financial institutions, mid-market companies and real estate businesses. This vertical offers a comprehensive set of products and services to these customers, including term loan, working capital finance, trade finance, lease rental discounting and other services including finance to Non-banking Financial Companies (NBFCs), microfinance companies, Housing Finance Companies (HFCs) and for construction finance.

The disbursements in this segment were ₹3,764 crore against ₹2,877 crore in the previous year, registering a growth of 31% and Assets under Management stood at ₹4,129 crore, against ₹2,739 crore in previous year, registering a growth of 51%.

Under Business Banking, your Bank caters to all segments of the businesses, including wholesalers, retailers, traders, manufacturers, service providers, contractors, distributors, educational institutes, healthcare institutes, etc. for fulfilling working capital needs, including day-to-day operations, setting up of new units and business expansion.

Treasury

The Treasury Department of the Bank manages asset liability gaps, fund planning, regulatory liquidity requirements viz Cash Reserve Ratio (CRR), Statutory Liquidity Ratio (SLR) and Liquidity Coverage Ratio (LCR) and investments portfolio both SLR and Non-SLR of the Bank. The asset-liability mismatches and interest rate sensitivities of the Bank are efficiently tracked through Structural Liquidity Statements & Interest Rate Sensitivity and judiciously managed with various market investments and money market products. On the other hand, the treasury is also responsible for managing and optimising the cost of funds for the Bank through efficient planning and mix of available resources.

The Bank meets its regulatory requirements on CRR and SLR through efficient liquidity management and investment in GOI securities, SDLs and T-Bills across varying maturities. The portfolio durations were efficiently managed in line with interest rate view and within the overall risk framework provided in Investment Policy and under the oversight of the Bank's Investment Committee. The treasury also successfully maintained appropriate liquidity buffers

in compliance to regulatory requirement of the LCR guidelines, while keeping the business requirements under consideration.

The Bank during the year continued to grow its relationship with both public and private sector banks, by setting up inter-bank limits and transacting in money market instruments. At the same time, the treasury endeavoured to optimise cost of funds by encouraging branches to mobilise deposits at competitive rate of interest in line with prevailing interest rates scenario.

On the treasury systems front, the Bank has well-established systems and platforms, including the RBI platform e-Kuber, Treasury Management System by Credence Analytics, Structured Financial Messaging Systems (SFMS), National Electronic Fund Transfer (NEFT), Real Time Gross Settlement System (RTGS) and Clearing Corporation of India Limited (CCIL) systems, which include money market and sovereign bond dealing platforms. The Bank's Treasury also has in place a robust primary and secondary Data Centre and Disaster Recovery Centre, in partnership with external vendors, to secure the live systems, which are vital to the Bank's business continuity and Business Continuity Plan (BCP) for any contingency. All systems and platforms are working seamlessly as per the Treasury requirements. The Treasury has also successfully implemented its BCP for any contingency.

The Treasury department is responsible for managing surplus funds by investing in SLR and high-quality Non-SLR instruments as per the approved regulatory frameworks and internal policies to get optimum risk adjusted returns. The Treasury has initiated and maintained a Debt Capital Market (DCM) book in FY 2018-19 for short- and medium-term investments in bonds and debentures, thus enhancing return on excess funds as well as create High Quality Liquid Assets (HQLA) to aid in regulatory LCR. The Treasury has also initiated active trading in Government securities to generate trading profit by capturing market movements.

Financial Institutions Group (FIG)

Financial Institutions Group (FIG) managed the relationship with financial market participants covering Banks, Mutual Funds, Insurance Companies, Development Finance Institutions (DFIs) and Multilaterals, as well as with associates and intermediaries like credit rating agencies, legal firms, and stock exchanges. The Bank enhanced its relationship with domestic DFIs and availed long-term, low-cost refinance facilities of substantial amount under various schemes for improvement in liquidity position. During the year, FIG facilitated medium and long-term liability for the Bank as per requirement and arranged for the setup of fund based and non-fund based limits with various counter parties and market participants.

To provide cushion in extreme liquidity scenarios, the Bank has been able to secure contingency lines from public and private sector banks. The Bank has also tied up with various banks to ensure availability of trade and remittance products for its clients and has successfully facilitated inward and outward foreign currency transactions, including issuance of trade instruments (Letter of Credit and Bank Guarantees) and processing of trade payments within the capacity of AD-II category bank.

The Bank empanelled with all the leading Stock Exchanges of India (i.e., NSE, BSE, MCX and NCDEX) for acceptance of the deposits to be placed by members of the exchange as margin collateral. This led to new business avenues for the Bank in terms of deposit mobilisation.

Investments

The Treasury maintained SLR investments in the form of Central and State Government Securities as per regulatory requirements of 19% of Net Demand and Time Liability (NDTL) within approved policy criteria in terms of duration and risk profile.

Transaction Banking

With innovative thinking and increased ownership, the Bank remained committed to provide customers with the ease of banking and achieved greater convenience through following measures:

- No deposit slips
- Simpler customer instruction forms
- Extended banking hours
- Seeding of AU Bank account to receive Direct Benefit Transfer (DBT) benefit
- Continuous enhancement in Personal Net Banking and Mobile Banking
- Corporate Net Banking
- Payment Gateway Integration
- Technology Support for Business Correspondents
- Aadhaar-enabled Payment Services (AEPS) extended to BCs where AU customers can perform activities such as Cash Withdrawal, Cash Deposit, Fund Transfer via Aadhaar, Balance Enquiry and Mini Statement.
- Card-based Transactions went live for providing services to AU customers as well as other bank customers to withdraw cash from BOs/BCs points.

The Bank's strategy is to become digital bank of choice and focus has been to offer the easy & convenient tech solution to our customers. For this, your Bank started 'AU Sewadhaar' for collection of EMI/Insurance premium at

AU branches for third party tie-ups, 'Nodal Account' for aggregator and payment partners and 'Mangalam Vishesh Account' for letting customers sweepout to FD from their existing current account.

Technology and Digital Banking

Your Bank's continued its endeavour to become a digital bank by creating best-in-class customer-centric solutions and deliver superior customer experience. Leveraging an omni-channel approach with a multi-product suite, the focus has been to create a trusted and recognised Digital Brand in the banking space.

• Digital Brand

The purpose of your Bank has been to simplify banking for all users. With this core principle for building the Digital Brand and in order to create a sustainable long-term business model, we have been targeting to use 360° communication plans across multiple digital and social media channels, the objective is to uplift the brand awareness and consideration scores for your Bank, resulting in positive spill-over effects in traditional businesses too.

• Digital Properties

During the year, focus of the Bank remained to deliver a seamless omni-channel integrated solution that ensured consistent high-level customer experience across all channels (website, internet banking, mobile applications and chat bots). The Bank has been working on state-of-the-art Digital Contact Centre that will be used for higher customer acquisition and better customer engagement through innovative models including virtual Relationship Manager.

• Digital Products

• Digital Assets

Digital Asset is being designed with focus to deliver a seamless straight-through-disbursal process across the various digital modes. Strategic and business partnerships and social media campaigns is being leveraged for customer acquisition. Existing and new-to-bank customers shall apply and get loans through a well-defined credit and risk evaluation process.

• Digital Liabilities

AU Abhi App (mobile and web version) are being deployed by the Bank for Customer acquisition and faster account opening. Customers can open a Direct Benefit Account (DBT) with Bank and this is an important technology enabler for increasing the liability base customers.

• Digital Partnerships

Leveraging partnerships for optimal customer experience and increasing customer acquisition will be the focus for a fully operational Digital Bank. The various partnerships being looked at are strategic, business and technology with the objective of offering and facilitating the latest and most competitive products to the customers of the Bank.

The Bank is using issuer ratings and short-term and long-term instruments/bank facilities' ratings that are assigned by the accredited rating agencies (i.e., India Ratings, CARE, CRISIL and ICRA) for its debt instruments. The credit rating of the Bank was upgraded by CRISIL from 'A+/Positive' to 'AA-/Stable' and by ICRA Ratings from 'A+/Stable' to 'AA-/Stable', covering debt instruments of the Bank in view of strong consistent performance quarter to quarter.

Ratings of Debt Instruments

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

Transfer to Reserve

In terms of applicable RBI regulations, the Bank has transferred the following amounts to various reserves for the financial year ended 31st March 2019.

Transfer to Reserves	
Amount transferred to	Amount (₹ in crore)
Statutory Reserve	95.45
Transfer to Special Reserve U/s 36 (1) (Viii)	37.80
Transfer to Capital Reserve	2.76
Transfer to Investment Fluctuation Reserve	22.12

Securities Capital

During FY 2018-19, there was no change in the authorised share capital of the Bank and it stood at ₹35,00,000,000 (Rupees Three Hundred and Fifty Crore only). The paid-up capital of the Bank as on 31st March 2019 stood at ₹2,92,35,74,860 (Rupees Two Hundred and Ninety-Two Crore Thirty-Five Lakh Seventy-Four Thousand Eight Hundred and Sixty only) consisting of 29,23,57,486 equity shares at face value of ₹10 (Rupees Ten) each.

During FY 2018-19, your Bank issued 43,30,441 equity shares at a face value of ₹10 (Rupees Ten) each, fully paid-up for cash at an issue price of ₹692.77 (Rupees Six Hundred and Ninety Two and Seventy Seven paise including premium of ₹682.77) per equity share, aggregating to an amount of ₹2,99,99,99,612 (Rupees Two Hundred and Ninety-Nine Crore Ninety-Nine Lakh Ninety-Nine Thousand Six Hundred and Twelve only) to Camas Investments Pte. Ltd. through preferential allotment.

Further, the Bank issued 1,01,04,364 convertible warrants to Camas Investments Pte. Ltd. to apply for, get issued and allotted 1 (one) equity share of the Bank at a face value of ₹10 (Rupees Ten) each (for every Convertible Warrant), for cash, in one or more tranches, at a price of ₹692.77 (Rupees Six Hundred and Ninety Two and Seventy Seven paise including a premium of ₹682.77), aggregating to an amount of ₹700,00,00,249 (Rupees Seven Hundred Crore and Two Hundred and Forty-Nine) (Warrants Subscription Consideration) within a period of 18 months from the date of allotment of convertible warrants. The Bank received partial amount of ₹175,00,00,063 (Rupees One Hundred and Seventy-Five Crore and Sixty-Three only) in respect to the above convertible warrants.

Your Bank also raised Tier-II capital by issuing 5,000 (Five Thousand) fully paid-up, unsecured, subordinated, rated, listed, redeemable, non-convertible bonds with face value of ₹10,00,000 (Rupees Ten Lakh Each) aggregating to ₹500,00,00,000 (Rupees Five Hundred Crore only) being classified as subordinated debt and categorised as Tier-II capital Bonds under the Basel II framework. The said Bonds were allotted to leading financial institutions and Banks.

The Bank added ₹2,32,34,250 (Rupees Two Crore Thirty Two Lakh Thirty Four Thousand Two Hundred Fifty) to the paid-up equity share capital by allotting 23,23,425 equity shares of face value of ₹10 (Rupees Ten) each to employees on exercise of options under Employee Stock Option Plan 2015 (Plan A and Plan B) and ESOP Scheme 2016 as per details mentioned below:

Equity Shares allotted on Exercise of ESOPs

Sr. No.	Date of Allotment	ESOP Plan - 2015 A	ESOP Plan - 2015 B	ESOP Scheme 2016	Total
1	14 th August 2018	2,87,476	1,85,985	53,220	5,26,681
2	27 th September 2018	7,16,465	8,32,353	3,960	1,552,778
3	11 th December 2018	56,752	57,077	1,800	1,15,629
4	7 th March 2019	2,048	15,299	1,10,990	1,28,337
Total No. of Shares		10,62,741	10,90,714	1,69,970	23,23,425

Employees Stock Option Plan (ESOP)

Employee Stock Option Schemes, duly approved by the shareholders of the Bank enabled the employees to participate in the future growth and financial success of the Bank. The Bank provides its employees a platform to perform and display their long-term commitment towards future growth of the Bank by way of rewarding them through Stock Options. The Employee Stock Option Schemes have been devised in accordance with SEBI (Share

Based Employee Benefits) Regulations 2014 as amended from time to time. In terms of compensation policy of the Bank, employees are granted options as part of Annual Performance Review of their performance and to hire best talent at senior management positions. Several factors including scale, designation, performance, grades, period of service, the Bank's performance, criticality of role & their contribution is taken consideration for decision on nos. of ESOPs to be granted to the employees.

The Bank's shareholders had approved the following Employee Stock Option Schemes:

- **EMPLOYEE STOCK OPTION PLAN 2015 - PLAN A**
- **EMPLOYEE STOCK OPTION PLAN 2015 - PLAN B**
- **EMPLOYEE STOCK OPTION PLAN 2016**
- **EMPLOYEE STOCK OPTION PLAN 2018**

The details of vesting of various schemes are as follows:

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

Details of Existing ESOP Schemes as on 31st March 2019

Particulars	ESOP Plan A 2015	ESOP Plan B 2015	ESOP Scheme 2016	ESOP Scheme 2018
Date of Shareholders Approval	31 st August 2015	31 st August 2015	10 th October 2016	07 th August 2018
Total No. of Options Approved	38,36,058	49,33,194	21,00,000	49,33,200
Total No. of Options Outstanding at the Beginning of the Period	31,08,020	30,56,541	13,87,321	-
Total No. of Options Granted (during FY 2018-19)	-	1,146	86,864	20,13,928*
The Pricing Formula/Price in ₹	10.11	33.37	140	Market Price Linked
Options Vested (during FY 2018-19)	11,00,018	11,29,510	2,53,538	Nil
Options Exercised (during FY 2018-19)	10,62,741	10,90,714	1,69,970	Nil
Total No. of Shares Arising as a Result of Exercise of Options	10,62,741	10,90,714	1,69,970	Nil
Options Lapsed/Forfeited (during FY 2018-19) (Available for Re-issue)	30,032	43,672	1,99,255	46,980
Total No. of Options Exercisable at the End of the Year	33,865	37,230	78,142	-
Total No. of Options Outstanding at the End of the Year	2,015,247	19,23,301	11,04,960	19,66,948*
Variation in Terms of Options	No	No	No	No
Money Realised by Exercise of Options (during FY 2018-19) (in ₹)	1,07,44,311.43	3,63,97,126.18	2,37,95,800	Nil
Total No. of Options Granted to Senior Management Personnel (SMPs)	Please refer Note 1	Please refer Note 1	Please refer Note 1	Nil
Any other employee who received a grant in any one year of options amounting to 5% or more of options granted during that year	Please refer Note 2	Please refer Note 2	Please refer Note 2	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
Diluted EPS of the Company after considering the effect of potential equity shares on account of exercise of Options		Refer Note 4		-
Impact of the Difference between the Intrinsic Value of the Options and the Fair Value of the Options on Profits and on EPS		Refer Note 4		-
Weighted Average Share/Exercise Price of the Shares Exercised during the Year (in ₹)	10.11	33.37	140	No shares were exercised under this scheme during the year
Weighted Average Fair Values of the Outstanding Options (in ₹)	Please refer Schedule 18 (7) to Notes to accounts to Audited Financial Results for FY 2018-19			-

*10,00,000 ESOPs under ESOP Scheme 2018 were granted to Mr. Uttam Tibrewal, Whole Time Director during the year and the same are subject to RBI approval.

Note 1

Following are the total no. of stock options that have been granted to the SMPs during the financial year ended 31st March 2019

S. No.	Name	Designation	No. of ESOPs Granted in ESOP Plan-A 2015	No. of ESOPs Granted in ESOP Plan-B 2015	No. of ESOPs Granted in ESOP Scheme 2016	No. of ESOPs Granted in ESOP Scheme 2018
1	Deepak Jain	Chief Financial Officer	-	-	-	5,00,000
2	Manoj Tibrewal	Group Head HR, Marketing & Distribution	-	-	-	5,00,000
3	Ashok Khandelwal	Chief Compliance Officer	-	-	-	4,000
4	Sumit Madan	Chief of Branch Banking	-	-	-	15,000
5	Mayank Markanday	Chief Risk Officer	-	-	-	10,000
6	Rishi Dhariwal	Chief of Secured Business Loan	-	-	-	7,500
7	Vijendra Singh Shekhawat	Chief of Operations - Assets	-	-	-	5,000
8	Yogesh Jain	Group Head Strategy - Treasury, FIG, DCM, Wholesale Liability and Investor Relation	-	-	-	20,000
9	Vinay Vaish	Chief of Credit Risk	-	-	-	4,000
10	Nitin Gupta	Chief Audit Officer	-	-	-	3,000
11	Manmohan Parnami	Company Secretary	-	-	-	3,000
12	Amiya Dikshit*	Chief Technology Officer	-	-	-	0

*Amiya Dikshit resigned and was relieved during FY 2018-19 and no ESOPs were exercisable during the tenure of his employment.

Note 2

Following are the details of Employees who received a grant in any one year of ESOPs amounting to 5% or more of ESOPs granted during that year

S. No.	Name	Designation	No. of ESOPs Granted in ESOP Plan-A 2015	No. of ESOPs Granted in ESOP Plan-B 2015	No. of ESOPs Granted in ESOP 2016	No. of ESOPs Granted in ESOP Scheme 2018
1	Uttam Tibrewal	Whole Time Director*	-	-	-	10,00,000
2	Manoj Tibrewal	Group Head HR, Marketing & Distribution	-	-	-	5,00,000
3	Deepak Jain	Chief Financial Officer	-	-	-	5,00,000

* 10,00,000 ESOPs under ESOP Scheme 2018 were granted to Mr. Uttam Tibrewal, Whole Time Director during the year and the same are subject to RBI approval.

Note 3

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

Particulars	31 st March 2019
Risk-free Interest Rate (%)	7.30% – 8.03%
Expected Life (years)	3 years – 5.5 Years
Expected Volatility (%)	37.28% – 38.39%
Expected Dividend Rate (%)	0%

Note 4

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

Particulars	(₹ in crore)	
	Year Ended 31 st March 2019	Year Ended 31 st March 2018
Profit after Tax as Reported	381.81	292.04
Add: ESOP Cost Using Intrinsic Value Method (Net of Tax)	25.11	9.24
Less: ESOP Cost Using Fair Value Method (Net of Tax)	36.38	12.51
Profit after Tax (Adjusted)	370.54	288.77
EPS		
Basic		
- As Reported	13.16	10.26
- Adjusted for ESOP Cost Using Fair Value Method	12.77	10.14
Diluted		
- As Reported	12.90	10.00
- Adjusted for ESOP Cost Using Fair Value Method	12.52	9.89

Particulars	As on	
	31 st March 2019	31 st March 2018
Stock Options Outstanding (Gross)	103.75	94.04
Deferred Compensation Cost Outstanding	44.87	73.76
Stock Options Outstanding (Net)	58.88	20.28

The Bank has granted 10,00,000 stock options on 30th August 2018 under Plan D1 and 38,702 and 10,18,758 stock options on 27th October 2017 under Plan A3 and Plan B5, respectively, to Whole time Director which are pending for RBI Approval. Accordingly, these options have not been considered for the purpose of computing the impact of ESOP fair value on profit before tax.

Re-classification of Certain Persons from the Promoter Group to Public Category

In pursuance to the Regulation 31A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, your Bank re-classified some of its promoter group i.e., Mr. Niranjana Lal Aggarwal, Mr. Ajay Agarwal, Mr. Ashok Kumar Agarwal, Mr. Baldev Agarwal, Mr. Dinesh Kumar Agarwal, Mr. Mahender Kumar Agarwal, Mr. Manoj Kumar Agarwal, Mr. Srikant Kedia, Mr. Suresh Chand Kedia, Ms. Anita Aggarwal, Ms. Bina Agarwal, Ms. Chanda Devi Kedia, Ms. Dropathy Jaipuria, Ms. Pinki Agarwal, Ms. Sunita Gupta and M/s Natural Fab, who were not directly or indirectly exercising control over the affairs of the Bank, to public category. They were neither holding any key managerial positions or representations of the Board of Directors in the Bank, nor engaged in any management or day-to-day affairs and also do not have any right either to appoint any Director or an ability to control the management or policy decisions of the Bank in any manner.

Your Bank duly received approvals from Stock Exchanges and the same were disclosed in compliance of Regulation 30

of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Deposits

Being a banking company, the disclosures required as per Rule 8 (5) (v) & (vi) of the Companies (Accounts) Rules, 2014, read with Sections 73 to 76 of the Companies Act, 2013 are not applicable.

Particulars of Loans, Guarantees and Investments

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

B. CORPORATE GOVERNANCE

The Report on Corporate Governance for FY 2018-19, along with the certificate issued by Practicing Company Secretary, CS Mr. Manoj Maheshwari, confirming the compliance to applicable requirements related to corporate governance as stipulated under Chapter IV of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 forms part of this Annual Report as Annexure I.

Board and Board Committees

The Board of Directors holds fiduciary position and is entrusted with the responsibility to act in the best interests

of the Bank. The Board at its meetings deliberate and decide on strategic issues including review of business policies, financial matters, discuss on business performance and other critical matters for the Bank. Committees constituted by the Board focus on specific areas and take informed decisions within the framework of the delegated authority and responsibility and make specific recommendations to the Board on matters under its purview. Decisions and recommendations of the committees are placed before the Board for consideration and approval as required.

Board Meetings

During FY 2018-19, seven (7) Board meetings were convened and held, the details of which are given in the Corporate Governance Report, forms part of this report as Annexure I. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013, Secretarial Standard I and as per SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015.

Committees of the Board

The Board places significant reliance on its committees by delegating responsibilities to assist it in carrying out its function under its supervision and stewardship. It therefore remains crucial that effective linkages are in place between the committees and the Board as a whole.

The Board Committees constitution is in acquiescence of provisions of the Companies Act, 2013, the relevant rules made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Banking Regulation Act, 1949, other guidelines issued by RBI from time to time and the Articles of Association of the Bank. The details of the Board Committees of the Bank are disclosed in the Corporate Governance Report, which forms part of this report.

Meetings of Independent Directors

Your Bank conducted a separate meeting of Independent Directors consisting of Mr. Mannil Venugopalan, Mr. Krishan Kant Rathi, Mr. Raj Vikash Verma and Ms. Jyoti Narang as prescribed under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 149(6) of Companies Act, 2013.

During the year under review, the Independent Directors of the Bank met on 26th April 2018 without the presence of the Non-independent Directors and Members of the Senior Management of the Bank.

At the said meeting, the Independent Directors of the Bank inter alia reviewed the performance of the Non-independent Directors, the Board as a whole and reviewed the performance of the Chairman of the Bank taking into

account the views of the Executive and Non-executive Directors and assessed the quality, quantity and timeliness of flow of information between the Management and the Board for effective discharge of their duties.

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

Independent Woman Director

In terms of the provisions of Section 149 of the Companies Act, 2013 and Regulation 17(1)(a) of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, your Bank continues to comply with the requirement and has one Independent Woman Director on its Board.

Board of Directors and Key Managerial Personnel

The composition of the Board of Directors of the Bank is in accordance with the Banking Regulation Act, 1949, the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. As on 31st March 2019, the Board of Directors comprises seven (7) Directors, out of which five (5) are Non-executive Directors. The Chairman of the Board and three (3) other Directors are Independent (Non-executive Directors) including one (1) Woman Independent Director. All the Directors have rich experience and specialised knowledge in sectors covering banking, economics, law, finance, accountancy and other relevant areas.

Your Bank's Board consists of professionals who have the knowledge and experience required in the banking industry. The responsibilities of the Board inter alia include formulation of policies, taking new initiatives, performance review, monitoring of plans and pursuing of policies and procedures and ensuring that the Bank operates under the regulatory framework laid down by the RBI for Banks.

The remuneration/sitting fees paid to the Directors during the year has been disclosed in the Corporate Governance Report as Annexure I.

The following appointment on the Board was made during the year.

Appointment of Mr. Narendra Ostawal as Additional Director (Non-executive)

The Board of the Bank, in its meeting held on 17th January 2019, appointed Mr. Narendra Ostawal as Additional Director (Non-executive) (DIN: 06530414) of the Bank. Prior to this, he was appointed as a Nominee Director on behalf of Redwood Investments Ltd., fund advised by Warburg Pincus. Further, no remuneration was paid to Mr. Narendra Ostawal during the period under review.

The details of the brief profile of Mr. Narendra Ostawal is available on the website of the Bank at www.aubank.in/about-us/board-directors

Declaration of Independence

The Bank has received necessary declarations from each Independent Director under Section 149(6) and 149(7) of the Companies Act, 2013 and Regulation 16(1) (b) and Regulation 25(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), that they meet the criteria of independence laid down thereunder.

Retirement by Rotation

In terms of Section 152 of the Companies Act, 2013, Mr. Uttam Tibrewal, Whole Time Director, shall retire at the ensuing AGM and being eligible for reappointment, offers himself for re-appointment. The Board recommends his re-appointment at the ensuing AGM and requisite information required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and under Secretarial Standard - II has been provided with the notice of the AGM.

Key Managerial Personnel

Mr. Sanjay Agarwal, Managing Director & CEO, Mr. Uttam Tibrewal, Whole Time Director, Mr. Deepak Jain, Chief Financial Officer and Mr. Manmohan Parnami, Company Secretary are Key Managerial Personnel of

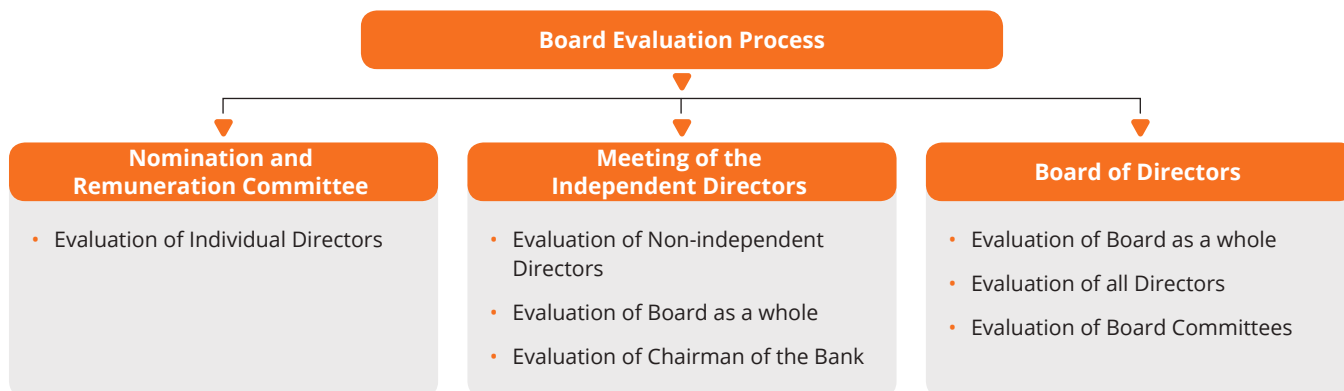
your Bank as defined under section 2 (51) of Companies Act, 2013. There was no change in composition of Key Managerial Personnel of the Bank.

Evaluation of the Directors, the Board and Its Committees

Pursuant to the provisions of the Companies Act, 2013, Regulation 17 (10) and other applicable Regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and in consonance with Guidance Note on Board Evaluation issued by the SEBI, the Board on the recommendation of the Nomination and Remuneration Committee of the Bank carried out an annual performance evaluation of the Board as a whole and directors individually. The Board also carried evaluation of the working of its various Committees for the year under consideration.

The performance evaluation of the Directors was carried out by the entire Board, other than the Director being evaluated. The performance evaluation of the Chairman and the Non-independent Directors were carried out by the Independent Directors. The Nomination and Remuneration Committee carried out the performance evaluation of all the Directors of the Bank. The Directors expressed their satisfaction over the evaluation process.

The Evaluation process covers a structured questionnaire for evaluation by Board members and format has been designed after taking inputs received from the Directors and process of evaluation has been detailed below:



Familiarisation Programme for Directors

The Bank conducted orientation programme for the induction of Directors and during the year, programme organised by reputed institutes were attended by the Directors covering their roles and responsibility, IT Risks, cyber security, compliance and other governance aspects in the Bank. The Corporate Governance Report for FY 2018-19 contains the requisite information and the details of the familiarisation programmes imparted

to Directors. These programmes are also hosted on the website of the Bank and can be accessed at www.aubank.in/au-notice-board

Corporate Social Responsibility

In compliance with the provision of Section 135 of the Companies Act, 2013 read with the Companies (Corporate

Social Responsibility Policy) Rules, 2014, the Bank has set up a Corporate Social Responsibility (CSR) Committee.

Your Bank thoughtfully spent its CSR funds and selected few projects post assessment of their sustainable impact on the society. The primary focus areas were covering the field of livelihood enhancement, financial & digital literacy and development of sports. The contribution under CSR was carried out by AU Foundation through its AU Skill Academy, AU Sports Village and in collaboration with specialised implementing agencies. The Bank has devised long term strategy to take up sustainable projects that have widespread and long-lasting impact on the society. An overview of the CSR programmes undertaken by the Bank during FY 2018-19 is detailed in the Corporate Social Responsibility Report as Annexure II.

The CSR Policy, as recommended by the CSR Committee and approved by the Board, is available on the website of the Bank at www.aubank.in/au-notice-board

Social Environmental and Management System

The Social Environmental and Management System (SEMS) is a set of policies, procedures, tools and internal capacity to identify and manage a financial institution's exposure to the environmental and social risks of its customers. The Bank endeavours to benchmark itself with the best of corporates in India and continued its focus to implement Environmental, Social and Governance (ESG) practices. The procedures and decision-making process of the SEMS are systematically incorporated at each stage of transaction appraisal and monitoring.

Awareness is also created among vendors and customers to comply with applicable social and environmental laws.

Human Capital

Your Bank endeavours to provide a conducive workplace with best-in-class standards and believes that employees are the most important assets. To ensure that an effective and the right resource is acquired, your Bank continuously strengthens and updates its hiring mechanism.

During FY 2018-19, your Bank expanded its workforce to 12,623 employees as on 31st March 2019 vis-à-vis 11,151 employees as on 31st March 2018.

Your Bank, through its Human Resource Department, nurtures its employees through robust learning and development programme. A knowledge-driven approach is followed for designing & organising relevant training programmes to make employees ready for challenges and drive success in their functional roles.

In today's disruptive digital environment, it is critical to build a high-quality, robust talent pool with adaptability skills for the changing needs of the workplace for a sustained competitive advantage and to achieve accelerated growth. The Bank has always emphasised on a knowledge-driven approach for visualising the future and bringing that future to the present. The Bank focussed on developing the capacity and capability to nurture the brightest and best quality talent.

Anti-bribery and Anti-corruption Policy

The Bank adopts a 'zero-tolerance approach' to bribery and corruption and is committed to act professionally, fairly and with integrity in its dealings wherever it operates. The Bank has an Anti-bribery and Anti-Corruption Policy laying down the principles for carrying out banking business in an honest and ethical manner.

The Anti-bribery and Anti-corruption Policy as approved by the Board is available on the website of the Bank at www.aubank.in/au-notice-board

Disclosure under Section 22 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The primary objective of the Policy on Prevention and Redressal Against Sexual Harassment is to protect the women employees from sexual harassment at the place of work. Your Bank constituted an Internal Complaints Committee in compliance with the provisions of The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 to review, investigate and take suitable actions on complaints and there is a Board-level Disciplinary Committee that reviews the decisions taken by the Internal Complaints Committee.

The complaints received and the details relating thereto were as follows for the period under review:

Heading	Nos.
No. of Complaints Pending at the Beginning of the Year	1
No. of Complaints Received and Resolved during the year	1
No. of Complaints Pending at the End of the Year	0

Extract of Annual Return

Pursuant to Section 134(3)(a) and Section 92(3) of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014, the extract of the Annual Return as on 31st March 2019, in the prescribed form MGT-9 forms part of this report under Annexure VI and is available on the website of the Bank at <https://www.aubank.in/investor-relations>.

Compensation Policy

The objective of the Compensation Policy is to regulate the appointment and remuneration of Directors (including Independent Directors), KMP, SMP and other employees of the Bank according to the criteria formulated by the Nomination and Remuneration Committee of the Board under the requirement of the Companies Act, 2013 read with applicable Rules and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and guidelines issued by RBI in this regard.

The key objectives of the Compensation Policy are as follows:

- To institutionalise a mechanism for the appointment/removal/dismissal of Directors, lay down selection criteria for appointment of a Director, formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board
- To formulate the criteria for evaluation of performance of the Directors on the Board
- To establish standards on compensation/remuneration, including fixed and variable, which are in alignment with the applicable rules and regulations and are based on the trends, practices of remuneration prevailing in the industry
- To define internal guidelines for the payment of perquisites to the Directors, Key Managerial Personnels (KMPs), Senior Management Personnels (SMPs) and other employees of the Bank

The Compensation Policy is available on the website of the Bank at www.aubank.in/au-notice-board

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, form part of this Report and is annexed as Annexure III to this Report.

The statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) and Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, forms part of this Report and is annexed as Annexure IV to this Report.

Whistle Blower Policy and Vigil Mechanism

Whistle Blower Policy has been devised with a view to provide a mechanism to employees, customer and stakeholders of the Bank to approach the Chief Vigilance Officer and thereafter Disciplinary Committee of the Bank in case they

observe any unethical and improper practices or any other alleged wrongful conduct in the Bank. The policy aims at establishing an efficient vigil mechanism in the Bank to quickly spot aberrations and deal with them at the earliest.

The policy devised is aligned to the recommendations of Protected Disclosure Scheme for Private Sector and Foreign Banks, instituted by RBI and in view of amendments in SEBI (Prohibition of Insider Trading) Regulations, 2015, the said policy has been amended by insertion of clause to report instances of leak of Unpublished Price Sensitive Information.

The Vigil Mechanism provides a channel to the employees, Directors and other stakeholders to report to the management about unethical behaviour, actual or suspected fraud or violation of the Codes of Conduct, regulatory requirements, incorrect or misrepresentation of any financial statements and such other matters. The Chief Vigilance Officer of the Bank act as a Special Assistant/ Advisor to the Managing Director (MD & CEO) of the Bank in the discharge of the vigilance functions. He is responsible for ensuring and promoting a culture of speaking up/raising red flags on matters relating to breaches/violations of the Bank's Code of Conduct or any fraudulent transactions and provides a non-threatening environment to employees to discuss matters relating to the Bank's Code of Conduct, suspected unethical behaviour, malpractices, wrongful conduct, frauds, violations of law and questionable accounting or auditing matters, which build trust and transparency in the Bank. During the year, no person was denied access to the Audit Committee or its Chairman to raise his/her concern under the Vigil Mechanism.

The Whistle Blower Policy and Vigil Mechanism as approved by Board are available on the website of the Bank at www.aubank.in/au-notice-board

Related Party Transactions

The Board approved Related Party Transactions and Materiality Policy as per the provisions of the Companies Act, 2013 read with the rules made thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, described the related party transactions requiring requisite approvals and requirements of appropriate reporting and disclosure of transactions between the Bank and its related parties.

During FY 2018-19, the Bank has not entered any materially significant transactions with its Promoters, Directors, management or relative of the Directors, which could lead to potential conflict of interest between the Bank and these parties, other than the transaction entered in the ordinary course of business and the transactions entered into by the Bank are on 'arm's length basis'. On quarterly basis, the Audit Committee of the Bank is apprised of all specified details of related party transactions. 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 to be reported under Section 188 (1) of the Companies Act, 2013, in form AOC-2. The requisite disclosure has been made under Schedule 18 of the notes forming part of audited financial statements for the year ended 31st March 2019.

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

Code of Conduct for Directors and SMPs

The Board of Directors of the Bank adopted the Code of Conduct for the Directors and Senior Management Personnel of the Bank in compliance with Regulation 17(5) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which sets forth the guiding principles on which Bank's Board and Senior Management Personnel shall operate and conduct themselves with stakeholders, including government and regulatory agencies, media, etc.

In respect of FY 2018-19, all Board members and Senior Management personnel of the Bank have affirmed the compliance with the code as applicable to them and a declaration to this effect signed by the Managing Director & CEO and forms part of the Corporate Governance Report as Annexure I.

The Bank's Code of Conduct for Directors and Senior Management is available on the website of the Bank at www.aubank.in/au-notice-board

Code for Prevention of Insider Trading

In compliance with the SEBI (Prohibition of Insider Trading) Regulations 2015, the Bank has approved code for prohibition of insider trading in the shares of the Bank, which inter alia, prohibits trading in shares of the Bank by insiders while in possession of unpublished price sensitive information in relation to the Bank and in view of amendments in SEBI (Prohibition of Insider Trading) Regulations, 2015, requisite amendments were carried out in the code and effective from 1st April 2019.

Code of Conduct for Employees

Code of Conduct is a comprehensive written code which is applicable to all employees and lays down the Principles and standards that govern the activities of the Bank and its employees to ensure and promote ethical behaviour within the governance framework and attempts to set forth the guiding principles and values on which the Bank's employees shall operate and conduct its business with its all stakeholders including government, regulatory agencies, media and others with whom they are connected or interact with.

Material Orders Passed by Regulators or Courts or Tribunals, and Penalties and Punishment

There are no material orders passed by the regulators/ courts/tribunals during FY 2018-19, which would impact the going concern status of the Bank and its future operations.

The Bank has complied with the applicable requirements and no strictures or penalties were imposed on the Bank by the RBI, Stock Exchanges and SEBI during the year under review.

Material Changes and Commitments, if any, Affecting the Financial Position of the Bank

There are no material changes affecting the financial position of Bank that have occurred between the end of FY 2018-19 of the Bank to which the financial statements relate and the date of this Board's Report.

Maintenance of Cost Records

Being a banking company, the Bank is not required to maintain cost records as per sub-section (1) of Section 148 of the Companies Act, 2013.

Risk Management Framework

Robust risk management structure has been devised that proactively identifies the risks faced by the Bank and helps in mitigating them. Risk Management Committee (RMCB) of the Board supervises the risk management functions and advises on risk mitigation strategies, thereby bringing a top-down focus to risk management.

The Risk Management Department headed by the Chief Risk Officer administers the risk management functions in the Bank through dedicated divisions i.e., Credit Risk, Market Risk, Operational Risk, Fraud Risk and Information Security Risk under the aegis of Board approved risk management policies and approval & responsibility delegation matrix.

The detailed note on Risk Management is covered under Management Discussion and Analysis section, which forms part of this Annual Report.

The Enterprise Risk Management framework is a layered structure and broadly consists of the following components for effective risk management across the Bank.

(a) Credit Risk Management

There is Credit Risk and NPA Management Committee (CRANPAC) which reports to Risk Management Committee of the Board. The CRANPAC oversees and reviews the credit risk and ensures that Bank's operations are run as per the credit risk framework laid down by the RMCB & Board of the Bank. The CRANPAC is responsible for formulation of standards for presentation of credit proposals, financial

covenants, rating standards and benchmarks, delegation of credit approving powers, prudential limits on large credit exposures, asset concentration, standards for loan collateral, portfolio management, loan review mechanism, risk concentration, risk monitoring and evaluation, provisioning, regulatory and other issues around it.

(b) Operational Risk Management

Your Bank has in place a Board delegated committee for Operational Risk Management (ORMC) which reports to (RMCB) for review and advise for implementation of measures for risk mitigation. The Bank follows an integrated risk approach where operational risks & its monitoring folds into CRO and ORMC. The Bank has business continuity framework to ensure the continuity of services in the event of any catastrophic event. Your Bank's operational risk management framework is designed with a clear understanding of various operational risks faced by the Bank and for its continuous monitoring disciplined risk assessment & mitigation measures were operating effectively during the year.

(c) Fraud Risk Management

Your Bank has effective fraud risk management framework and Risk Containment Unit (RCU) that is guided by a Board approved Fraud Risk Management Policy. Fraud reported in the Bank are apprised to the Audit Committee and Board and fraud in excess of ₹1 crore or more are specifically reported and dealt by the SFMC Committee of the Board. Frauds in banks occur when the safeguards are inadequate or the procedural checks are not adhered to, leaving the system/bank vulnerable to internal or external perpetrators. The only effective defence the Bank can have against frauds is to continuously strengthen its systems, operational practices, procedures, controls and review mechanism so that fraud-prone areas are sanitised against internal and external breaches and these control measures operate effectively.

(d) Market Risk, Liquidity and Asset Liability Management

Your Bank has a well-developed market risk framework comprising Board-approved policies and established practices. The Bank has in place an integrated risk measurement framework that captures all components of market risks. 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.

(e) IT Risk Management

Your Bank has established robust information and cyber security framework for securing its IT infrastructure and systems. There is a dedicated IT Steering and Information Security Committee which 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 risk covering all aspects of data security for the Bank who reports to Chief Risk Officer (CRO). Cyber Security Operation Center (CSOC) with qualified professionals report into CISO for monitoring of real-time cyber security incidents.

(f) Business Continuity Plan

Your Bank has put in place a comprehensive Business Continuity Management (BCM) plan, policy and procedures 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 used to minimise the operational, financial, legal and other material consequences arising from such a disaster and focus is on ensuring faster recovery of/ minimizing impact on the IT systems of the Bank.

(g) Cyber Security Management

Technology has drastically changed the banking services, products, methods of operation and the way banks function. Your Bank has been able to offer more products to increase customer's delight and operational efficiency and reduce operational expenses of banking services. However, it is equally true that the advent of technology has also made banks vulnerable to cyber-attacks. Cyber security is the combination of technologies, processes and practices designed to protect networks, computers, programmes and data from cyber-attacks, damage or unauthorised access. Cyber space is a complex environment consisting of interactions between people, software and services, supported by worldwide distribution of Information and Communication Technology (ICT) devices and networks.

To combat growing cyber threats and enhance the resilience of the banking system to address cyber risks, your Bank has set up a framework for cyber security in compliance with the guidelines issued by the RBI. During the year, the Directors and Senior Management attended the training & certification programme organised by IDRBT for awareness about current IT and cyber security issues.

Statutory Auditors & their report

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

The Statutory Auditors have confirmed their eligibility under Section 141 of the Companies Act, 2013. Further, as required under the relevant provisions of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015, the Statutory Auditors had also confirmed that they had subjected themselves to the peer review process of the Institute of Chartered Accountants of India (ICAI) and they hold a valid certificate issued by the Peer Review Board of ICAI and the Board has upon recommendation of the Audit Committee proposed the ratification of their appointment as Statutory Auditors for the FY 2019-20, subject to approval of shareholders at the ensuing AGM and the RBI.

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

Secretarial Auditors & their report

In compliance with the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board in its meeting dated 26th April 2018 upon recommendation of the Audit Committee appointed M/s. V.M. & Associates, Practicing Company Secretaries (Registration No. P1984RJ039200) to undertake the Secretarial Audit of the Bank during the financial year ended 31st March 2019. The Secretarial Audit Report for FY 2018-19 is annexed herewith as Annexure V.

There were no observations or qualifications made by the Secretarial Auditor in its Report (except expense on CSR activities below the prescribed limit); justification of observation covering reasons for not being able to carry out CSR expenditure has been provided in the report on CSR attached as Annexure II to this Board's Report.

Internal Financial Controls System and their Adequacy

Your Bank has an effective internal control system calibrated to the risk appetite of the Bank and aligned to the scale, size and complexity of its operations. The scope and authority of the risk-based internal audit function is defined in the Internal Audit Policy of the Bank duly approved by the Board.

The audit function essentially validates the compliances of Bank's processes and operations with regulatory guidelines, accounting procedures and the Bank's own internal rules and guidelines.

The Internal Audit function provides independent assurance to the Board of Directors, Audit Committee and

Senior Management on the quality and effectiveness of the Bank's internal control, risk management and governance systems and processes.

Proper internal financial controls were in place and were operating effectively during the year. Further, the statutory auditors have, in compliance with the requirements of the Companies Act, 2013, issued an opinion with respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls details of which may be referred to in the Auditor's Report attached to the Audited Financial Statements of FY 2018-19.

Compliance

Strong compliance & governance culture has been established with the objective to build trust & transparency among all stakeholders and a dedicated Compliance Department headed by the Chief Compliance Officer for ensuring regulatory compliance across all businesses and operations has been setup.

The Board, Audit Committee & Risk Management Committee of the Bank oversee the implementation of the entire compliance framework and risk management system across the Bank.

C. BUSINESS RESPONSIBILITY REPORT

Pursuant to Regulation 34 (2) (f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a Business Responsibility Report (BRR) is required to be published by the Top 500 listed companies based on market capitalisation. The BRR describes the initiatives taken by the Bank from environmental, social and governance perspective in the format prescribed under SEBI Circular No. CIR/CFD/CMD/10/2015 and the same is attached herewith as Annexure VII and placed on the website of the Bank at www.aubank.in/investor-relations.

D. MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report for FY 2018-19 is presented in a separate section forming part of this Annual Report.

E. OTHER STATUTORY DISCLOSURES

Conservation of energy and technology absorption

Your Bank as a responsible organisation established and implemented the required systems and processes to conserve energy aligned to its nature of the business. The Bank is using energy efficient cooling systems for its operations. The distributed cooling system has been designed in such a way that if a particular area/room is not

in use, the air-conditioning for that particular area is auto switched off to conserve energy. In similar ways, energy efficient lighting systems like LEDs have been widely used in offices of the Bank. Your Bank used wide glass windows to utilise maximum natural lights to conserve electricity used by the lighting system.

Your Bank as part of its digital strategy is focussed on building an IT architecture in a manner to achieve internal natural resource consumption efficiencies and simultaneously minimising the carbon footprint.

Efforts made by the Bank for conservation of energy and absorption of technology have been detailed below:

- **Energy-efficient IT hardware**

IT hardware assets used by your Bank comply with the Environmental Protection Agency's (EPA's) Energy Star guidelines for lower power consumption. These IT assets include workstation, notebooks, servers, etc. Further, your Bank is using multicore processors in servers, which increases processing output without substantially increasing energy usage.

- **Digital Solutions**

Your Bank is leading the digital banking revolution by operating 'Paperless Account Origination' through a TAB-based system, which has significantly reduced paper consumptions in the Bank. Under the 'Go Green Programme' all printers of the Bank are being configured with both side printing and the size of e-receipts have been reduced to print two slips on a single page. These initiatives by the Bank have significantly reduced the overall paper consumption within the Bank.

- **Using power management technology and best practices**

Your Bank is a pioneer in adopting the latest operating systems running on Advanced Configuration and Power Interface (ACPI) enabled systems that incorporate power saving features that automatically goes on power-saving mode in case the system is idle for a specific time interval.

- **Using Cloud-based and virtualised data centre**

The virtual and Cloud technology based servers are one of the most energy efficient servers in the current technology era and the Bank invested on virtualisation and Cloud-based technology to reduce the number of physical servers.

- **Recycling systems and supplies**

The Bank is following an efficient way of managing aging IT systems to scale down the load on already overtaxed

landfills and to avoid sending hazardous materials to those landfills where they can seep into the environment and cause harm.

The Bank has an efficient way of re-furbishing the slightly old IT systems that can be used by staff who do not require heavy data processing. Hence, the Bank reduces the demand for new laptops/desktops despite the increase in manpower. In many cases, when an IT engineer needs a new high end workstation to run resource hungry programmes, the old computer is perfectly adequate for use by someone doing Word processing, spreadsheets or other less intensive tasks. This hand-me-down method allows two employees to get better systems than they had, while requiring the purchase of only one new machine (thus saving money and avoiding unnecessary e-waste).

Foreign exchange earnings and outgo

During the year ended 31st March 2019, there were no foreign exchange earnings and the foreign exchange outgo was of ₹0.46 crore.

MD & CEO and CFO Certification

The MD & CEO and the CFO of the Bank have issued certificate certifying that the financial statements do not contain any materially untrue statements and these statements represent a true and fair view of the Bank's affairs. They also certify that no transactions entered into during the year were fraudulent, illegal or violative of the Code of Conduct of the Bank. The certificate of MD & CEO and CFO forms part of Annual Report.

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

During the period under review, the Bank has complied with all the mandatory requirements of Regulation 17 to 27 of SEBI (Listing Obligations and Disclosure Requirements) and other applicable Regulations except for Regulation 24, which is not applicable to the Bank.

Accounting Treatment

The Bank has adopted accounting policies that are in line with the accounting standards and financial statements are prepared in adherence to the accounting policies, accounting standards and applicable provisions of the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and RBI Guidelines in this regard.

Subsidiary and Associate Companies

During the period under review, the Bank does not have any subsidiary or associate companies. Hence, Form AOC 1 as

specified under the Companies Act, 2013 is not applicable to the Bank for FY 2018-19.

Compliance of Secretarial Standards issued by the ICSI

The Bank has complied with applicable Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI).

F. INVESTOR RELATIONS

Pursuant to the applicable compliance of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the financial results of the Bank on a quarterly basis are published to the Stock Exchanges. The same were also published on the website of the Bank and in leading national and vernacular newspapers. The Managing Director & CEO, Whole Time Director, CFO and Chief of Investor Relations at regular intervals connect with the analysts/ shareholders and respond to the queries from investors on a quarterly basis.

For share transfers, dividend payments and all other investor-related activities are attended to and processed at the office of our Registrars and Share Transfer Agents, i.e., Link Intime India Private Limited, contact details of which are provided in the Corporate Governance Report of the Annual Report.

Board-approved Investor Grievance Redressal Policy lays down the simplified procedure for shareholders to submit their queries, concerns and grievances for timely resolution. Shareholders can email at investorrelations@aubank.in for any query and can also visit the Bank's website for more information at www.aubank.in. All the investor complaints received during the year were resolved and there was no investor complaint that was unresolved as on 31st March 2019.

G. DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors would like to inform that the audited financial statements for the financial year ended 31st March 2019 are in conformity with the requirements of Clause (c) of Sub-section (3) of Section 134 of the Companies Act, 2013 and hereby confirm:

- That in the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures
- That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the

Bank at the end of the financial year and of the profit and loss of the Bank for that period

- That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the Bank's assets and for preventing and detecting fraud and other irregularities;
- That the Directors had prepared the annual accounts on a going concern basis
- That the Directors had laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively
- That the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively

Acknowledgment

The Board of Directors wish to place on record their gratitude to the RBI, SEBI, Ministry of Corporate Affairs, Indian Banks' Association (IBA), Unique Identification Authority of India (UIDAI), the Bank's customers, bankers, shareholders debenture holders, trustees and others for their continued support and faith reposed in the Bank. The Directors would also like to thank the BSE Limited, the National Stock Exchange of India Limited, National Securities Depository Limited, Central Depository Services (India) Limited and the Credit Rating Agencies for their continued co-operation.

The Board also expresses its deep sense of appreciation to all employees of the Bank for their strong work ethic, excellent performance, professionalism, teamwork, commitment and self-driven approach as key enablers for achieving consistent growth.

For and on behalf of the Board of Directors

AU SMALL FINANCE BANK LIMITED

Sanjay Agarwal

Managing Director & CEO

DIN: 00009526

Uttam Tibrewal

Whole Time Director

DIN: 01024940

Date: 22nd April 2019

Place: Jaipur

CIN: L36911RJ1996PLC011381

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

CERTIFICATE ON CORPORATE GOVERNANCE

**To,
The Members,
AU Small Finance Bank Limited**

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 2019 as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46 (2) and other applicable regulations of Chapter IV pertaining to Corporate Governance and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 collectively referred 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 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.

Auditor's 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 conducted our examination in accordance with the Guidance Note on Corporate Governance Certificate and the Guidance Manual on Quality of Audit & Attestation Services issued by the Institute of Company Secretaries of India ("ICSI").

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us and the representation made by the Directors and the management, we 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)

sd/-

CS Manoj Maheshwari
Partner
FCS3355
C P No.: 1971

Date: April 22, 2019
Place: Jaipur

Annexure I

REPORT ON CORPORATE GOVERNANCE

Corporate governance is a system of rules, practices and processes by which a company is directed and run. It is about commitment to values, ethical business conduct and considering all stakeholder's interest in the conduct of its business.

Corporate governance is an ethically driven business process that is committed to values aimed at enhancing an organisation's wealth-generating capacity. This is ensured by taking ethical business decisions and conducting business with a firm commitment to values, while meeting stakeholders' expectations. At AU Bank, it is imperative that our affairs are managed in a fair and transparent manner. This is vital to gain and retain the trust of our stakeholders.

Recently, the Securities and Exchange Board of India (SEBI) has amended, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**Listing Regulations**) to bring in additional corporate governance norms. These norms provide for additional disclosures and protection of investor rights, including equitable treatment for minority and foreign shareholders.

Over the last few decades, Corporate Governance is getting ever increasing importance across the globe. Systems and policies are required to be upgraded regularly, to meet the challenges of rapid growth in a dynamic business environment.

PHILOSOPHY ON CORPORATE GOVERNANCE

Your Bank believes in nurturing long-term relationships and encouraging an open dialog with all its key constituents and build the governance structure based on trust for becoming an admired institution. Your Bank's philosophy of corporate governance is always aimed at value creation, ensuring integrity and transparency in its operations, keeping the interest of all stakeholders protected in the most inclusive way. The organisation believes that timely and accurate communication with stakeholders enables it to build an environment where confidence, trust and mutual respect is continuously enhanced.

The corporate governance mechanism of your Bank is aimed at creating and nurturing a valuable bond with stakeholders to maximise stakeholders' value. Your Bank has conducted itself by adhering to the core values of

transparency, accountability and integrity in all its business practices and management.

The Bank and its Directors understand and respect their fiduciary role and responsibility to enhance the long-term interest of its shareholders customers, employees and other stakeholders to provide good management, to adopt prudent risk management structure and comply with required standards of capital adequacy, thereby safeguarding the interest of all stakeholders. The Bank continuously focusses on upgrading the governance practices and systems to effectively address the challenges that are faced by the Bank under an ever-evolving regulatory environment.

YOUR BANK'S INITIATIVE FOR GOOD CORPORATE GOVERNANCE

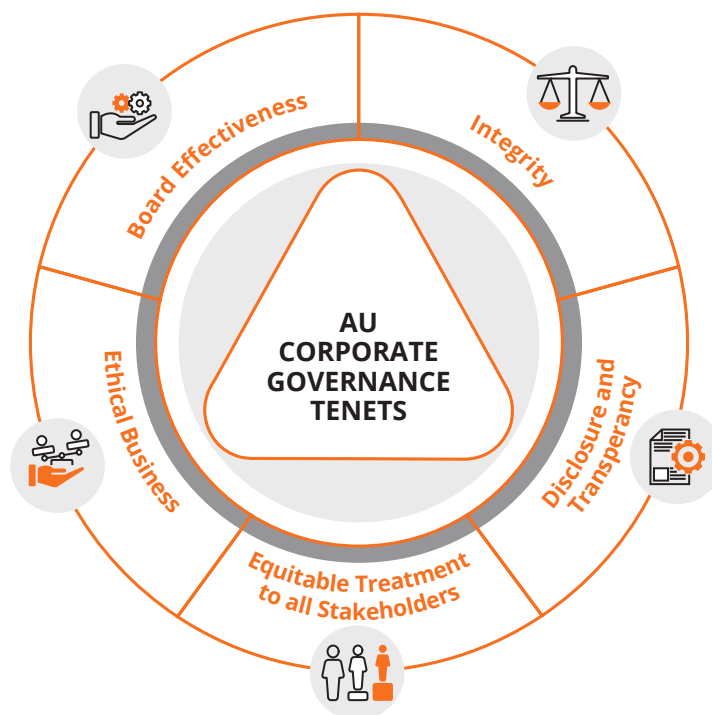
- Appropriate composition, size of the Board and commitment to adequately discharge its responsibilities and duties
- Independent verification and assured integrity of financial reporting
- Transparency and independence in the function of the Board
- Adequate risk management and internal control
- Codes, policies, process and systems are in place for sound governance in the Bank
- Transparent and timely disclosure that ensure compliance with all applicable statutory requirements

Your Bank adheres to all relevant codes and standards, and simultaneously provides flexibility and accommodates new approaches and ideas that are beneficial for the long-term interest of stakeholders.

AU Bank always aim at institutionalising accountability, transparency and equality of treatment for all its stakeholders, as central tenets of good corporate governance. The Board is collectively responsible for ensuring that processes are structured to direct the Bank's actions, assets and agents to achieve the aim of maximisation of stakeholders' value.

AU CORPORATE GOVERNANCE TENETS

Your Bank believes in corporate governance beyond regulatory requirements as there exists a fundamental link among businesses, corporate responsibility and shareholder's wealth maximisation. The AU Bank Corporate Governance Tenets are mentioned below.



BOARD OF DIRECTORS

The composition of the Board of Directors of the Bank is in accordance with the Banking Regulations Act, 1949, Regulation 17 of the Listing Regulations, Companies Act, 2013 and rules made thereunder, the Articles of Association of the Bank and it consist of eminent individuals possessing professionalism, knowledge and experience in the field of accountancy, economics, finance, law, small-scale industry and taxation as required in the banking industry.

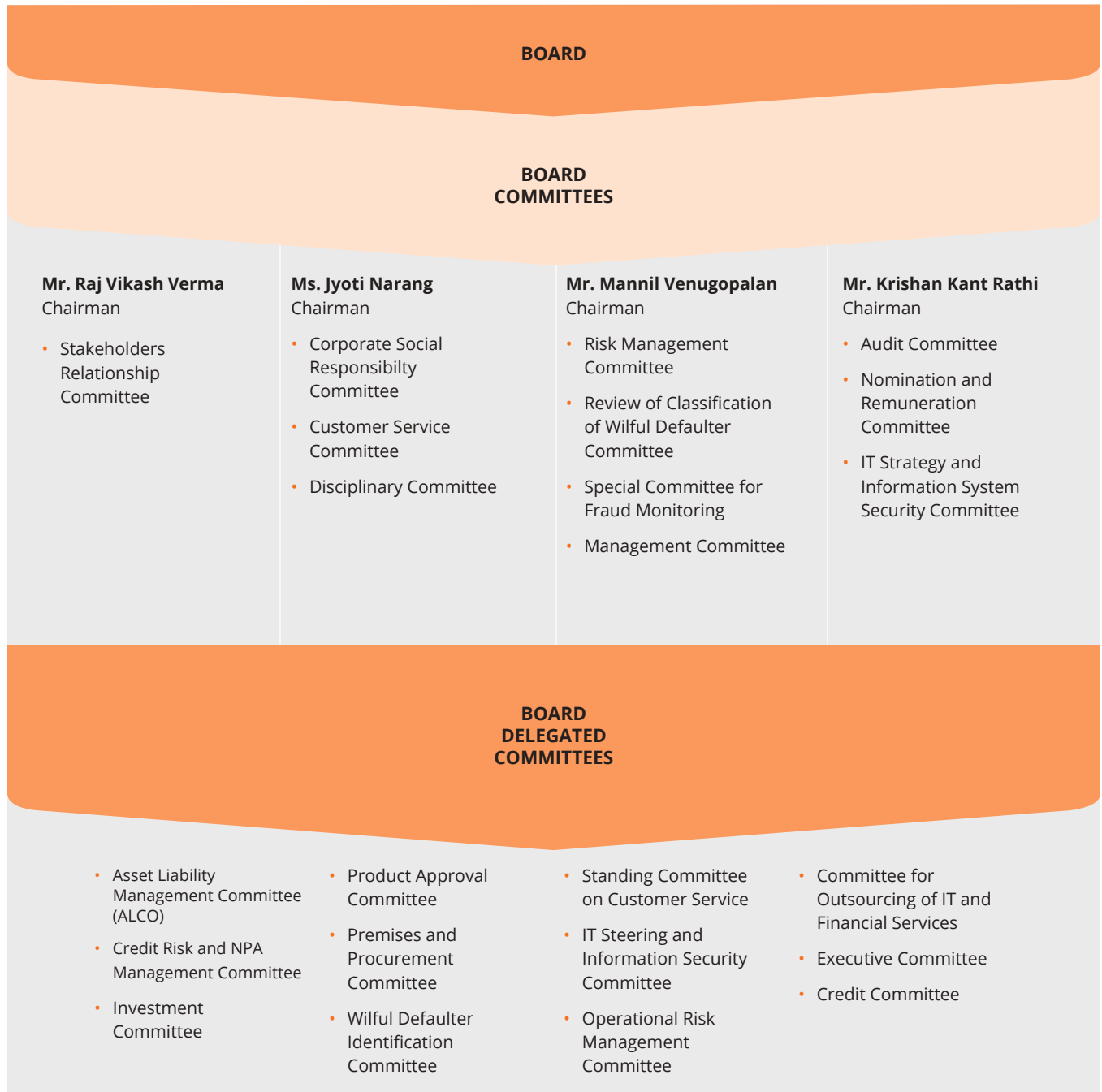
The Board of Directors of the Bank has an optimum combination of Independent, Non-executive and Executive Directors. As on 31st March 2019, the Board of Directors comprises seven (7) Directors, out of which five (5) are

Non-executive Directors. The Chairman of the Board and three (3) other Directors are Independent including one (1) Woman Independent Director.

Seven (7) Board meetings were held during FY 2018-19 on 26th April 2018, 19th May 2018, 07th August 2018, 13th October 2018, 29th October 2018, 22nd November 2018 and 17th January 2019.

All Board meetings were held and convened by giving proper notices and within the stipulated timelines as provided under the Companies Act, 2013, Secretarial Standard and other regulatory requirements.

The Bank has a three-layer Corporate Governance structure wherein the Board is provided with strategic inputs and operational updates by the Board Committees which is further supported by Board delegated committees on operational and other key matters.



The names and categories of Directors, their attendance at the Board Meetings held during FY 2018-19 and at the last Annual General Meeting, the number of Directorships and Committee positions held by them in public limited companies and private limited companies (excluding the Bank) are disclosed below.

Sr.No	Name of Director/ Chairman	Category	Board Meeting entitled to attend during FY 2018-19	No. of Board Meetings attended during the FY 2018-19	Attendance at the Last AGM held on 7 th August 2018	Number of Directorships held in Other Companies (*)	No. of Committee positions held in Other Companies (**)		No. of Equity Shares held
							Chairman	Member	
1	Mr. Mannil Venugopalan	Chairman -Independent Director (Non-executive)	7	7	Yes	6	Nil	1	Nil
2	Mr. Sanjay Agarwal	Promoter- Managing Director & CEO (Executive)	7	7	Yes	Nil	Nil	Nil	5,67,66,359
3	Mr. Krishan Kant Rathi	Independent Director (Non-executive)	7	7	Yes	11	Nil	3	94,289
4	Ms. Jyoti Narang	Independent Director (Non-executive)	7	7	Yes	3	Nil	Nil	2,414
5	Mr. Uttam Tibrewal	Whole Time Director (Executive)	7	7	Yes	Nil	Nil	Nil	35,44,673
6	Mr. Raj Vikash Verma	Independent Director (Non-executive)	7	7	Yes	5	Nil	Nil	Nil
7	Mr. Narendra Ostawal	Additional Director (Non- executive)	6	3	No	11	1	2	Nil

1. Mr. Narendra Ostawal ceased to be the Nominee Director of the Bank w.e.f. closing of business hours on 16th January 2019.
2. Mr. Narendra Ostawal was representing as Nominee Director on behalf of Redwood Investments Ltd. in capacity of Equity Investor.
3. Mr. Narendra Ostawal has been appointed as the Additional Director (Non-executive) by the Board of Directors in their meeting held on 17th January 2019.
4. No inter-se relationship among any of the Directors.
5. None of the Directors belong to promoter and promoter group except for Mr. Sanjay Agarwal.
6. None of the Directors of the Bank were members of more than 10 committees or acted as Chairman of more than 5 committees across all Public Limited Companies in which they were Directors
7. None of the Directors held directorship in more than 10 Public Limited Companies.
8. None of the Independent Directors of the Bank served as Independent Director in more than seven listed companies.
9. None of the Non-Executive Directors hold any convertible instruments in the Bank.

*Includes Directorship in foreign companies, private limited companies and Section 8 companies.

**Chairpersonship and membership of the Audit Committee and the Stakeholders Relationship Committee has been considered.

Details of other Listed Entities of Director(s)

Name of the Director	Name of the Listed Entity	Category
Mr. Mannil Venugopalan	Shreyas Shipping and Logistics Limited	Independent Director
	Dewan Housing Finance Corporation Limited*	Independent Director
Mr. Krishan Kant Rathi	Future Consumer Limited	Non-executive Director
	Aavas Financiers Limited	Independent Director
Ms. Jyoti Narang	Nil	Not Applicable
Mr. Raj Vikash Verma	Nil	Not Applicable
Mr. Narendra Ostawal	Laurus Labs Limited	Non-executive Director
	Capital First Limited**	Non-executive Director
Mr. Sanjay Agarwal	Nil	Not Applicable
Mr. Uttam Tibrewal	Nil	Not Applicable

* Mr. Mannil Venugopalan has ceased to be the Director of Dewan Housing Finance Corporation Limited w.e.f 30th March 2019

**Mr. Narendra Ostawal has ceased to be Director of Capital First Limited w.e.f. 18th December 2018

List of Core Skills/Expertise/Competencies Identified by the Board of Directors in the Context of Banking Business:

1. Accountancy
2. Agriculture and rural economy
3. Banking
4. Economics
5. Finance
6. Law
7. Small-scale industry
8. Information technology
9. Payment and settlement
10. Human resources
11. Risk management
12. Business management
13. Co-operation

From the above core skills identified by the Bank's Board, your Board members possess requisite skills for carrying out their duties effectively for the business of the Bank.

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, Listing Regulations and the Banking Regulation Act, 1949 and the guidelines issued by the RBI from time to time and confirmed that they are independent of the management and meet the criteria of independence laid down thereunder. The declarations obtained are put forth to the Board of Directors for their noting.

No Independent Director has resigned during the period under review.

BOARD PROCEDURE AND FUNCTION

The Board of Directors plays a pivotal role in the organisation for ensuring transparency in decision-making. Decisions taken by the Board are based on detailed discussion and deliberations and the Board members have the absolute liberty to question and raise an issue for discussion. Apart from review and consideration of matters referred to under Regulation 17 of the Listing Regulations read with Part A of Schedule II mentioned therein, the Board of Directors also review periodically matters as covered under its calendar of reviews.

CRITICAL THEMES FOR REVIEW BY THE BOARD

The Board deliberates on matters such as business strategy, risk, financial results, compliance, customer service, IT and human resources as covered under the seven critical themes prescribed by the RBI and the Bank has a Board-approved calendar of review(s) of agendas to be discussed at the Board and Board Committee(s) meeting in addition to such other matters as deemed appropriate.

The Board spends considerable time reviewing the information provided to them which facilitates informed decision-making and effective participation at meetings, leading to higher Board effectiveness. The Board oversees the actions and results of the management to ensure that the long-term objectives of enhancing shareholders' value are met. The Board has the discretion to engage the services of external experts/advisors as deemed appropriate.

FAMILIARISATION PROGRAMME

In compliance of the Listing Regulations, the Bank conducts a familiarisation programme for Directors on regular basis and also nominates Directors to attend programmes to familiarise them with their roles, rights, responsibilities in the Bank, risk management system, technology for effective contribution in the growth of the Bank Board members attended programmes organised by CAFRAL & IDRBT during the year as part of knowledge sharing and Board effectiveness enhancement initiatives.

Details of the familiarisation programme for Directors are available on the website of the Bank at www.aubank.in/au-notice-board

INDUCTION PROGRAMME FOR NEW DIRECTORS

The new Directors are inducted through one-to-one meetings with the Managing Director & CEO and Whole-Time Director on issues relating to business strategy, regulatory environment, business plans and key performance indicators. They are also provided with information related to the finance and operations of the Bank, organisation structure, duties and responsibilities.

SELECTION AND APPOINTMENT

The selection for appointment of Directors of the Bank is carried out in accordance with provisions of Companies Act, 2013 and relevant rules made thereunder, Banking Regulation Act, 1949, the guidelines issued by RBI, Listing Regulations and in accordance with Compensation Policy of the Bank.

The Bank duly adheres to the process and methodology prescribed by RBI i.e. 'Fit and Proper' criteria applicable to private-sector banks, signing of deed of covenants, which binds the Directors to discharge their responsibilities to the best of their abilities, individually and collectively to be eligible to be appointed as a Director of a Bank. At the time of their appointment/re-appointment on the Board, prescribed declarations are obtained from the Directors and submitted to Nomination and Remuneration Committee (NRC) for their review and put forth for the noting of the Board on the recommendation of the NRC.

NRC reviews the structure, size, composition mix of the Executive and Non-executive Directors, their background, exposure, industry experience, expertise and other relevant information and documents of proposed Director(s) before making recommendation to the Board for their appointment, re-appointment, remuneration and assignment of duties. While reviewing potential candidates their knowledge in the field of accountancy, agriculture, rural economy, banking, co-operation, economics, finance, law, small-scale industry, information technology, core industries, infrastructure sector, payment & settlement systems, human resource, risk management, and business management as stipulated under section 10A of Banking Regulation Act, 1949 is considered by the Committee. This ensures that people who have relevant specialised knowledge, expertise, practical experience and skills to serve the diverse business interest of the Bank are inducted to the Board.

BOARD COMMITTEES

The Board has constituted various Committees of Directors to monitor the activities in accordance with Board-approved terms of reference. The Board Committees focus on specific areas and take informed decisions on the specific businesses assigned to them in the best interest of the Bank. The Committees also make specific recommendations to the Board on various matters whenever required. All observations, recommendations and decisions of the Committees are placed before the Board for information or for approval.

The Bank has eleven Board Committees as on 31st March 2019, which are described below:

1. Audit Committee

The Audit Committee has been constituted by the Bank in terms of provisions of Section 177 of the Companies Act, 2013 and Regulation 18 of Listing Regulations and is chaired by Independent Director.

As on 31st March 2019 audit committee comprised six (6) Directors as its members, all of them being financially literate and of which four (4) are Independent Directors. The composition of the Committee is in adherence to provisions of Companies Act, 2013 and Listing Regulations.

The committee met five (5) times during the year under review on 26th April 2018, 07th August 2018, 13th October 2018, 29th October 2018 and 17th January 2019.

The Board of Directors has formed and approved a charter for the Audit Committee setting out the roles, responsibilities and functioning of the Committee. In addition to adherence to the provisions of the Companies Act, 2013 and Listing Regulations and all other applicable regulatory requirements, the terms of reference of the Audit Committee is broadly covered by its charter.

Its functioning inter alia broadly includes the following:

- Review and approve 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
- Monitor the reporting of issues identified by internal auditors to the management according to the defined frequencies and ensure that corrective actions are being undertaken in a timely manner
- Consider major findings of internal quarterly, semi-annual and annual audit reviews and management's response; and to promote coordination between the internal and external auditors and review management letter(s) and management response to the findings, recommendations of the external auditor(s)
- Ensure that the Bank properly documents the identified risks and the related policies and assesses whether awareness and identification of risks are percolating to all levels and ascertains that systems are in place for adherence to all regulations
- Review and monitor compliance function, its policies and Implementation of Compliance Frameworks of the Bank
- To recommend the appointment including terms of appointment and removal of statutory, internal and Secretarial Auditors, fixation of audit fees and also to approve payment for other services
- To review Annual Long Form Audit Report as prepared by the Statutory Auditors along with Management response.
- To review, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.) including statement of deviation, if any

- Reviewing with the management the annual financial statements and auditor's report thereon before submission to the Board for approval, with reference to:
 - (a) matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013
 - (b) changes, if any, in accounting policies and practices and reasons for the same
 - (c) major accounting entries involving estimates based on the exercise of judgment by management
 - (d) significant adjustments made in the financial statements arising out of audit findings
 - (e) compliance with listing and other legal requirements relating to financial statements
 - (f) disclosure of any related party transactions
 - (g) modified opinion(s) in the draft audit report
- Review and scrutinise matters, including the inter-corporate loans and investments
- Perform any other duties and responsibilities expressly delegated by the Board from time to time and provide the Board with such assurance as it may require regarding the reliability of financial information

In addition to above, the Audit Committee performs all such functions as specified under the provisions of section 177 of the Companies Act, 2013, relevant guidelines issued by RBI & Regulation 18 read with part C of Schedule II of Listing Regulations and all other applicable regulatory requirements.

All committee meetings were held and convened by giving proper notices and within the stipulated timelines as provided under the Companies Act, 2013 and other regulatory requirements.

The particulars of attendance of members at the committee meetings are given as Annexure A of Corporate Governance Report.

Composition of the Audit Committee

S. No.	Name	Position
1	Mr. Krishan Kant Rathi	Chairman
2	Mr. Raj Vikash Verma	Member
3	Mr. Mannil Venugopalan	Member
4	Ms. Jyoti Narang	Member
5	Mr. Sanjay Agarwal	Member
6	Mr. Narendra Ostawal	Member

The Chief Financial Officer (CFO) and Auditors of the Bank are invited to be present in the meeting(s) for responding to the observations of the Committee. The Audit Committee discusses with the Statutory Auditors, the key highlights of the quarterly and annual financial results of the Bank, before recommending the same to the Board of Directors of the Bank for their approval. The representatives of the Statutory Auditors have attended the meetings of the Audit Committee held during the year for review of the quarterly/ annual financial results of the Bank. The Audit Committee also discusses with the Statutory Auditors on matters connected with the said financial results, and other matters without the presence of any executives of the Bank.

The Company Secretary acts as Secretary to the Committee.

The Chairman of the Audit Committee was present in the Annual General Meeting to answer the queries of the shareholders.

2. Risk Management Committee

The Bank has formed Risk Management Committee of the Board for assisting the Board to establish a risk culture and risk governance framework in the organisation. The function of the Committee is to identify management of risk inherent in all the products and services across the Bank and to ensure that the established risk culture is adopted across all levels. The responsibilities of the Committee are to review compliance of NPA management policy, review the status of Basel Norms, risk appetite framework, risk return profile of the Bank and to ensure that all systems are being implemented in the Bank with adequate security controls.

As on 31st March 2019, composition of the Risk Management Committee comprised five (5) Directors as its members and the committee met four (4) times during the year under review on 25th April 2018, 06th August 2018, 29th October 2018 and 16th January 2019.

Terms of Reference of the Risk Management Committee inter alia include the following:

- Review, approve/recommend, periodically update policies, strategies and risk management framework and seek the Board's approval for the same
- Ensure that the procedures for identifying, measuring, monitoring and controlling risks are in place
- Ensure appropriate risk organisation structure with authority and responsibility clearly defined, adequate staffing and the independence of the Risk Management function

- Provide appropriate and prompt reporting to the Board of Directors to fulfil the oversight responsibilities of the Board of Directors
- Review reports from management concerning:
 - a) Risk management framework (i.e. principles, policies, strategies, process and controls) and to ensure that the same is being communicated throughout the Bank
 - b) Changes in the factors relevant to the projected strategy, business performance and capital adequacy
 - c) Implications of new and emerging risks, legislative or regulatory initiatives and changes, organisational change and all other major initiatives
- Review reports from management concerning changes in the factors relevant to the projected strategy, business performance or capital adequacy
- Review reports from management concerning implications of new and emerging risks, legislative or regulatory initiatives and changes, organisational change and major initiatives, in order to monitor them
- Ensure adherence to the extant internal policy guidelines and regulatory guidelines published from time to time
- Review performance and set objectives for the Chief Risk Officer (CRO) and ensure the CRO has unfettered access to the Board
- Oversee statutory/regulatory reporting requirements related to risk management
- Monitor and review capital adequacy computation with an understanding of methodology, systems and data
- 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 exceptions with respect to risk management as well as frauds and potential losses
- Reviewing and confirming orders/decisions about wilful defaulters
- Oversee the working of the Credit Risk & NPA Management Committee (CRNPAC) for Retail and Small & Mid Corporate, Asset and Liability Management Committee (ALCO)
- Review and ensure that all systems are being implemented in the Bank with adequate security controls
- Review information security events and security related audit items periodically

The Chief Risk Officer (CRO) of the Bank reports directly to the Managing Director & CEO of the Bank. The CRO of the Bank oversees the risk management function and is responsible for developing and setting the risk management framework, developing and maintaining systems and processes to identify, approve, measure, monitor, control and report risks, developing risk controls and mitigation processes and ensuring adherence to the Risk Appetite established by the Board.

The CRO of the Bank is independent of the business lines and is actively involved in key decision-making processes. The CRO of the Bank has unfettered access to Board members & discusses with the RMCB Committee members without the presence of other executive management of the Bank.

The particulars of attendance of members at the committee meetings are given as Annexure A of Corporate Governance Report.

Composition of the Risk Management Committee

S. No.	Name	Position
1	Mr. Mannil Venugopalan	Chairman
2	Mr. Raj Vikash Verma	Member
3	Ms. Jyoti Narang	Member
4	Mr. Sanjay Agarwal	Member
5	Mr. Narendra Ostawal	Member

3. Nomination and Remuneration Committee (NRC)

The NRC has been constituted by the Bank in terms of Provisions of Section 178 of the Companies Act, 2013 and Regulation 19 read with Part D of Schedule II of Listing Regulations and is chaired by Independent director.

As on 31st March 2019, the NRC comprised four (4) Directors as its members, all of them being Non-executive Directors. The composition of the Committee is in adherence to provisions of Companies Act, 2013 and Listing Regulations.

The committee met six (6) times during the year under review on 25th April 2018, 06th August 2018, 30th August 2018, 13th October 2018, 22nd November 2018 and 17th January 2019.

The Board of Directors has formed and approved a charter for the NRC setting out the roles, responsibilities and functioning of the Committee. In addition to adherence to the provisions of the Companies Act, 2013 and Listing Regulations the terms of reference of NRC is covered by its Charter and its functioning broadly inter alia includes the following:

- 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
- Forming criteria for determination of qualifications, positive attributes and independence of Director and recommend to the Board of Directors a policy relating to the remuneration of the Directors, Key Managerial Personnel (KMP) and other employees which is reasonable and sufficient to attract, retain and motivate quality Directors required to run the Bank
- Devising a policy on diversity of Board of Directors
- Conduct appropriate due diligence and scrutinise the declarations made by probable candidates at the time of appointment/re-appointment of Directors of the Board, based upon qualification, expertise, track record, integrity and 'Fit & Proper' criteria
- Ensure that the Bank has a detailed succession and management continuity plan for key positions
- Assist in defining the performance evaluation criteria for Directors and other Key Management Personnel and ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks
- To carry out evaluation of every Director's and senior management performance of the Bank for every financial year
- Review and oversee the Employee Benefits' programme of the Bank, including deferred benefits plans and retirement plans
- Perform any other duties and responsibilities expressly delegated by the Board from time to time and as driven by the Compensation Policy of the Bank
- Perform such functions as are required to be performed by the Nomination and Remuneration Committee (Compensation Committee) under the SEBI (Share Based Employee Benefits) Regulations, 2014, 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
 - Construing and interpreting the ESOP plans and any agreements defining the rights and obligations of 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

The particulars of attendance of member at the Committee meetings are given as Annexure A of Corporate Governance Report.

Composition of the NRC

S. No.	Name	Position
1	Mr. Krishan Kant Rathi	Chairman
2	Mr. Mannil Venugopalan	Member
3	Ms. Jyoti Narang	Member
4	Mr. Narendra Ostawal	Member

Chairman of NRC was present in the Annual General Meeting to answer shareholders' queries.

Compensation Policy

On the recommendation of NRC, the Board of Directors of the Bank has formulated Compensation policy in terms of Section 178 of the Companies Act, 2013, the relevant Rules made thereunder, Regulation 19 of the Listing Regulations and Guidelines issued by RBI in this regard, from time to time and has repealed Director Appointment and Remuneration policy.

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. The policy is hosted by the Bank on its website and can be accessed through the link at www.aubank.in/au-notice-board

Succession Planning

The Bank believes that a sound succession plan for the Directors and Senior Management executives is important to sustain seamless operations and future growth. Accordingly, the Bank has put in place the policy for succession planning and the same can be accessed through the link at www.aubank.in/au-notice-board

Performance Evaluation of Directors

The Bank followed objectives-based approach for carrying out performance evaluation of Directors.

Performance evaluation of the Board as a whole, as well as that of its Committees, Independent Directors and Non-independent Directors was completed in accordance with the relevant provisions of the Companies Act, 2013 read with relevant rules made thereunder and Listing Regulations and in compliance of guidance note issued by SEBI.

Performance evaluation is carried out on the basis of criteria and mechanism adopted by the Board of Directors as recommended by the NRC. The said evaluation is carried out on the basis of below parameters:

- Performance of Directors was evaluated on the basis of their qualifications, experience, knowledge and competency, fulfilment of functions, ability to function as a team, initiatives undertaken, availability and attendance, commitment, contribution and integrity, leadership, value creation, governance, impartial approach and shareholders' interest
- Performance of the Board as a whole, including the structure of the Board, meetings of the Board, functions of the Board were reviewed and evaluated
- Evaluation of performance for Chairman, including qualifications, experience, knowledge and competency, fulfilment of functions, initiatives undertaken, attendance, contribution and integrity, effectiveness of leadership, impartial and shareholders' interest
- Performance evaluation of Committees include its mandate, composition and their effectiveness

The Board evaluation was conducted through questionnaire having qualitative parameters and feedback based on ratings assigned against each parameter. The performance evaluation of Independent Directors of the Bank is carried out excluding the Director being evaluated, Board as a whole and its committees by the Board of Director of the Bank.

In view of the guidance note on the Board evaluation issued by the Securities and Exchange Board of India (SEBI) vide circular no. SEBI/HO/CFD/CMD/CIR/P/2017/004 dated

The remuneration paid to Executive Directors is governed by employment agreement executed between the Bank and Executive Directors.

Details of remuneration paid to Executive Director is enumerated below:

		(in ₹)	
S. No.	Items	Mr. Sanjay Agarwal Remuneration (p.a.)	Mr. Uttam Tibrewal Remuneration (p.a.)
1	Salary	67,60,464	58,60,596
2	House rent allowance	33,80,232	29,30,304
3	Other allowances		
	(a) Special Allowance	67,23,858	58,24,002
	(b) Transport Allowance	19,200	19,200
	(c) Education Allowance	2,400	2,400
	(d) Medical Reimbursement	15,000	15,000
	Total	1,69,01,154	1,46,51,502
	Perquisites		
1	Free furnished house	Nil	Nil
2	Free use of the Bank's car		
	-Official purpose	Two cars with chauffeur for each	One car with chauffeur
	-Private use	-	-
	-Servant allowance	Reimbursement of servant expenses	-

5th January 2017 and Secretarial Standards issued by the Institute of Company Secretaries of India, Independent Directors of the Bank in their meeting:

- Reviewed the performance of Non-independent Directors and the Board as a whole
- Evaluated the performance of the Chairperson of the Bank, taking into account the views of Executive Directors and Non-executive Directors
- Assessed the quality, quantity and timeliness of flow of information between the Bank's management and the Board that is necessary for the Board to effectively and reasonably perform its duties

Remuneration of Executive Directors

Mr. Sanjay Agarwal, Managing Director & CEO of the Bank and Mr. Uttam Tibrewal, Whole-Time Director of the Bank are performing duties of Executive Directors.

RBI vide its letter dated 21st February 2019 has approved the remuneration (fixed pay) to be paid to Mr. Sanjay Agarwal, Managing Director & CEO and Mr. Uttam Tibrewal, Whole-time Director i.e. Executive Directors of the Bank.

Remuneration paid to the Executive Directors is recommended by Nomination and Remuneration Committee to the Board, the Board if deems fit, approves the same and it is subject to shareholder's approval.

The remuneration paid to executive Directors were within the limits as approved by RBI.

(in ₹)

S. No.	Items	Mr. Sanjay Agarwal	Mr. Uttam Tibrewal
		Remuneration (p.a.)	Remuneration (p.a.)
3	Provident Fund/Gratuity/Pension -Provident Fund -Gratuity	As applicable to all employees of the Bank 23,670 3,25,176	As applicable to all employees of the Bank 23,670 2,81,892
4	Travelling and halting allowances	On Actuals	On Actuals
5	Medical reimbursement	Ceiling of one month's basic salary annually or three months' basic salary over 3 years	Ceiling of one month's basic salary annually or three months' basic salary over 3 years
6	Other benefits - Insurance -Leave Travel Concession	Total of ₹5,00,00,000 for health, personal accidental insurance and Group Insurance Scheme, together For self and family once, a year incurred in accordance with Company rules.	Total of ₹5,00,00,000 for health, personal accidental insurance and Group Insurance Scheme, together For self and family once, a year incurred in accordance with Company rules.

The Bank has not granted any Stock Options to any Directors of the Bank except for Mr. Uttam Tibrewal Whole Time Director of the Bank. Mr. Uttam Tibrewal, Whole Time Director of the Bank was granted 63,90,120 ESOPs under various Employee Stock Option Schemes of the Bank. Out of which 24,69,198 options have been vested and exercised till 31st March 2019. Further, 39,20,922 options remain unvested as on 31st March 2019.

He was granted 10,00,000 ESOPs under ESOP Scheme 2018 during the year at exercise price of ₹664 which are subject to RBI approval. The vesting period shall commence any time after the expiry of one year from the date of the grant of the options and could extend up to six years from the date of Grant of such options subject to RBI approval. During the year 4,99,500 ESOPs under ESOP Scheme 2015 - Plan A & 6,18,577 ESOPs Under ESOP Scheme 2015 - Plan B were vested and exercised. He was granted 38,702 ESOPs under ESOP Scheme 2015 - Plan A and 10,18,758 ESOPs Under ESOP Scheme 2015 - Plan B during last financial year at exercise price of ₹10.11 and ₹33.37 each, respectively which are subject to RBI approval. Variable Pay for Mr. Sanjay Agarwal for FY 2017-18 and Mr. Uttam Tibrewal for performance for FY 2016-17 and FY 2017-18 is pending with RBI for its approval.

The Bank follows objective-based approach for performance evaluation of Executive Directors in view of their contribution to the Bank's overall growth. Variable pay is decided as a percentage of fixed pay which is recommended by the NRC on the basis of objective assessment of their performance and in consonance with RBI guidelines in the matter.

The tenure of the office of the Managing Director & CEO and Whole Time Director is three years from their respective dates of appointments and can be terminated by either party by giving one month notice in writing. There is no provision for payment of severance fees.

Remuneration of Non-executive Directors

The remuneration to the Non-executive Directors is paid in the form of sitting fees and profit linked commission.

In pursuance to the guidelines issued by RBI vide Circular No. DBR. No.BC.97/29.67.001/2014-15 dated 1st June 2015 on the Compensation of Non-executive Directors of Private Sector Banks so as to attract and retain professional Directors, it is essential that such Directors are appropriately compensated. Accordingly, in addition to sitting fees, the Bank also pays profit linked commission to the Non-executive Independent Directors.

The Bank pays sitting fees of ₹40,000 and ₹20,000 to Non-executive Directors for every Board and Committee meeting attended respectively. The amount paid to Independent Director by way of sitting fees and commission are within the limits prescribed under the provisions of Companies Act, 2013.

None of the Non-executive Directors have any pecuniary relationship or transaction with the Bank apart from receiving sitting fee and profit-linked commission.

The details of sitting fees and profit linked commission paid to Non-executive Directors is mentioned as below:

Name of Director	Sitting Fees	Commission*	(in ₹)
			Total
Mr. Mannil Venugopalan	8,20,000	17,00,000	25,20,000
Mr. Krishan Kant Rathi	9,20,000	10,00,000	19,20,000
Ms. Jyoti Narang	7,60,000	10,00,000	17,60,000
Mr. Raj Vikash Verma	7,80,000	10,00,000	17,80,000

*The payment of Profit Linked Commission pertaining to FY 2018-19 Directors is being released post finalisation of Annual Accounts for FY 2018-19 of the Bank.

4. Stakeholders Relationship Committee

Pursuant to provisions of Section 178 of the Companies Act, 2013 and Regulation 20 of Listing Regulations, the Bank has a Stakeholders Relationship Committee for resolving the grievances of the security holders of the Bank, including complaints related to transfer of shares, non-receipt of annual report and others.

As on 31st March 2019 the composition of Stakeholders Relationship Committee comprised three (3) members and the Committee met four (4) times during the year under review on 26th April 2018, 06th August 2018, 29th October 2018 and 17th January 2019.

The Board has approved Charter for Stakeholders Relationship committee setting out roles and responsibilities of the committee. Terms of reference of the Committee are in adherence to the Provisions as stipulated under Section 178 of the Companies Act 2013 and Regulation 20 read with Part D of the Schedule II of Listing Regulations. Terms of reference are covered in charter, which inter alia broadly includes the following:

- Change in any correspondence details of the shareholder(s)
- Develop and recommend improvements in the investor services initiatives undertaken by the Bank
- Review and address all matters pertaining to Depositories for dematerialisation of shares of the Bank and other matters connected therewith
- To oversee the performance of the Registrar and Transfer Agent of the Bank and recommends measures for overall improvement in the quality of investor services
- Monitor the shareholding structure of the Bank, including foreign holding in terms of FDI policy

- Review and address of matters pertaining to Registrar and Share Transfer Agents, including appointment of new Registrar and Share Transfer Agent in place of existing one
- Perform any other duties and responsibilities expressly delegated by the Board from time to time

The Company Secretary acts as Secretary to the Committee.

The particulars of attendance of members at the committee meetings are given as Annexure A of Corporate Governance Report.

Composition of the Stakeholders Relationship Committee

S. No	Name	Position
1	Mr. Raj Vikash Verma	Chairman
2	Mr. Krishan Kant Rathi	Member
3	Mr. Sanjay Agarwal	Member

Investors Complaints

All shares of the Bank are in dematerialised form. The Bank has appointed Link Intime India Private Limited as the Registrar and Share transfer agent of the Bank for carrying out share transfer and other ancillary work related thereto.

Link Intime India Private Limited has appropriate systems to ensure that requisite service is provided to investors of the Bank in accordance with the applicable corporate and securities laws and within the adopted service standards. The performance of the Registrar & Share Transfer Agent (RTA) is reviewed by the Stakeholders Relationship committee in every quarterly meeting.

Compliance Officer of the Bank

Mr. Manmohan Parnami, Company Secretary designated as compliance officer of the Bank.

During the year under review, complaints as stated below were received by the RTA for the period under review:

S. No	Name	Number of Complaints received during the period	Number of Complaints disposed of during the period	Number of Complaints remained unresolved
1	Non-Receipt of Dividend/Interest/Redemption Warrant	NIL	NA	NA
2	Non-Receipt of Annual Report	1	1	NIL
3	Non-receipt of Refund/Credit of Shares - IPO	3	3	NIL
4	Non-receipt/Non-allotment of shares	1	1	NIL
5	SEBI Scores	4	4	NIL
Total		9	9	NIL

The status of investor correspondence(s)/complaint(s) received and resolved during the year was also tabled at the meeting(s) of Stakeholders Relationship Committee for its review and noting.

All complaints received during the period under review have been satisfactorily resolved by the Bank.

5. IT Strategy & Information Systems Security Committee

IT Strategy & Information Systems Security Committee was formed by the Board of Directors of the Bank for facilitating and building an effective IT infrastructure, governance framework and periodically review the Bank's IT policy. The Committee further identifies the risks affecting operations of the Bank and managing it through Risk Control Matrix, internal controls and ensuring that the management has sufficient resources for mitigation of IT and security related risks.

As on 31st March 2019 Composition of IT Strategy & Information Systems Security Committee comprised four (4) members. The committee met four (4) times during the year under review on 25th April 2018, 06th August 2018, 29th October 2018 and 16th January 2019.

Terms of reference in addition to the regulatory requirements is governed by the charter, which broadly inter alia includes the following:

- Review the IT-related strategy and policy
- Evaluate the investments made into IT infrastructure to sustain the Bank's growth
- Implement IT governance infrastructure covering basic principles of value delivery, IT risk management, IT resource management and performance management
- Ensure a governance structure shall be created for IT, which will include technology and development, IT operations, IT assurance and supplier and resource management
- Review security incidents and corrective action plans

The particulars of attendance of members at the Committee meetings are given as Annexure A of Corporate Governance Report.

Composition of the IT Strategy & Information Systems Security Committee

S.No	Name	Position
1	Mr. Krishan Kant Rathi	Chairman
2	Mr. Raj Vikash Verma	Member
3	Mr. Uttam Tibrewal	Member
4	Mr. Narendra Ostawal	Member

6. Corporate Social Responsibility Committee

Pursuant to the provisions of Section 135 of the Companies Act, 2013 Corporate Social Responsibility (CSR) Committee was constituted and the Board has approved the Charter of the CSR Committee setting out the responsibilities, roles of the Committee.

As on 31st March 2019 composition of Corporate Social Responsibility Committee comprised five (5) members. The committee met twice (2 times) during the year on 26th April 2018 and 29th October 2018.

The terms of reference of the committee which broadly inter-alia include the following:

- Formulate and recommend to the Board of the Bank a Corporate Social Responsibility (CSR) policy, which shall indicate the activities to be undertaken by the Bank as per Schedule VII of the Companies Act, 2013
- Recommend the amount of expenditure to be incurred in the activities provided for the CSR policy
- Monitor the implementation and effectiveness of the CSR policy from time to time
- Perform such other duties with respect to CSR activities as may be required to be done under any law, statute, rules, regulations and others enacted by the Government of India, the Reserve Bank of India or by any other regulatory or statutory body

The particulars of attendance of members at the Committee meetings are given as Annexure A of Corporate Governance Report.

Composition of the Corporate Social Responsibility Committee

S.No	Name	Position
1	Ms. Jyoti Narang	Chairperson
2	Mr. Mannil Venugopalan	Member
3	Mr. Krishan Kant Rathi	Member
4	Mr. Raj Vikash Verma	Member
5	Mr. Sanjay Agarwal	Member

Report on Corporate Social Responsibility is enclosed as Annexure II to the Board's Report.

7. Customer Service Committee

Customer Service Committee is constituted by the Board of Directors of the Bank to ensure fairness and reasonableness in all the dealings with the customers and ensuring transparent communication of information pertaining to products, services & related procedures and to resolve customer complaints quickly and empathetically and facilitate continuous improvement in quality of the customer service and to ensure overall customer satisfaction level.

As on 31st March 2019 composition of Customer Service committee comprised three (3) members and committee met four (4) times during the year under review on 25th April 2018, 06th August 2018, 29th October 2018 and 16th January 2019.

Terms of reference in addition to the regulatory requirements is governed by the charter which broadly inter alia includes the following:

- Review the effectiveness of grievance redressal mechanism within the Bank for redressing complaints received about services rendered by Business Correspondents (BC)
- Evaluate the trend analysis of customer complaints by product categories/channels/BCs and monitor improvement plans
- Review and approve comprehensive Deposit Policy and seek to address issues such as treatment of death of a depositor for operations in such accounts
- Assess Banking Ombudsman awards on a periodic basis, address systemic deficiencies brought out by these awards and report cases with delayed implementation of more than three months to the Board with reasons for delay to facilitate necessary remedial action on priority
- Review statement of complaints, along with an analysis of complaints
- Review the performance of 'Standing Committee for Customer Services' and other Sub Committees
- Benchmark review of turnaround time for key products offerings and monitoring improvement plans put in place

The particulars of attendance of members at the Committee meetings are given as Annexure A of Corporate Governance Report.

Composition of the Customer Service Committee

S.No	Name	Position
1	Ms. Jyoti Narang	Chairperson
2	Mr. Mannil Venugopalan	Member
3	Mr. Sanjay Agarwal	Member

8. Review of Classification Of Wilful Defaulters Committee

The Committee has been formed by the Board for carrying out an independent review, monitoring and follow up of wilful defaults cases of ₹25 lakh and above, and provide guidance to the Audit Department, Recovery Department and the relevant members of the management involved in the credit and recovery process.

As on 31st March 2019 Composition of Review of classification of Wilful Defaulter Committee comprised five (5) members and the committee met four (4) times during the year under review on 26th April 2018, 06th August 2018, 29th October 2018 and 16th January 2019.

The Committee responsibility inter alia includes review and examination of the evidence of wilful default on the part of the borrower, borrowing company and its Director/ Whole-time Director; and control, manage and review wilful defaulters on a Bank-wide basis as identified by the Wilful Defaulters Identification Committee.

Terms of reference in addition to the regulatory requirements is governed by the charter, which broadly inter alia includes the following:

- To review and confirm the order of Wilful Defaulters Identification committee
- Identification of wilful defaulters based on thorough review and examination of the borrower, borrowing company and its Director/Whole-time Director
- Identification of critical areas leading to additions of wilful defaults and examine evidence of wilful default on the part of the Bank's borrowers
- Identification of the cause of delay in detection of wilful defaults
- Issue show cause notice to concerned borrower and the Promoter/Whole-time Director and call for their submissions and after considering their submissions, issue an order recording the details and reasons of wilful default
- Make recommendations and assist the management to design mechanisms to improve the process.
- Technical knowledge of the staff and to share leading practices to early identify the wilful defaulters

The particulars of attendance of members at the Committee meetings are given as Annexure A of Corporate Governance Report.

Composition of the Review of Wilful Defaulters Committee

S.No	Name	Position
1	Mr. Mannil Venugopalan	Chairperson
2	Mr. Raj Vikash Verma	Member
3	Mr. Krishan Kant Rathi	Member
4	Mr. Sanjay Agarwal	Member
5	Mr. Uttam Tibrewal	Member

9. Special Committee For Fraud Monitoring (SFMC)

Pursuant to the directives issued by the RBI, the Bank has set up and formed Special Committee for Fraud Monitoring (SFMC) for monitoring and follow up on cases amounting to ₹1 crore and above. The Committee identifies the systemic

lacunae, if any, that facilitate perpetration of the fraud and put in place measures to plug the same and also evaluate existing systems and procedures for fraud detection and prevention.

As on 31st March 2019 Composition of Special Committee for Fraud Monitoring (SFMC) comprised five (5) members and the committee has met one (1) time during the year under review on 25th April 2018.

Terms of reference in addition to the regulatory requirements is governed by the charter, which broadly inter alia includes the following:

- Monitor and review all frauds of ₹1 crore and above
- Identify the system lacunae if any that facilitate perpetration of the fraud and put in place measures to plug the same
- Evaluation of existing systems and procedures for fraud detection and prevention
- Identify the reasons for delay in detection, if any, in reporting to top management of the Bank and RBI
- Review the efficacy of the remedial action undertaken to prevent recurrence of frauds, such as strengthening of internal controls
- Monitoring progress of 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, is completed quickly without loss of time
- Put in place other measures to strengthen preventive measures against frauds

The particulars of attendance of members at the Committee meetings are given as Annexure A of Corporate Governance Report.

Composition of the Special Committee for Fraud Monitoring

S. No	Name	Position
1	Mr. Mannil Venugopalan	Chairperson
2	Mr. Raj Vikash Verma	Member
3	Mr. Krishan Kant Rathi	Member
4	Mr. Sanjay Agarwal	Member
5	Mr. Uttam Tibrewal	Member

10. Disciplinary Committee

The Disciplinary Committee has been formed by the Board of Directors of the Bank to achieve the following key objectives:

- Approve the policy on Code of Conduct for employees, recommend the same to the Board and appropriately review as and when required
- Setting up of a transparent mechanism to decide and resolve complaints from employees and take appropriate corrective action plan
- Resolution of complaints received by the Bank including sexual harassment and enforce disciplinary action against the erring employees
- Taking appropriate remedial measures to respond to any substantiated allegations of a complaint (sexual harassment or disciplinary) against an employee
- Promote appropriate working conditions and a safe environment for all employees

As on 31st March 2019 Composition of Disciplinary Committee comprised five (5) members and the Committee has met two (2) times during the year under review on 25th April 2018 and 29th October 2018.

Terms of reference in addition to the regulatory requirements is governed by the charter, which broadly inter alia includes the following:

- Maintaining complete confidentiality and protection of identity of the whistle blowers/complainants.
- Creating awareness of the rights of female employees with regards to sexual harassment.
- Take necessary steps to assist the affected person in terms of support and preventive action if the instance of sexual harassment occurs as a result of an act or omission by any outsider.
- Initiate disciplinary actions such as fine or suspension or termination against the responsible employee if an improper/unethical act is proved.
- Review number and nature of complaints received from the whistle-blowing platform and resolution status of the same.

The composition of the committee and particulars of attendance of members at the committee meeting are given as Annexure A of Corporate Governance Report.

Composition of the Disciplinary Committee

S. No	Name	Position
1	Ms. Jyoti Narang	Chairperson
2	Mr. Krishan Kant Rathi	Member
3	Mr. Sanjay Agarwal	Member
4	Mr. Uttam Tibrewal	Member
5	Mr. Narendra Ostawal	Member

11. Management Committee

The Management Committee has been constituted to consider all matters of credit approvals including sanction of loans and advances, modifications in terms and conditions etc. The committee is also responsible for compliance of RBI directives on loans & advances and monitoring of credit proposals. The Committee is headed by an Independent Director who shall be chairman of the committee.

As on 31st March 2019 composition of Management Committee comprised three (3) members and committee has met one (1) time during the year under review on 17th January 2019.

Terms of reference in addition to the regulatory requirements is governed by the charter, which broadly inter alia includes the following:

- To approve credit facilities ₹50 crore & above to New Exposure/Loan to Existing Customers along with Existing facility.

- Proposals for credit facilities to the relatives of senior officers of the Bank sanctioned by the appropriate authority should be reported to the Board through Management Committee.
- Any company in which any of the relatives of any senior officer of the financing bank holds substantial interest or is interested as a director or as a guarantor, such transaction should also be reported to the Board through Management Committee.
- Sanction of proposals with exposure of more than ₹25 lakh to:
 - Any relative of the Chairman/Managing Directors or other Directors of the Bank
 - Any relative of the Chairman/Managing Director or other directors of other banks
 - Any firm in which any of the relatives as mentioned in (i) & (ii) above is interested as a partner or guarantor
 - Any company in which any of the relatives as mentioned in (i) & (ii) above hold substantial interest or is interested as a director or as a guarantor

The particulars of attendance of members at the Committee meetings are given as Annexure A of Corporate Governance Report.

Composition of the Management Committee

S. No	Name	Position
1	Mr. Mannil Venugopalan	Chairman
4	Mr. Raj Vikash Verma	Member
5	Mr. Sanjay Agarwal	Member

Annexure A

Details of Attendance of members for Committee meetings held during FY 2018-19

Name of Members (Meeting Attended)

Name of Committee	Meeting Held For FY 2018-19	Mr. Mannil Venugopalan	Mr. Krishan Kant Rathi	Mr. Sanjay Agarwal	Mr. Uttam Tibrewal	Ms. Jyoti Narang	Mr. Raj Vikash Verma	Mr. Narendra Ostawal
Audit Committee	5	5	5	5	NA	5	5	3
Risk Management Committee	4	4	4	4	NA	NA	4	2
Nomination and Remuneration Committee	6	6	6	NA	NA	6	NA	4
Stakeholders Relationship Committee	4	4	4	4	NA	NA	NA	2
IT Strategy & Information Systems Security Committee	4	NA	4	4	4	4	4	2
Corporate Social Responsibility Committee	2	2	2	2	NA	2	2	NA
Customer Service Committee	4	NA	NA	4	4	4	4	2
Review of classification of Wilful Defaulter	4	4	4	4	4	NA	4	NA
Special Committee for Fraud Monitoring (SFMC)	1	1	1	1	1	1	1	NA
Disciplinary Committee	2	NA	2	2	2	2	NA	2
Management Committee	1	1	NA	1	NA	NA	1	NA

Audit Committee

Mr. Narendra Ostawal ceased to be the member of the committee on 16th January 2019 and was re-appointed as a member of the committee w.e.f. 17th January 2019.

Risk Management Committee

Mr. Narendra Ostawal ceased to be the member of the committee on 16th January 2019 and was re-appointed as a member of the committee w.e.f. 17th January 2019.

Mr. Krishan Kant Rathi ceased to be a member of the committee w.e.f. 17th January 2019.

Ms. Jyoti Narang was appointed as a member of the committee w.e.f. 17th January 2019.

Nomination & Remuneration Committee

Mr. Narendra Ostawal ceased to be the member of the committee on 16th January 2019 and was re-appointed as a member of the committee w.e.f. 17th January 2019.

Stakeholder Relationship Committee

Mr. Narendra Ostawal ceased to be member of the committee w.e.f. 16th January 2019.

Mr. Mannil Venugopalan ceased to be a member and the chairman of the committee w.e.f. 17th January 2019.

Mr. Raj Vikash Verma was appointed as a member and the chairman of the committee w.e.f. 17th January 2019.

IT Strategy & Information Systems Security Committee

Mr. Narendra Ostawal ceased to be the member of the committee on 16th January 2019 and was re-appointed as a member of the committee w.e.f. 17th January 2019.

Mr. Sanjay Agarwal ceased to be a member of the committee w.e.f. 17th January 2019.

Ms. Jyoti Narang ceased to be a member of the committee w.e.f. 17th January 2019.

Customer Service Committee

Mr. Narendra Ostawal ceased to be a member of the committee w.e.f. 16th January 2019.

Mr. Raj Vikash Verma ceased to be a member of the committee w.e.f. 17th January 2019.

Mr. Uttam Tibrewal ceased to be a member of the committee w.e.f. 17th January 2019.

Mr. Mannil Venugopalan was appointed as a member of the committee w.e.f. 17th January 2019.

Special Committee for Fraud Monitoring

Ms. Jyoti Narang ceased to be a member of the committee w.e.f. 17th January 2019.

Disciplinary Committee

Mr. Narendra Ostawal ceased to be the member of the committee on 16th January 2019 and was re-appointed as a member of the committee w.e.f. 17th January 2019.

Mr. Krishan Kant Rathi ceased to be the Chairman of the committee w.e.f. 17th January 2019.

Ms. Jyoti Narang was appointed as the Chairman of the committee w.e.f. 17th January 2019.

GENERAL SHAREHOLDER INFORMATION

Financial Year - 1st April, 2018 to 31st March 2019

The details of the location and time of the last three Annual General Meetings are given below:

Year	Date & Time	Venue	Special Resolutions Passed
2015-16	31 st August 2016 11.00 AM	Flexible Room, B-11-E, behind CEG Building Malviya Nagar, Industrial Area, Malviya Nagar, Jaipur – 302017	<ol style="list-style-type: none"> 1. Authorisation to borrow money in excess of paid up capital and free reserves of company U/s 180 (1) (c) of the companies Act, 2013 2. Authorisation to sell, lease or otherwise dispose of the assets of the Company for such borrowings u/s Section 180(1)(a) of the Companies Act, 2013; 3. Alteration of Existing Articles of Association of the Company.
2016-17	27 th September 2017 02:00 PM	Suryavanshi Mahal- Ground floor, ITC Rajputana Palace Road, Jaipur - 302006	<ol style="list-style-type: none"> 1. To confirm/ratify article no. 13(b) of Articles of association of Bank. 2. To ratify Employee Stock Option scheme 2015 of AU Small Finance Bank Limited 3. To ratify Employee Stock Option scheme 2016 of AU Small Finance Bank Limited
2017-18	07 th August 2018 03:30 PM	Chancellor Hall, Hotel Holiday Inn, Sardar Patel Marg, 22 Godam Circle, C-Scheme, Jaipur-302001	<ol style="list-style-type: none"> 1. To authorise the Board to borrow money in excess of paid up capital, free reserves and securities premium of Bank u/s 180(1)(c) of the Companies Act, 2013 2. To approve issue of securities/bonds/other permissible instruments, in one or more tranches 3. To approve AU Small Finance Bank Limited Employee Stock Option Scheme 2018

Resolutions passed in the Extraordinary General Meeting (EGM) of the Bank held during the Financial Year 2018-19, by means of a Special Resolution

During the year under review, Extraordinary General Meeting of the Bank was held on 15th June 2018, wherein the approval of the Members was sought for the following matters, by means of a special resolution.

Year	Date & Time	Venue	Special Resolutions Passed
2018-19	15 th June 2018 04:00 PM	Bank house, Mile 0, Ajmer Road, Jaipur - 302001	Issuance of Equity shares and convertible warrants on preferential Basis

POSTAL BALLOT

During the period under review, no special resolutions has been passed by the Bank through postal Ballot However, pursuant to the Provisions of Section 108 and Section 110 of the Companies Act, 2013 read with Rule 22 of the

Companies (Management and Administration) Rules, 2014 and any other applicable provisions of the Companies Act, 2013, as amended from time to time the Bank has passed the following resolution as Ordinary Resolution through Postal Ballot on 20th October 2018.

Agenda: To reclassify the status of existing Promoter's Group to Public Shareholders.

No. of Votes in favour	No. of Votes against	Percentage (%) of votes in favour	Percentage (%) of votes against
19,84,83,388	1760	99.9991	0.0009

CS Manoj Maheshwari, Practicing Company Secretary (Jaipur), was appointed as the scrutiniser for monitoring & scrutinising remote e-Voting and postal ballot process of the Bank.

None of the special resolution proposed to be passed in the AGM Notice 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 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 electronic voting (e-Voting) or through postal ballot. The Board of Directors of the Bank appointed Scrutiniser for conducting the postal ballot voting process in a fair and transparent manner. The Scrutiniser submits his report to the Chairman or any other Director as authorised by the Board on this behalf after the completion of the scrutiny of the postal ballots (including e-Voting).

Considering the results, along with report of the Scrutiniser of the Postal Ballot the resolution is considered approved.

The necessary intimations as required under the applicable Listing regulations are submitted to the Stock Exchanges and post declarations of the results the same are displayed on website of the Bank & of Registrar and Share Transfer Agent and displayed at the Registered Office of the Bank.

ANNUAL GENERAL MEETING

Annual General Meeting of the Bank is scheduled to be held on Friday, 26th July 2019 at Suryavanshi Mahal – Ground Floor, ITC Rajputana, Palace Road, Jaipur-302006, Rajasthan, India at 04:00 p.m.

FINANCIAL YEAR

The Bank follows the financial year starting from 1st April to 31st March, every year.

DATE OF BOOK CLOSURE

20th July 2019 to 26th July 2019 (both days inclusive)

REGISTERED OFFICE OF BANK

19-A, Dhuleshwar Garden, Ajmer Road,
Jaipur - 302001, Rajasthan, India

REGISTRAR AND SHARE TRANSFER AGENT & CONNECTIVITY

The Equity Shares of the Bank have been admitted with both the depositories: National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Bank has appointed Link Intime India Pvt. Ltd. as the connectivity agent to provide electronic connectivity interface with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) for securities of the Bank.

DEBENTURE TRUSTEES

IDBI Trusteeship Services Ltd.

Regd. Office: Asian Building, Ground Floor,
17, R Kamani Marg, Ballard Estate, Mumbai 400001
Phone: +91 22 40807000
Fax: +91 22 66311776
Email: itsl@idbitrustee.com

Catalyst Trusteeship Limited

Regd. Office: GDA House, First Floor,
Plot No. 85 S. No. 94 & 95, Bhusari Colony (Right),
Kothrud, Pune 411038 IN
Phone: +91 22-49220555
Email: compliancectl-mumbai@ctltrustee.com

DETAILS OF REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Pvt. Limited
C-101, 1st 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

CREDIT RATING DISCLOSURE

Below table covers the Credit Ratings of the Bank as on 31st March 2019

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

During the year, credit rating of the Bank was upgraded by ICRA & CRISIL from A+/Positive to AA-/Stable, respectively.

ADDRESS FOR CORRESPONDENCES

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

LISTING ON STOCK EXCHANGE(S)

BSE Limited- SCRIIP CODE: 540611

P J Towers, Dalal Street, Fort, Mumbai - 400001

National Stock Exchange of India Limited-

SYMBOL: AUBANK

Exchange Plaza, Bandra-Kurla Complex, Bandra (East),
 Mumbai - 400 051
 ISIN: **INE949L01017**

Bank has deposited the annual listing fees to the stock exchange(s) where the securities of the Bank are listed.

PLANT LOCATION

As the Bank is engaged in the business of banking/financial services, there is no plant location.

OTHER DISCLOSURES

1. CEO and CFO Certification

Managing Director & CEO and CFO of the Bank have issued a certificate in terms of Regulation 17(8) of the Listing Regulations, certifying that the financial statements do not contain any materially untrue statement and these statements represent a true and fair view of the Bank's affairs. The said certificate is annexed to the Corporate Governance Report.

2. Code of Conduct

The Bank has formulated and adopted Code of Conduct for Directors and the Senior Management Personnel of the Bank. A certificate issued by the Managing Director & CEO of the Bank confirming that all the Directors

and Senior Management Personnel of the Bank have complied with the said code is annexed to this report.

3. Code of Conduct for Prohibition of Insider Trading

The Bank has formulated a code for the prohibition of insider trading in the shares of the Bank. The Code of Conduct - Prohibition of Insider Trading Policy, inter alia, prohibits purchase/sale of shares of the Bank by designated persons and other connected persons while in possession of unpublished price sensitive information in relation to the Bank.

The Code requires designated persons to obtain pre-clearance from the Compliance Officer for dealing in the Bank's securities beyond prescribed threshold limits. The designated persons are also prohibited from entering contra trades on the floor of the Stock Exchange(s) and from dealing in securities of the Bank's Listed Client Companies during the period(s) notified to them.

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.

4. Related party Transactions

All transactions entered into with Related Parties as defined under the Companies Act, 2013 and Regulation 23 of the Listing Regulations, during the financial year, were in the ordinary course of business and on arm's length pricing basis and do not attract the provisions of Section 188 of the Companies Act, 2013. There were no materially significant transactions with related parties, during the financial year, which conflicted with the interest of the Bank. Suitable disclosure as required by the Accounting Standards (AS-18) has been made in the notes to the Financial Statements. The details of the transactions with related parties, if any, are placed before the Audit Committee from time to time.

Further, the Board of Directors has formulated a policy on Related Party Transactions and materiality for

dealing with Related Party Transactions pursuant to the provisions of the Companies Act, 2013 and Listing Regulations. The same is displayed on the weblink of the Bank at www.aubank.in/au-notice-board

5. 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.

6. Whistle Blower policy & Vigil Mechanism

The Whistle Blower Policy has been formulated as part of corporate governance norms and transparency where the employees, customers, stakeholders are encouraged to refer any protected disclosures, which have not been resolved or satisfactorily resolved within the usual applicable protocols. The employees may refer any protected disclosures covering areas such as corruption, misuse of office, criminal offences, suspected/actual fraud, failure to comply with existing rules and regulations and acts resulting in financial loss/operational risk, loss of reputation and others detrimental to customers' interest/public interest. During the year, no person was denied access to the Audit committee or its chairman to raise his/her concern under vigil mechanism.

7. Declaration of Independence

The Independent Directors have confirmed that they meet the criteria of 'Independence' as stipulated under provisions of Section 149 (6) Companies Act, 2013 & Regulation 16 (1) (b) of the Listing Regulations.

The Terms and Conditions of appointment of Independent Directors have been hosted on the Bank's website and can be accessed through link at www.aubank.in/about-us/board-directors

8. SEBI (LODR) Regulations

During the period under review, the Bank has complied with all the mandatory requirements of Regulation 17 to 27 and has also complied with requirement of Schedule V of the Listing Regulations except for Regulation 24, which is not applicable to the Bank. Further, the Bank has also adopted certain voluntary compliance requirement as stipulated in Companies Act 2013, Listing Regulations and other act, rules, regulations and guidelines as applicable on the Bank.

The Bank has also complied with Regulation 46 of Listing Regulations.

9. Subsidiary Companies

During the period under review, the Bank does not have any Subsidiary Companies.

10. Accounting Treatment

The Bank has adopted accounting policies, which are in line with the Accounting Standards and Financials statements are prepared in adherence to the accounting policies, Accounting Standards and applicable provisions of Companies Act, 2013, Banking Regulation Act, Guidelines issued by Reserve Bank of India and Listing Regulations.

11. Means of Communication

Bank publishes/announces duly reviewed financial results on quarterly basis at Stock Exchange(s) and a Press Release sent to leading media publications. The financial results of the Bank are also posted on the website of the Bank. The Managing Director & CEO/ WTD & CFO and Chief of Investor Relations at regular intervals comes on conference call with the analysts/ shareholders and responds to the queries from investors on quarterly basis. The financial results of the Bank are published in the renowned dailies such as Economic Times, Punjab Kesari and Financial Express. The financial results, presentations and press releases of the Bank are also hosted on the website of the Bank at <https://www.aubank.in/investor-relations>

Documents like Notices of general meetings, Annual Reports, ECS advises for dividends, etc. are sent to the shareholders at their e-mail address, as registered with their Depository Participants/Company/Registrar & Share Transfer Agents (RTA). This helps prompt delivery of document, reduce paper consumption, save trees and avoid loss of documents in transit.

For share transfers, dividend payments and all other investor-related activities are attended to and processed at the office of our Registrars & Share Transfer Agents, i.e. Link Intime India Private Limited, contact details of the agents are as specified above. The Bank has Board approved 'Investor Grievance Redressal Policy' which lays down the simplified procedure for shareholders to submit their queries, concerns and grievances and process for timely resolution. In case of shareholders having any queries, they can write at investorrelations@aubank.in and for more information about the Bank, investors can visit the Bank's website at www.aubank.in

12. Utilisation of Funds

The fund raised during the year, through private placement of securities has been utilised to meet the

capital & business requirement while supporting the growth plans and for other general corporate purposes.

13. Details in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

S. No	Particulars	Number
a.	Number of complaints filed during the financial year	1
b.	Number of complaints disposed of during the financial year	1
c.	Number of complaints pending as on the end of the financial year	NIL

15. Market Price Data

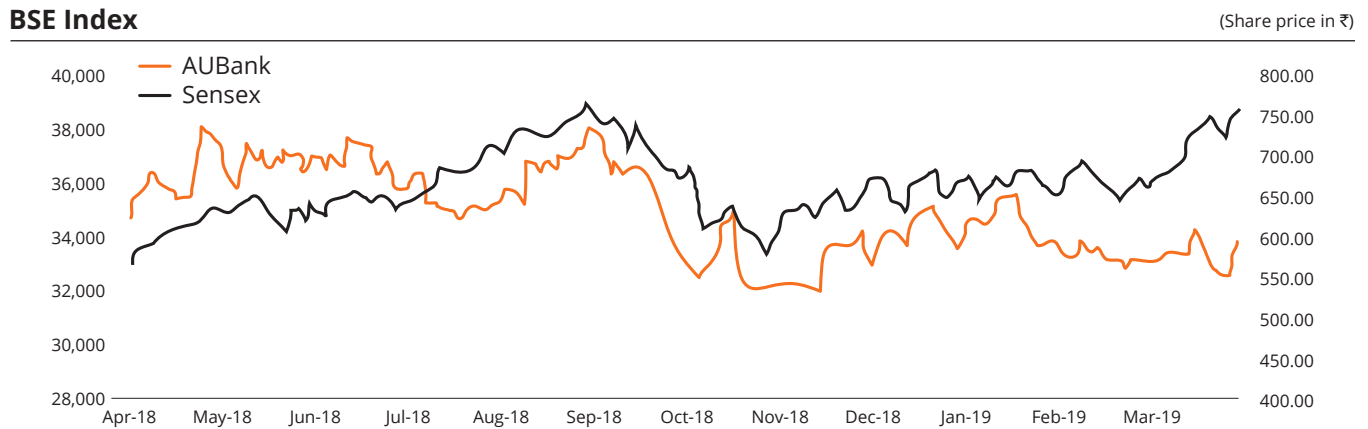
Month	NSE			BSE		
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
Apr-18	748.40	615.00	58,60,079	746.95	615.00	5,23,227
May-18	733.00	651.25	26,98,559	731.95	653.80	2,40,452
Jun-18	734.35	650.00	38,81,055	733.60	651.00	5,50,865
Jul-18	693.10	612.05	2,05,03,499	695.15	612.55	60,20,667
Aug-18	745.00	638.00	1,51,06,737	745.00	638.75	2,95,74,809
Sep-18	735.85	545.05	82,89,566	734.65	546.30	8,45,603
Oct-18	639.95	500.50	1,10,62,391	643.65	502.00	12,90,544
Nov-18	612.40	520.00	87,20,659	610.00	502.00	2,78,630
Dec-18	652.90	566.00	94,90,404	650.90	566.00	3,39,736
Jan-19	668.95	572.10	82,54,601	667.15	574.70	4,07,854
Feb-19	609.85	558.00	27,23,867	608.95	560.00	1,39,221
Mar-19	628.25	541.25	96,29,813	627.00	542.75	5,85,315

14. Dividend Payment

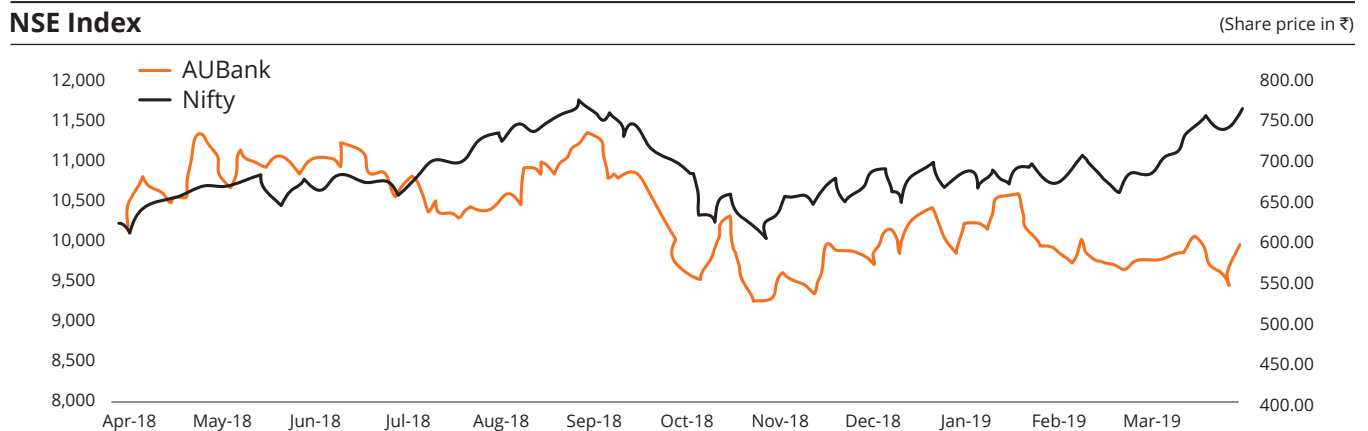
The Board of Directors of the Bank at its meeting held on 22nd April 2019 recommended dividend of ₹0.75/- per equity shares on face value of ₹10 per equity shares subject to approval of members of the Bank in the 24th Annual General Meeting scheduled on 26th July, 2019. The payment period of dividend if approved by members will commence from 27th July 2019 and will be completed by 25th August 2019.

COMPARISON TO BROAD -BASED INDICES

AUBANK relative to S&P BSE SENSEX



AUBANK relative to NIFTY



Distribution of Shareholding as on 31st March 2019

Distribution of shareholding based on nominal value (₹) as on 31st March 2019

S. No	Category (No. of Shares)	Number of shareholders	% of total	Total shares	Share amount (₹)	% of total share amount
1	1 to 5,000	83,931	96.21	63,70,304	6,37,03,040	2.18
2	5,001 to 10,000	1,662	1.90	11,80,126	1,18,01,260	0.40
3	10,001 to 20,000	651	0.75	9,28,156	92,81,560	0.32
4	20,001 to 30,000	222	0.25	5,48,361	54,83,610	0.19
5	30,001 to 40,000	107	0.12	3,73,628	37,36,280	0.13
6	40,001 to 50,000	73	0.08	3,32,556	33,25,560	0.11
7	50,001 to 1,00,000	183	0.21	13,30,873	1,33,08,730	0.46
8	1,00,001 & above	420	0.48	28,12,93,482	2,81,29,34,820	96.21
	Total	87,249	100.00	29,23,57,486	2,92,35,74,860	100.00

Categories of Shareholders as on 31st March 2019

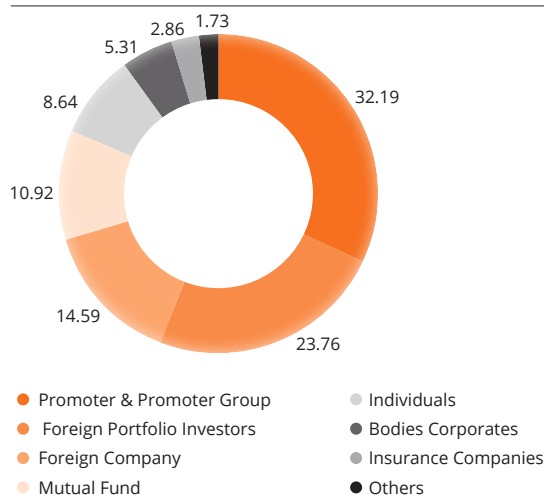
Particulars	No. of Shares	%
I Promoters & Promoter Group		
Sanjay Agarwal	5,67,66,359	19.42%
Shakuntala Agarwal	1,18,20,430	4.04%
Jyoti Agarwal	1,18,18,560	4.04%
Chiranji Lal Agarwal	68,29,321	2.34%
MYS Holdings Private Limited	68,83,722	2.35%
II Other Institution		
Mutual Fund	3,19,39,498	10.92%
Financial Institutions/Bank	86,828	0.03%
Insurance Companies	83,50,272	2.86%
Foreign Portfolio Investors	6,94,59,585	23.76%
III Other Non-Institution		
Body Corporates	1,55,31,829	5.31%
IV Individuals		
(i) Individuals holding nominal share capital upto 2 lakh	1,02,07,799	3.49%
(ii) Individuals holding nominal share capital in excess of 2 lakh	1,50,56,625	5.15%
V Trusts	16,272	0.01%
VI Non Resident Indians (Non Repat)	17,10,130	0.58%
Non Resident Indians (Repat)	5,15,444	0.18%
VII Hindu Undivided Family	4,61,334	0.16%
VIII Clearing Members	4,39,238	0.15%
IX Foreign Nationals	4,26,41,879	14.59%
X Alternative Investment Fund	17,65,547	0.60%
XI NBFCs registered with RBI	56,814	0.02%
Total	29,23,57,486	100%

List of Shareholders holding more than 1% share in the Bank as on 31st March 2019

S. No	Name	No. of Shares	% of Shares
Promoters and Promoter Group			
1	Sanjay Agarwal	5,67,66,359	19.42%
2	Shakuntala Agarwal	1,18,20,430	4.04%
3	Jyoti Agarwal	1,18,18,560	4.04%
4	Chiranji Lal Agarwal	68,29,321	2.34%
5	MYS Holdings Private Limited	68,83,722	2.35%
Others			
6	Redwood Investment Ltd	2,09,70,794	7.17%
7	Nomura India Investment Fund Mother Fund	1,05,15,631	3.60%
8	Kotak Standard Multicap Fund	1,00,98,256	3.45%
9	SBI Equity Hybrid Fund	1,00,17,785	3.43%
10	Labh Investments Limited	80,87,530	2.77%
11	Ourea Holdings Limited	79,04,427	2.70%
12	Amansa Holdings Private Limited	66,04,110	2.26%
13	International Finance Corporation	56,79,128	1.94%
14	Steadview Capital Mauritius Limited	49,04,244	1.68%
15	HDFC Life Insurance Company Limited	47,08,600	1.61%
16	Motilal Oswal Multicap 35 Fund	46,25,885	1.58%
17	SBI Life Insurance Co. Ltd	44,50,365	1.52%
18	Camas Investments Pte. Ltd.	43,30,441	1.48%
19	Uttam Tibrewal	35,44,673	1.21%
20	Nomura Funds Ireland Public Limited Company- Nomura Funds Ireland - India Equity Fund	33,26,369	1.14%
21	Motilal Oswal Securities Ltd.	32,93,315	1.13%

Shareholding pattern

(%)



16. Share Transfer System

The Bank's shares are traded under compulsory dematerialised mode and freely tradeable and the entire share transfer process is monitored by the Registrar and Share Transfer Agent of the Bank. A half-yearly certificate of compliance with the share transfer formalities as required under Regulation 40(9) of the Listing Regulations is obtained from the Company Secretary in Practice and a copy of the certificate is filed with the Stock Exchanges within the prescribed time.

17. Dematerialisation of Shares

All shares of the Bank are held in dematerialised form.

18. Outstanding Global Depository Receipts or American Depository Receipts or warrants or any convertible instruments, conversion date and likely impact on equity

During FY 2018-19, the Bank does not have any outstanding GDRs/ADRs warrants that were due for conversion or any other Convertible instruments having an impact on the equity of the Bank.

19. Commodity price risk or foreign exchange risk and hedging activities

During FY 2018-19, 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. Bank is operating in India and is not directly exposed to foreign exchange risk and hedging activities.

20. Recommendations of the Committees

No instances have been observed where the Board has not accepted recommendations of any of the Board committee(s).

21. Fees paid to Statutory Auditors

Total fees for services of Statutory Auditors is Rupees One crore.

22. Certificate from Company Secretary in Practice

The Bank has received certificate from V.M. & Associates, Practicing Company Secretary, 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.

23. Status of Compliance of Discretionary Requirements

S. No	Discretionary Requirements	Status
1	A half yearly declaration of financial performance including summary of the significant events in the last six months may be sent to each household of shareholders	Quarterly as well as half yearly financial results are published in the newspapers, displayed on website of the Bank as well as disseminated to the Stock Exchanges immediately after Board approval for information of Shareholders and other Stakeholders.
2	The Company may appoint separate persons to the post of Chairperson and MD & CEO	The Bank has separate positions of a Non-executive (Part- time) Chairman and MD & CEO.
3	The Internal Auditor may report directly to the Audit Committee	The Internal Auditor (Chief Audit Officer) report directly to the Audit Committee.

CERTIFICATE ON COMPLIANCE WITH THE CODE OF CONDUCT & ETHICS

I confirm that Bank has obtained from all the members of the Board and Senior Management Personnel, affirmation that they have complied with the 'code of Conduct' for financial year 2018-19.

Date: 22nd April 2019
Place: Jaipur

Sanjay Agarwal
Managing Director & CEO

CEO & CFO CERTIFICATION

We, Sanjay Agarwal, Managing Director & CEO and Deepak Jain, Chief Financial Officer, of AU Small Finance Bank Limited hereby certify that:

- a. We have reviewed financial statements and the cash flow statement for the year ended 31st March 2019 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.
- b. There are to the best of our knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent, illegal or violative of the Bank's Code of Conduct.
- c. 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.
- d. 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.

Yours faithfully

Date: 22nd April 2019
Place: Jaipur

Sanjay Agarwal
Managing Director & CEO

Deepak Jain
Chief Financial Officer

CERTIFICATE UNDER REGULATION 34(3) OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

To,
The Members,

AU Small Finance Bank Limited

1. In our opinion and to the best of our information and according to the representation made by the directors of AU Small Finance Bank Limited ("the Bank"), we certify 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 Securities and Exchange Board of India or Ministry of Corporate Affairs or Reserve Bank of India or any such statutory authority.
2. 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 Obligations and Disclosure Requirements) Regulations, 2015 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)
sd/-

CS Manoj Maheshwari

Partner
FCS3355
C P No.: 1971

Date: April 22, 2019
Place: Jaipur

Annexure II

Annual Report on Corporate Social Responsibility (CSR)

[Pursuant to clause (o) of sub-section (3) of section 135 of the Act and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014]

Our CSR Policy

1. A BRIEF OUTLINE OF THE CSR POLICY, INCLUDING OVERVIEW OF PROJECTS OR PROGRAMMES PROPOSED TO BE UNDERTAKEN AND A REFERENCE TO THE WEB LINK TO THE CSR POLICY AND PROJECTS OR PROGRAMMES

The Corporate Social Responsibility Policy (CSR Policy) of the Bank establishes a framework for compliance with CSR provisions covering social projects and ensuring the implementation of CSR initiatives in letter and spirit as specified in Schedule VII of the Companies' Act, 2013 (excluding the activities pursued in the normal course of business) and the expenditure thereon.

The Bank continues to focus on undertaking social welfare and sustainable development programmes that has widespread positive impact on the larger section of society for achieving gradual upliftment of deprived underprivileged communities in rural, semi-urban and local areas where operations of the Bank are carried out.

During the year, the Bank started realising the long-term strategy on CSR initiatives and set up the trust 'AU Foundation', for driving CSR projects of livelihood enhancement through vocational training, digital and financial literacy, promoting sporting talent for nationally recognised sports and others. AU Foundation, as a part of its initiatives, dedicated its activities towards AU Skills Academy, AU Sports Village and Financial Literacy Camps, among others. AU Foundation also supported several NGOs for job-oriented camps for women enhancing their livelihood, self-dependence and empowerment. The Bank continued to thrust on social development initiatives through implementing partners for carrying out CSR activities during the year. The Bank has also carried out direct initiatives as a part of CSR activities like installation of water coolers, health and eye check-up camps and promotion of education through various NGOs for upliftment of children living in slums.

Approach towards CSR

The Bank focusses on Corporate Social Responsibility initiatives to make a meaningful impact on the lives of the underserved by providing them equal opportunity and support, it promotes woman empowerment, healthcare and sustainable livelihood. As a financial institution, the Bank believes that it can play an active role in stimulating India's socio-economic development.

The Bank's approach led to the emergence of key priority areas for CSR as mentioned below:

1. Livelihood Enhancement
2. Sports for Development
3. Financial & Digital Literacy
4. Other areas permissible under the applicable CSR provisions

Corporate Social Responsibility policy of the Bank is available at www.aubank.in/au-notice-board

2. COMPOSITION OF CSR COMMITTEE AS ON 31ST MARCH 2019

Ms. Jyoti Narang (Independent Director)	Chairman
Mr. Mannil Venugopalan (Independent Director)	Member
Mr. Krishan Kant Rathi (Independent Director)	Member
Mr. Raj Vikash Verma (Independent Director)	Member
Mr. Sanjay Agarwal (Managing Director & CEO)	Member

- 3. AVERAGE NET PROFITS OF THE BANK FOR THE LAST THREE FINANCIAL YEARS: ₹407.74 Crore**
4. PRESCRIBED CSR EXPENDITURE (2% OF THE AMOUNT AS IN ITEM 3 ABOVE): ₹8.15 Crore
5. DETAILS OF CSR SPENT DURING THE FINANCIAL YEAR

- Total amount to be spent for the financial year 2018-19 as per the Companies Act, 2013 was ₹11.10 crore (₹8.15 crore + ₹2.95 crore, being amount unspent of FY 2017-18)
- Amount spent during the financial year: ₹4.59 crore
- Amount unspent for the financial year: ₹6.51 crore

Manner in which the amount is spent during the financial year is detailed below:

Sr. No	CSR project or activity identified	Sector in which the Project is covered	Project or Programmes (1) Local Area or other (2) Specify the state and district where projects or programme was undertaken	Amount outlay (budget project wise) (₹ in lakh)	Amount Spent on the projects or programs subheads: (1)Direct expenditure on projects or programs (2) Overheads (₹ in lakh)	Cumulative expenditure up to reporting through implementing agency period (₹ in lakh)	Amount spent directly or CSR activities as per the Schedule VI
1	Projects of AU Foundation 1. AU Skills Academy 2. AU Udhogini 3. AU Financial literacy awareness 4. AU Bank Sports Village	• Clause (ii): Livelihood Enhancement • Clause (ii): Promoting Education – Financial literacy • Clause (vii): Training to promote rural sports, nationally recognised sports, Paralympics sports and Olympics sports	Jaipur, Rajasthan & Delhi	265.00	76.50	76.50	Amount spent through AU Foundation for CSR activities as per the Schedule VI
2	Promoting of Education 1. Vocational Training 2. Financial & Digital Literacy 3. Primary Education etc. 4. Mid-Day Meal programme	Clause (ii): Promoting education, including special education and employment enhancing vocation skills, especially among children, women, elderly, and the differently abled and livelihood enhancement projects;	Rajasthan & Maharashtra	200.00	159.53	746.93	• Directly • Through implementing agencies - Lok Kala Jagrati & Vikas Sansthan/Gramodaya Samajik Sansthan/ Gram Chetna Kendra/ Development initiatives
3	Promoting preventive healthcare 1. Eye and Health Check-up camps 2. Installation of Water purifier and cooler	Clause (i): Eradicating hunger, poverty and malnutrition, promoting healthcare, including preventive healthcare and sanitation, including contribution to the Swachh Bharat Kosh setup by the Central Government for the promotion of sanitation and making available safe drinking water	Rajasthan, Haryana & Maharashtra	150.00	83.57	299.13	• Through implementing agencies (Shekhawati Agarwal Samaj Sansthan/Shri Shyam Seva Mahotsav/ SIDART/Akshaya Patra Foundation
4	Promotion of sports 1. Sports for development activities 2. Ab Jeetega India Initiative 3. Round Table India	Clause (vii): Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports	Rajasthan & Punjab	300.00	72.18	216.80	• Directly • Through implementing agencies (Round Table India)
5	Measures for promoting animal welfare and ensuring environment sustainability	Clause (iv): Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare	Rajasthan & Maharashtra	40.00	13.72	55.71	Directly
6	Promoting art and culture	Clause (v): Art and Culture	Bikaner, Jaipur & Rajasthan	50.00	12.40	121.74	• Through implementing agencies (Lokayan/Hare Krishna Mission)
7	Donation to recognised fund	Clause (viii): Contribution to CM Relief Fund and CM Distress Relief fund	Kerala & Madhya Pradesh	49.5	18.24	18.24	Directly
8	Administrative expenditure	Administrative expenditure inclusive of staff salary for execution of CSR activities		55.50	22.66	34.16	-
				1,110.00	458.80		

DIRECT INITIATIVES

Water coolers

Access to clean and safe potable water is a matter of national priority for public health but given the arid climate in vast stretches of Rajasthan clean and safe potable water is scarce in the state. The Bank is committed to provide support to make available safe drinking water to areas where it operates. The Bank installed more than 110 safe drinking water dispensers/water coolers in and around Jaipur.

Health camps and eye check up camps

The Bank promotes the cause of good hygiene and sanitation practices in the community for underprivileged and poor people. It has been associated with Shekhawati Agrawal Samaj in providing affordable and free healthcare services to the poor. The Bank collaborated with them for providing financial assistance to organise monthly health check up and eye check up camps, along with free OPD services in Jaipur.

CM Relief Fund (Kerala Flood of 2018)

During the year under review, the state of Kerala faced extreme distress due to a catastrophic flood and rains. For the relief and rehabilitation of the distressed, the Bank contributed CSR fund while the staff also contributed for the noble cause.

DETAILS OF IMPLEMENTING AGENCIES

Akshaya Patra Foundation

The Akshaya Patra Foundation is a not-for-profit organisation headquartered in Bengaluru, India. The organisation strives to eliminate classroom hunger by implementing the Mid Day Meal scheme in the government schools and government-aided schools. Alongside, Akshaya Patra also aims at countering malnutrition and supporting the right to education of socio-economically disadvantaged children.

AU Small Finance Bank is supporting this noble cause and helping Akshaya Patra Foundation in Mid-Day meal programme for over 10 years and helping them to serve Mid Day Meal programme in several districts of Rajasthan.

Ambuja Cement Foundation

Established in 1993, Ambuja Cement Foundation (ACF) is a grassroots-level pan-India implementing organisation that harnesses the power of partnerships—between

communities, governments and other like-minded corporates and NGOs—for solving the pressing problems and to foster prosperity in the society.

Their work has spread beyond core villages and by working hand-in-hand with like-minded organisations, it aims to provide a positive impact on unrelenting issues that are currently inhibiting India.

For the past 25 years, ACF has created significant impact by establishing the full-fledged research and monitoring unit, along with numerous external, independent studies that show significant changes in income levels, health indicators, overall harmony and happiness. The skills training programmes help the unemployed youth to garner employable skills.

Round Table India

The Round Table is internationally a friendship organisation, founded in Norwich, England by Louis Marchesi, then a Rotarian in 1927. From a small group of eight members, today it has grown to 43,000 members across 52 countries representing every corner of the world. Round Table came to India in 1957 with the formation of Madras Round Table No. 1 on 14th November 1962 by John Barton with 100 members. Over the past four decades, it has grown to become a 2,850-member strong association. Round Table India has around 200 Tables located in 76 cities and towns, comprising businessmen, entrepreneurs, technocrats and professionals. It consists people who can rise above personal concerns to seek and serve the larger needs of the community.

Gram Chetna Kendra

Gram Chetna Kendra was formed in 1986 by a group of socially conscious individuals under the leadership of Mr. Om Prakash Sharma. Recognising the immense needs of Rajasthan's rural poor, this group decided to combine their unique knowledge, talents, skills and experience to address the pressing issues facing individuals. Therefore, in 1989, the organisation was registered as a voluntary, non-governmental organisation under the Societies Registration Act and began formal operations from their campus which is located in the heart of the project area in the village of Khedi Milak.

Lok Kala Jagrati Vikas Sansthan

Lok Kala Jagrati Vikas Sansthan is a non-profit organisation of Rajasthani lok artists, who are engaged in spreading

financial and digital literacy through plays, puppet shows, folk songs, folk dances and others.

Mohan Foundation

It is a not-for-profit, non-governmental organisation started to promote organ donation in 1997 in Chennai by philanthropists and medical professionals. It has offices in Chennai, Hyderabad, Delhi-NCR, Chandigarh, Nagpur, Jaipur, Mumbai and USA. Mohan Foundation was started by a group of like-minded and concerned medical and non-medical professionals committed to increasing the reach of the Transplantation of Human Organs Act. The Government of India passed this Act in 1994 to broaden the concept of organ donation and stop commercial dealings in organs, especially kidneys. It is now possible to not only to donate one's eyes, but also other vital organs like the heart, lungs, liver, pancreas and kidneys.

6. REASON FOR NOT SPENDING 2% OF THE AVERAGE NET PROFIT OF THE LAST THREE FINANCIAL YEARS OR ANY PART THEREOF

The Bank has been playing an active role in community development through establishing AU Foundation and building strategic partnerships with reputed implementation partners for achieving its Corporate Social Responsibility objectives.

The Bank spent ₹4.59 crore on CSR Expenditure in FY 2018-19 and continues to scale many of its existing programmes. During the year under review, several new projects were launched for building its CSR profile through AU Skill Academy and AU Udhogini—a self-employment training centre which benefits youth from low-income segment and provides self-employment opportunity for rural women. The Bank has also identified new opportunities relating to poverty alleviation, rural development, promotion of financial and digital literacy for enabling financial inclusion and skill development.

The Bank was not able to spend the entire prescribed CSR amount of 2% of its average net profits of the last three financial years due to following reasons and the measures have been taken in this regard:

Focus on new projects

The Bank set its priority area for CSR projects covering financial and digital literacy, promotion of sports and livelihood enhancement for rural development, enhancing financial and digital literacy for enabling financial inclusion and skill development. The building of long-term capabilities requires detailed planning and execution due to which some projects could not be taken up fully, resulting in shortfall of CSR expenditure.

Setting up of AU Foundation

To have long-term and widespread impact, the Bank has set up 'AU Foundation' as a trust to channelise its social investments and undertake CSR activities for addressing the needs of underprivileged section of society. In coming years, the Bank shall fully realise the potential of in-house CSR team through relevant projects and shall partner with new credible implementing agencies to incur the CSR expenditure fully.

7. A RESPONSIBILITY STATEMENT OF THE CSR COMMITTEE THAT THE IMPLEMENTATION AND MONITORING OF CSR POLICY IS IN COMPLIANCE WITH THE CSR OBJECTIVES AND POLICY OF THE COMPANY

CSR Committee hereby confirms that the implementation and monitoring of CSR Policy is in compliance with the CSR objectives and CSR policy of the Bank.

For and on behalf of the Board of Directors
AU SMALL FINANCE BANK LIMITED

Sanjay Agarwal
Managing Director & CEO
DIN: 00009526

Jyoti Narang
Chairman - CSR Committee
DIN:00351187

Date: 22nd April 2019

Place: Jaipur

Annexure III

The ratio of the remuneration of each director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

Sr. No.	Requirements	Disclosure																				
1.	Ratio of the remuneration of each director to the median remuneration of the employees of the Bank for the financial year.	Mr. Sanjay Agarwal, MD & CEO 84X Mr. Uttam Tibrewal, WTD 72X Mr. Mannil Venugopalan, Independent Director (Part Time) Chairman 12X (The median remuneration does not include amount of perquisites on ESOP Options exercised by the Mr. Uttam Tibrewal during FY 2018-19).																				
2.	The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary, if any, in the financial year	<table border="1"> <thead> <tr> <th>Name & Designation of Director's & KMP</th> <th>Increase%/(Decrease)%</th> </tr> </thead> <tbody> <tr> <td>Mr. Sanjay Agarwal, MD & CEO</td> <td>14.82%</td> </tr> <tr> <td>Mr. Uttam Tibrewal, WTD*</td> <td>14.79%</td> </tr> <tr> <td>Mr. Mannil Venugopalan, Chairman**</td> <td>5.70%</td> </tr> <tr> <td>Mr. Krishan Kant Rathi, Director**</td> <td>-1.03%</td> </tr> <tr> <td>Ms. Jyoti Narang, Director**</td> <td>12.82%</td> </tr> <tr> <td>Mr. Raj Vikash Verma, Director***</td> <td>953.25%</td> </tr> <tr> <td>Mr. Narendra Ostawal, Director</td> <td>0.00</td> </tr> <tr> <td>Mr. Deepak Jain, CFO****</td> <td>-18.44%</td> </tr> <tr> <td>Mr. Manmohan Parnami, CS****</td> <td>6.84%</td> </tr> </tbody> </table> <p>*The remuneration for FY 2017-18 and FY 2018-19 does not include amount of perquisites on ESOP Options exercised during FY 2017-18 and FY 2018-19 respectively to present the figure on comparable basis. ** Mr. Mannil Venugopalan, Mr. Krishan Kant Rathi, Ms. Jyoti Narang, were paid profit linked commission & sitting fees during FY 2018-19 for Board and Committee meetings as considered herein above. ***Mr. Raj Vikash Verma joined Board of the Bank on 30th January 2018 and was paid sitting fees & profit linked commission during FY 2018-19 whereas for FY 2017-18 period from 30th January 2018 to 31st March 2018 was considered, hence above calculation is reflecting higher percentage increase. ****The remuneration for FY 2018-19 includes bonus figures for FY 2017-18 but excluding perquisites on ESOPs exercised by Mr. Deepak Jain - CFO and Mr. Manmohan Parnami - CS for calculation of percentage increase/decrease.</p>	Name & Designation of Director's & KMP	Increase%/(Decrease)%	Mr. Sanjay Agarwal, MD & CEO	14.82%	Mr. Uttam Tibrewal, WTD*	14.79%	Mr. Mannil Venugopalan, Chairman**	5.70%	Mr. Krishan Kant Rathi, Director**	-1.03%	Ms. Jyoti Narang, Director**	12.82%	Mr. Raj Vikash Verma, Director***	953.25%	Mr. Narendra Ostawal, Director	0.00	Mr. Deepak Jain, CFO****	-18.44%	Mr. Manmohan Parnami, CS****	6.84%
Name & Designation of Director's & KMP	Increase%/(Decrease)%																					
Mr. Sanjay Agarwal, MD & CEO	14.82%																					
Mr. Uttam Tibrewal, WTD*	14.79%																					
Mr. Mannil Venugopalan, Chairman**	5.70%																					
Mr. Krishan Kant Rathi, Director**	-1.03%																					
Ms. Jyoti Narang, Director**	12.82%																					
Mr. Raj Vikash Verma, Director***	953.25%																					
Mr. Narendra Ostawal, Director	0.00																					
Mr. Deepak Jain, CFO****	-18.44%																					
Mr. Manmohan Parnami, CS****	6.84%																					
3.	The percentage decrease/increase in the median remuneration of employees in the financial year.	There has been decrease of 11.52% in median remuneration of employees, the employees have been taken as on year end and there has been increase in number of employees by 1472 during FY 2018-19 over FY 2017-18. Median has been calculated taking remuneration of employees on comparable basis and the same has been calculated on annualised basis considering that employees as at year end worked for whole year.																				
4.	The number of permanent employees on the rolls of Bank as on 31 st March, 2019.	There were 12,623 employees as on 31 st March 2019.																				
5.	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.	There was an average percentile decrease of 2.70% (excluding perquisites on ESOP Options Exercised) in FY 2018-19 over FY 2017-18 for employees other than in managerial capacity. For managerial personnel, there were increase of 1.41% (excluding perquisites on ESOP Options Exercised) in remuneration of managerial personnel on overall basis in FY 2018-19 over FY 2017-18. The decrease in average percentile remuneration of employees other than managerial personnel is on account of increase in manpower at junior level and whereas there is marginal increase in remuneration of managerial personnel.																				
6.	Affirmation that the remuneration is as per the remuneration policy of the Company	Yes, it is confirmed.																				

General Note:

- KMP's remuneration have been taken as recorded in Audited Financial Statements of the Bank and same has been annualised and taken on comparable basis.
- Remuneration includes Fixed pay plus Variable pay paid during the year plus perquisite value as calculated under the Income Tax Act, 1961 but does not include value of perquisites on ESOP options exercised.
- The Non-executive - Independent Directors received remuneration in the form of sitting fees for attending the each Board/Committee meetings and in the form of profit linked commission.

For and on behalf of the Board of Directors
AU SMALL FINANCE BANK LIMITED

Sanjay Agarwal

Managing Director & CEO
DIN: 00009526

Uttam Tibrewal

Whole Time Director
DIN: 01024940

Date: 22nd April 2019
Place: Jaipur

Annexure IV

DISCLOSURES OF EMPLOYEES PURSUANT TO SUB RULE 2 & 3 OF RULE 5 OF COMPANIES (APPOINTMENT & REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

S. No.	Name of employee	Designation	Remuneration (₹ in crore)	Nature of employment (contractual/ otherwise)	Qualifications and experience of the employee;	Date of commencement of employment	Age of such employee the company	The last employment held by such employee before joining the company	The percentage of equity shares held by the employee in the company within the meaning of clause (iii) of sub-rule (2) above, and	Whether any such employee is a relative of any director or manager of the company and if so, name of such director or manager
1	*SANJAY AGARWAL	MANAGING DIRECTOR & CEO	1.69	Contractual	FCA, B. Com, 23 Years	Appointed as Managing Director since 14 th February 2008 and last re-appointment was approved by the shareholders for a period of 5 years on 31 st March 2017 and subsequently appointment was approved as MD & CEO for a period of 3 years by the RBI w.e.f. 19 th April, 2017.	48	NA	19.42%	No
2	*UTTAM TIBREWAL	WHOLE TIME DIRECTOR	**1.47	Contractual	B. Com, 22 Years	Appointed as Whole Time Director since 14 th February 2008 and last re-appointment was approved by the shareholders for a period of 5 years on 31 st March 2017 and subsequently appointment was approved as Whole Time Director for a period of 3 years by the RBI w.e.f. 19 th April, 2017.	48	NA	1.21%	No
3	*DEEPAK JAIN	CHIEF FINANCIAL OFFICER	***1.61	Permanent Employee	FCA, 21 Years	17 th May, 2010	45	M/s Deepak Tarachand & Associates (Chartered Accountants)	0.36%	No
4	MANOJ TIBREWAL	GROUP HEAD- HR, MARKETING & DISTRIBUTION	5.42	Permanent Employee	Company Secretary from Institute of Company Secretaries of India, 26 years	1 st February, 2009	49	Auto Lite (India) Limited	0.48%	No
5	RISHI DHARIWAL	CHIEF OF SECURED BUSINESS LOANS	3.47	Permanent Employee	Postgraduate Programme in Management for Executive from IIM, Ahmedabad, 26 years	15 th November, 2013	49	Citibank	0.01%	No
6	BHASKAR VITTAL KARKERA	CHIEF OF WHEELS	1.12	Permanent Employee	Bachelor of Engineering (automobile engineering) from University of Bombay, 28 Years	17 th January 2017	51	Mahindra and Mahindra Financial Services Limited	0%	No (Negligible)
7	YOGESH JAIN	GROUP HEAD STRATEGY - TREASURY, FIG, DCM, WHOLESALE LIABILITY AND INVESTOR RELATION	2.03	Permanent Employee	Chartered Accountant from the Institute of Chartered Accountants of India, 12 years	01 st April, 2010	39	Panchratna Motels and Resorts Private Limited (KGK Group)	0.02%	No

S. No.	Name of employee	Designation	Remuneration (₹ in crore)	Nature of employment (contractual/ otherwise)	Qualifications and experience of the employee:	Date of commencement of employment	Age of such employee the company	The last employment held by such employee before joining the company	The percentage of equity shares held by the employee in the company within the meaning of clause (lii) of sub-rule (2) above, and	Whether any such employee is a relative of any director or manager of the company and if so, name of such director or manager
8	VIJENDRA SINGH SHEKHAWAT	CHIEF OF OPERATIONS - ASSETS	1.56	Permanent Employee	Chartered Accountant from the Institute of Chartered Accountants of India, 15 years	02 nd May 2012	37	Religare Enterprise Limited (formerly known as Fortis Securities Limited)	0.02%	No
9	SUMIT MADAN	CHIEF OF BRANCH BANKING	1.56	Permanent Employee	Completed Post Graduate Diploma in Management from Lal Bahadur Shastri Institute of Management, Delhi, 19 years	12 th September, 2016	42	Citibank	0.01%	No
10	DAYAKARAN SRIDHAR	CHIEF OF DIGITAL BANKING AND DIGITAL STRATEGY	0.58	Permanent Employee	Chartered Accountant from the Institute of Chartered Accountants of India, Masters in Management Studies from University of Mumbai, 21 Years	06 th September, 2018	41	Axis Bank Ltd.	0%	No
11	PRIYAM ALOK	CHIEF OF BUSINESS BANKING	1.94	Permanent Employee	Master of Business Administration from Bharathidasan University, 16 Years	22 nd March, 2016	38	Reliance Broadcast Network Limited	0.03%	No
12	AMIT MALHOTRA	REGIONAL BUSINESS MANAGER - WHEELS	1.69	Permanent Employee	Diploma in Mechanical Engineering from Rajasthan University, 23 years	05 th June, 2007	42	Bikaner Motors Private Limited	0.02%	No
13	PANKAJ SHARMA	NATIONAL BUSINESS MANAGER - SECURED BUSINESS LOAN (MSME)	1.6	Permanent Employee	Master of Business Administration from Mohanlal Sukhadia University, Jaipur, 19 years	03 rd March, 2012	44	Moneyline Credit Limited (IIFL)	0.01%	No
14	VIVEK TRIPATHI	CHIEF OF STRATEGY BUSINESS SOLUTIONS AND TRANSACTION BANKING	1.51	Permanent Employee	Post-graduate diploma in management for executives from Indian Institute of Management Society, Lucknow and Masters of Textiles from University of Mumbai, 17 Years	09 th April, 2014	41	ICICI Bank Limited	0.02%	No
15	SHEKHAR SHUKLA	CHIEF OF OPERATIONS BRANCH BANKING	1.49	Permanent Employee	Chartered Accountant from the Institute of Chartered Accountants of India, 25 years	20 th August 2016	50	ICICI Bank Limited	0% (Negligible)	No
16	NAVEEN VASHISTH	NATIONAL BUSINESS MANAGER - WHEELS USED	1.26	Permanent Employee	Completed the Senior Management Programme from Indian Institute of Management, Kolkata, 27 years	06 th November 2014	51	Equitas Micro Finance Limited	0% (Negligible)	No
17	VIMAL JAIN	CHIEF OF FINANCE AND ACCOUNTS	1.26	Permanent Employee	Chartered Accountant from the Institute of Chartered Accountants of India, 14 years	16 th January 2010	38	GERA Developments Private Limited	0.01%	No

S. No.	Name of employee	Designation	Remuneration (₹ in crore)	Nature of employment (contractual/ otherwise)	Qualifications and experience of the employee:	Date of commencement of employment	Age of such employee before joining the company	The last employment held by such employee before joining the company	The percentage Whether of equity any such shares held by employee is the employee a relative of in the company any director within the or manager meaning of of the clause (iii) of company and sub-rule (2) if so, name of above, and such director or manager
18	AALEKH VIJAYVARGIYA	NATIONAL CREDIT MANAGER - SECURED BUSINESS LOAN (MSME)	1.13	Permanent Employee	Chartered Accountant from the Institute of Chartered Accountants of India, 17 Years	14 th July 2014	39	India Infoline Housing Limited	0.01% No
19	SHANTANU PRASAD	CHIEF TREASURY OFFICER	0.78	Permanent Employee	B.com & JAIIB, 26 years	13 th August, 2018	48	IDBI Bank Ltd.	0.00% No
20	HEMANT SETHIA	SENIOR VICE PRESIDENT INVESTOR RELATIONS	1.24	Permanent Employee	CA, CS, Master of Business Administration from Bharathidasan University, 13 Years	02 nd April 2012	37	Credit Analysis and Research Limited	0.00% No
21	RAJ KUMAR SHARMA	NATIONAL COLLECTION MANAGER - WHEELS	1.20	Permanent Employee	Master of Arts	18 th October, 2001	37	NA	0.01% No
22	ANKUR TRIPATHI	SENIOR VICE PRESIDENT- INFORMATION TECHNOLOGY	1.10	Permanent Employee	Bachelor of Technology (chemical engineering) from Indian Institute of Technology, Bombay, 12 years	31 st March, 2014	35	WKI Solutions Private Limited	0.01% No
23	AMIT GARG	REGIONAL BUSINESS MANAGER - WHEELS	1.07	Permanent Employee	Diploma in Mechanical Engineering, 20 Years	12 th November, 2007	41	Mahindra & Mahindra Financial Services Limited	0.01% No

Note: *For KMPs the remuneration as recorded in Audited Financial Statement for FY 2018-19 has been mentioned hereinabove.

** The remuneration of Mr. Uttam Tibrewal- Whole Time Director of the Bank does not include perquisites on ESOPs amounting to ₹66.99 crore which were exercised during the period under review.

*** The remuneration of Mr. Deepak Jain- Chief Financial Officer of the Bank does not include perquisites on ESOPs amounting to ₹9.35 crore which were exercised during the period under review. For employees other than KMPs mentioned above, the remuneration includes the value of perquisites on ESOPs.

For and on behalf of the Board of Directors
AU SMALL FINANCE BANK LIMITED

Sanjay Agarwal
Managing Director & CEO
DIN: 00009526

Uttam Tibrewal
Whole Time Director
DIN: 01024940

Date: 22nd April, 2019
Place: Jaipur

Annexure V

FORM NO. MR-3 Secretarial Audit Report

For the Financial Year Ended March 31, 2019

[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 authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Bank has, during the audit period covering the Financial Year ended on 31st March 2019 (‘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 March 31, 2019 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, 2009 (repealed w.e.f. 9th December, 2018);
 - (d) The Securities and Exchange Board of India (Issue Of Capital and Disclosure Requirements) Regulations, 2018 notified on 9th December, 2018;
 - (e) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
 - (f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (g) 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;
 - (h) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **(Not applicable to the Bank during the Audit Period);**
 - (i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (repealed w.e.f. 11th September, 2018); **(Not applicable to the Bank during the Audit Period);**
 - (j) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 notified on 11th September, 2018; **(Not applicable to the Bank during the Audit Period);**
 - (k) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
- (vi) As confirmed, following other laws are specifically applicable to the Bank for which the Management has confirmed that the Bank has devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively:
 - (a) The Reserve Bank of India Act, 1934;

- (b) The Banking Regulation Act, 1949 and Notifications and Circulars issued by the Reserve Bank India (RBI) from time to time; and
- (c) Guidelines issued by RBI on Small Finance Bank dated 27th November, 2014 and Operational Guidelines issued dated 6th October, 2016;

We have also examined compliance with the applicable clauses of the following:

- i. Secretarial Standards issued by The Institute of Company Secretaries of India;
- ii. The Listing Agreements entered into by the Bank with BSE Ltd. and National Stock Exchange of India Limited.

During the period under review the Bank has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above **except expense on CSR activities below the prescribed limit.**

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. Issued and allotted 43,30,441 (Forty-Three Lakh Thirty Thousand Four Hundred and Forty One) Equity Shares of face value of ₹10/- (Rupees Ten Only) each, fully paid-up for cash, at an issue price of ₹692.77/-

(including premium of ₹682.77/-) per Equity Share aggregating to an amount of ₹299,99,99,612/- (Rupees Two Hundred Ninety Nine Crore Ninety Nine Lakh Ninety Nine Thousand Six Hundred and Twelve Only) to Camas Investments Pte. Ltd. on a preferential basis;

- b. Issued and allotted 1,01,04,364 (One Crore One Lakh Four Thousand Three Hundred and Sixty Four) Convertible Warrants of face value of ₹10/- (Rupees Ten Only) each for cash, at an issue price of ₹692.77/- (including premium of ₹682.77/-) per Warrant aggregating to an issue amount of ₹700,00,00,249/- (Rupees Seven Hundred Crore and Two Hundred Forty Nine Only) to Camas Investments Pte. Ltd. on a preferential basis convertible into equity shares within a period of 18 months. Bank has received ₹175,00,00,063/- (Rupees One Hundred and Seventy-Five Crore and Sixty-Three Only) on allotment of Convertible Warrants;
- c. Approved the AU Small Finance Bank Limited - Employee Stock Option Scheme 2018 with options exercisable into not more than 49,33,200 (Forty Nine Lakh Thirty Three Thousand Two Hundred) equity shares of the Bank;
- d. Allotted 23,23,425 (Twenty Three Lakh Twenty Three Thousand Four Hundred and Twenty Five) equity shares upon exercise of options by its eligible employees under its various Employee Stock Option Schemes/plans;
- e. Duly passed the resolutions under section 180(1)(c) of the Act, read with its applicable rules, as amended for borrowing limits to the extent of ₹22,000 crore (Rupees Twenty-Two Thousand Crore Only);
- f. Allotted 5,000 (Five Thousand Only) Fully Paid-Up, Unsecured, Subordinated, Rated, Listed, Redeemable, Non-Convertible Bonds categorised as Tier II Capital under the Basel II framework having a face value of ₹10,00,000/- (Rupees Ten Lakh only) aggregating up to ₹5,00,00,00,000/- (Rupees Five Hundred Crore Only) on a private placement basis.

Place: Jaipur
Date: April 22, 2019

For V. M. & Associates
Company Secretaries
(ICSI Unique Code P1984RJ039200)

CS Manoj Maheshwari
Partner
FCS 3355
C P No. : 1971

Note: This report is to be read with our letter of even date which is annexed as **Annexure A** and forms an integral part of this report.

Annexure A

To,
The Members,
Au Small Finance Bank Limited
19-A, Dhuleshwar Garden
Jaipur – 302 001 (Rajasthan)

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Bank. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Bank.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the management has conducted the affairs of the Bank.

Place: Jaipur
Date: April 22, 2019

For V. M. & Associates
Company Secretaries
(ICSI Unique Code P1984RJ039200)

CS Manoj Maheshwari
Partner
FCS 3355
C P No. : 1971

Annexure VI

FORM NO. MGT-9 Extract of Annual Return

As on the financial year ended on 31st March, 2019

{Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014}

I. REGISTRATION AND OTHER DETAILS

CIN	L36911RJ1996PLC011381
Registration Date	10 th January, 1996
Name of the Company	AU SMALL FINANCE BANK LIMITED
Category	Company limited by shares
Sub-Category of the Company	Non-govt Company (Banking Company)
Address of the Registered office and contact Details	19-A, Dhuleshwar Garden, Ajmer Road, Jaipur - 302001, Rajasthan Phone no. 0141-4110060 Website: www.aubank.in Email id: Investorrelations@aubank.in
Whether listed company	<ul style="list-style-type: none"> Bank's Equity Shares are listed on National Stock Exchange of India Ltd. and BSE Ltd. Privately Placed Debentures are listed at WDM segment of BSE Ltd.
Name, Address and Contact details of Registrar and Share Transfer Agent	Link Intime India Pvt. Ltd. C 101, 247 Park, L B S Marg, Vikhroli West, Mumbai 400 083 Tel No: +91 22 49186000 Fax: +91 22 49186060 Website: www.linkintime.co.in Email id: rnt.helpdesk@linkintime.co.in

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:

Sr. No.	Name and description of main products/services	NIC Code of the Product/service	% to total turnover of the company
1.	Banking Services	64191	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANY:

Sr. No.	Name and address of the company	CIN/GLN	Holding/Subsidiary/ Associate	% of shares held	Applicable section
	Not applicable (The Bank is not having any Holding/Subsidiary/Associate)				

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as Percentage of Total Equity)

(i) Category Wise Shareholding

Category of Share holders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% of Change During the FY 2018-19
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters/Promoter Group*									
(1) Indian									
a) Individual/HUF	8,65,44,582	-	8,65,44,582	30.29	8,72,34,670	-	8,72,34,670	29.84	(0.45)
b) Central Govt	-	-	-	-	-	-	-	-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	68,83,722	-	68,83,722	2.41	68,83,722	-	68,83,722	2.35	(0.06)
e) Banks/Fl	-	-	-	-	-	-	-	-	-
f) Any Other	-	-	-	-	-	-	-	-	-
Sub-total (A)(1):	9,34,28,304	-	9,34,28,304	32.70	9,41,18,392	-	9,41,18,392	32.19	(0.51)
(2) Foreign									
a) NRIs -Individuals	-	-	-	-	-	-	-	-	-
b) Other-Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/Fl	-	-	-	-	-	-	-	-	-
e) Any Other	-	-	-	-	-	-	-	-	-
Sub-total A.(A)(2):	-	-	-	-	-	-	-	-	-
Total Shareholding of Promoters/ Promoter Group (A)= (A)(1)+(A)(2)	9,34,28,304	-	9,34,28,304	32.70	9,41,18,392	-	9,41,18,392	32.19	(0.51)
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	1,82,52,741	-	1,82,52,741	6.38	3,19,39,498	-	3,19,39,498	10.92	4.54
b) Banks/Financial Institutions	63,995	-	63,995	0.02	86,828	-	86,828	0.03	0.01
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Fund	-	-	-	-	-	-	-	-	-
f) Insurance Companies	1,26,81,602	-	1,26,81,602	4.44	83,50,272	-	83,50,272	2.86	(1.58)
g) FIs	2,15,249	-	2,15,249	0.08	2,99,741	-	2,99,741	0.10	0.02
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Foreign Portfolio Investor	2,09,39,363	-	2,09,39,363	7.33	6,91,59,844	-	6,91,59,844	23.66	16.33
j) Alternate Investment Funds	26,50,277	-	26,50,277	0.93	17,65,547	-	17,65,547	0.60	(0.33)
k) Provident Funds/Pension Funds	-	-	-	-	-	-	-	-	-
l) Others-Trust	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):	5,48,03,227	-	5,48,03,227	19.18	11,16,01,730	-	11,16,01,730	38.17	18.99
2. Non- Institutions									
a) Bodies Corp.	-	-	-	-	-	-	-	-	-
i) Indian	1,27,03,691	-	1,27,03,691	4.45	1,55,31,829	-	1,55,31,829	5.31	0.86
ii) Overseas	8,92,58,529	-	8,92,58,529	31.24	4,26,41,879	-	4,26,41,879	14.59	(16.65)
b) Individual	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto ₹1 lakh	1,08,24,365	-	1,08,24,365	3.79	93,60,003	-	93,60,003	3.20	(0.59)
ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	2,13,13,154	-	2,13,13,154	7.45	1,59,04,421	-	1,59,04,421	5.44	(2.01)
c) NBFCs registered with RBI	-	-	-	-	56,814	-	56,814	0.02	-
d) Other (Specify)	-	-	-	-	-	-	-	-	-
Trusts	55,414	-	55,414	0.02	16,272	-	16,272	0.01	(0.01)
Hindu Undivided Family	5,07,787	-	5,07,787	0.18	4,61,334	-	4,61,334	0.16	(0.02)
Non- Resident Indians (Non Repat)	20,22,130	-	20,22,130	0.71	17,10,130	-	17,10,130	0.58	(0.13)
Non- Resident Indians (Repat)	4,80,724	-	4,80,724	0.17	5,15,444	-	5,15,444	0.18	0.01
Clearing Member	3,06,295	-	3,06,295	0.11	4,39,238	-	4,39,238	0.15	0.04
Sub-total (B)(2):	13,74,72,089	-	13,74,72,089	48.12	8,66,37,364	-	8,66,37,364	29.63	(18.49)
Total Public Shareholding (B)=(B)(1)+ (B)(2)	19,22,75,316	-	19,22,75,316	67.30	19,82,39,094	-	19,82,39,094	67.81	0.51
C. Non-Promoter - Non-Public									
a) Custodian/DR Holder	-	-	-	-	-	-	-	-	-
b) Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	28,57,03,620	-	28,57,03,620	100.00	29,23,57,486	-	29,23,57,486	100.00	-

Note: All above shares are having face value of ₹10 each.

*Promoters and Promoter Group includes shareholders post reclassification of Certain Promoter Group to public category.

(ii) Shareholding of Promoters/Promoter Group:

Sr. No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change in the Shareholding during the year
		No. of Shares	% of total shares of the company	% of shares pledged/encumbered to total shares	No. of Shares	% of total shares of the company	% of shares pledged/encumbered to total shares	
1.	Sanjay Agarwal	5,59,82,359	19.59	-	5,67,66,359	19.42	-	(0.17)
2.	Jyoti Agarwal	1,18,18,560	4.14	-	1,18,18,560	4.04	-	(0.10)
3.	Shakuntala Agarwal	1,18,20,430	4.14	-	1,18,20,430	4.04	-	(0.10)
4.	Chiranji Lal Agarwal	68,29,321	2.39	-	68,29,321	2.34	2.11	(0.05)
5.	MYS Holdings Private Limited	68,83,722	2.41	-	68,83,722	2.35	-	(0.06)
6.	Yuvraj Agarwal	-	-	-	-	-	-	-
7.	Mallika Agarwal	-	-	-	-	-	-	-
	Total	9,33,34,392	32.67	-	9,41,18,392	32.19	2.11	(0.48)

Note: During the year Chanda Devi Kedia, Srikant Kedia, Sureshchand Kedia, Ajay Agarwal, Manoj Kumar Agarwal, Niranjan Lal Aggarwal, Ashok Kumar Agarwal, Baldev Agarwal, Dinesh Kumar Agarwal, Mahender Kumar Agarwal, Anita Aggarwal, Bina Agarwal, Dropathy Jaipuria, Pinki Agarwal, Sunita Gupta and M/s Natural Fab were reclassified from the category of Promoter Group to Public category. Hence, 91,434 shares held by them as on 31st March 2018 were not included in shareholding of the promoters/promoter group above.

Variation in terms of percentage shareholding is due to increase in paid up share capital of the Bank on account of allotment of shares during the year ended 31st March 2019.

(iii) Change in Promoters/Promoter Group Shareholding:**1. Mr. Sanjay Agarwal**

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		5,59,82,359	19.59	5,59,82,359	19.59
	Transfer	10 th August 2018	7,84,000	0.27	5,67,66,359	19.57
	At the end of the year		5,67,66,359	19.42	5,67,66,359	19.42

2. Ms. Jyoti Agarwal

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		1,18,18,560	4.14	1,18,18,560	4.14
	Transfer	-	-	-	-	-
	At the end of the year		1,18,18,560	4.04	1,18,18,560	4.04

3. Ms. Shakuntala Agarwal

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		1,18,20,430	4.14	1,18,20,430	4.14
	Transfer	-	-	-	-	-
	At the end of the year		1,18,20,430	4.04	1,18,20,430	4.04

4. Mr. Chiranji Lal Agarwal

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		68,29,321	2.39	68,29,321	2.39
	Transfer	-	-	-	-	-
	At the end of the year		68,29,321	2.34	68,29,321	2.34

5. Mys Holdings Private Limited

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		68,83,722	2.41	68,83,722	2.41
	Transfer	-	-	-	-	-
	At the end of the year		68,83,722	2.35	68,83,722	2.35

Note: During the year Chanda Devi Kedia, Srikant Kedia, Sureshchand Kedia, Ajay Agarwal, Manoj Kumar Agarwal, Niranjana Lal Aggarwal, Ashok Kumar Agarwal, Baldev Agarwal, Dinesh Kumar Agarwal, Mahender Kumar Agarwal, Anita Aggarwal, Bina Agarwal, Dropathy Jaipuria, Pinki Agarwal, Sunita Gupta and M/s Natural Fab were reclassified from the category of Promoter Group to Pubic. As on reporting date the said persons do not fall into Promoter Group category. The variation in terms of percentage is due to increase in paid up share capital of the Bank on account of allotment of shares during the year ended 31st March 2019.

(iv) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

1. REDWOOD INVESTMENT LTD

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		4,49,70,794	15.74	4,49,70,794	15.74
	Transfer	10 th August 2018	(2,40,00,000)	(8.27)	2,09,70,794	7.23
	At the end of the year		2,09,70,794	7.17	2,09,70,794	7.17

2. NOMURA INDIA INVESTMENT FUND MOTHER FUND

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		22,39,955	0.78	22,39,955	0.78
	Transfer	04 th May 2018	2,00,000	0.07	24,39,955	0.85
	Transfer	15 th June 2018	(3,10,000)	(0.11)	21,29,955	0.75
	Transfer	22 nd June 2018	(55,000)	(0.02)	20,74,955	0.73
	Transfer	06 th July 2018	(2,97,000)	(0.10)	17,77,955	0.61
	Transfer	17 th August 2018	89,50,676	3.08	1,07,28,631	3.69
	Transfer	31 st August 2018	(1,00,000)	(0.03)	1,06,28,631	3.66
	Transfer	05 th October 2018	2,00,000	0.07	1,08,28,631	3.71
	Transfer	07 th December 2018	(1,68,000)	(0.06)	1,06,60,631	3.65
	Transfer	14 th December 2018	(1,45,000)	(0.05)	1,05,15,631	3.60
	Transfer	04 th January 2019	3,00,000	0.10	1,08,15,631	3.70
	Transfer	18 th January 2019	(3,00,000)	(0.10)	1,05,15,631	3.60
	At the end of the year		1,05,15,631	3.60	1,05,15,631	3.60

3. KOTAK STANDARD MULTICAP FUND

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		5,46,829	0.19	5,46,829	0.19
	Transfer	13 th April 2018	(30,616)	(0.01)	5,16,213	0.18
	Transfer	27 th April 2018	(25,000)	(0.01)	4,91,213	0.17
	Transfer	11 th May 2018	(6,137)	(0.00)	4,85,076	0.17
	Transfer	01 st June 2018	58,637	0.02	5,43,713	0.19
	Transfer	30 th June 2018	1,00,947	0.03	6,44,660	0.22
	Transfer	06 th July 2018	4,62,668	0.16	11,07,328	0.38
	Transfer	13 th July 2018	20,378	0.01	11,27,706	0.39
	Transfer	20 th July 2018	49,00,946	1.69	60,28,652	2.08
	Transfer	27 th July 2018	9,591	0.00	60,38,243	2.08
	Transfer	17 th August 2018	23,50,006	0.81	83,88,249	2.89
	Transfer	14 th September 2018	8,299	0.00	83,96,548	2.89
	Transfer	21 st September 2018	4,789	0.00	84,01,337	2.89
	Transfer	28 th September 2018	1,05,415	0.04	85,06,752	2.91
	Transfer	05 th October 2018	1,53,664	0.05	86,60,416	2.96
	Transfer	12 th October 2018	56,403	0.02	87,16,819	2.98
	Transfer	26 th October 2018	5,00,294	0.17	92,17,113	3.16
	Transfer	30 th November 2018	(3,865)	(0.00)	92,13,248	3.15
	Transfer	07 th December 2018	(1,675)	(0.00)	92,11,573	3.15
	Transfer	14 th December 2018	(24,023)	(0.01)	91,87,550	3.14
	Transfer	21 st December 2018	(49,440)	(0.02)	91,38,110	3.13
	Transfer	04 th January 2019	51,117	0.02	91,89,227	3.14
	Transfer	11 th January 2019	(35,772)	(0.01)	91,53,455	3.13
	Transfer	18 th January 2019	(20,000)	(0.01)	91,33,455	3.13
	Transfer	25 th January 2019	15,897	0.01	91,49,352	3.13
	Transfer	01 st February 2019	55,397	0.02	92,04,749	3.15
	Transfer	08 th February 2019	1,10,534	0.04	93,15,283	3.19
	Transfer	15 th February 2019	32,570	0.01	93,47,853	3.20
	Transfer	01 st March 2019	11,962	0.00	93,59,815	3.20
	Transfer	08 th March 2019	1,13,908	0.04	94,73,723	3.24
	Transfer	15 th March 2019	(8,765)	(0.00)	94,64,958	3.24
	Transfer	22 nd March 2019	1,85,767	0.06	96,50,725	3.30
	Transfer	29 th March 2019	4,47,531	0.15	1,00,98,256	3.45
	At the end of the year		1,00,98,256	3.45	1,00,98,256	3.45

4. SBI EQUITY HYBRID FUND

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		99,19,937	3.47	99,19,937	3.47
	Transfer	06 th April 2018	(11,10,000)	(0.39)	88,09,937	3.08
	Transfer	13 th April 2018	(1,33,888)	(0.05)	86,76,049	3.04
	Transfer	20 th April 2018	(1,08,347)	(0.04)	85,67,702	3.00
	Transfer	04 th May 2018	(51,955)	(0.02)	85,15,747	2.98
	Transfer	11 th May 2018	(4,379)	(0.00)	85,11,368	2.98
	Transfer	25 th May 2018	(28,491)	(0.01)	84,82,877	2.97
	Transfer	01 st June 2018	30,000	0.01	85,12,877	2.98
	Transfer	08 th June 2018	(2,49,398)	(0.09)	82,63,479	2.89
	Transfer	15 th June 2018	(72,111)	(0.03)	81,91,368	2.87
	Transfer	29 th June 2018	(2,02,624)	(0.07)	79,88,744	2.75
	Transfer	06 th July 2018	(539)	(0.00)	79,88,205	2.75
	Transfer	13 th July 2018	(53,843)	(0.02)	79,34,362	2.74
	Transfer	20 th July 2018	25,00,000	0.86	1,04,34,362	3.60
	Transfer	03 rd August 2018	45,000	0.02	1,04,79,362	3.61
	Transfer	17 th August 2018	7,84,000	0.27	1,12,63,362	3.88

4. SBI EQUITY HYBRID FUND

Transfer	24 th August 2018	(3,26,000)	(0.11)	1,09,37,362	3.76
Transfer	07 th September 2018	5,776	0.00	1,09,43,138	3.77
Transfer	14 th September 2018	64,224	0.02	1,10,07,362	3.79
Transfer	09 th November 2018	5,575	0.00	1,10,12,937	3.77
Transfer	23 rd November 2018	(15,439)	(0.01)	1,09,97,498	3.76
Transfer	30 th November 2018	(3,26,328)	(0.11)	1,06,71,170	3.65
Transfer	07 th December 2018	(5,53,233)	(0.19)	1,01,17,937	3.46
Transfer	25 th January 2019	(10,152)	(0.00)	1,01,07,785	3.46
Transfer	08 th February 2019	(54,249)	(0.02)	1,00,53,536	3.44
Transfer	15 th February 2019	(5,751)	(0.00)	1,00,47,785	3.44
Transfer	15 th March 2019	(30,000)	(0.01)	1,00,17,785	3.43
At the end of the year		1,00,17,785	3.43	1,00,17,785	3.43

5. LABH INVESTMENTS LIMITED

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		1,07,87,530	3.78	1,07,87,530	3.78
	Transfer	24 th August 2018	(27,00,000)	(0.93)	80,87,530	2.78
	At the end of the year		80,87,530	2.77	80,87,530	2.77

6. OUREA HOLDINGS LIMITED

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		1,07,83,696	3.77	1,07,83,696	3.77
	Transfer	10 th August 2018	(28,79,269)	(0.99)	79,04,427	2.73
	At the end of the year		79,04,427	2.70	79,04,427	2.70

7. AMANSA HOLDINGS PRIVATE LIMITED

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		45,21,582	1.58	45,21,582	1.58
	Transfer	17 th August 2018	11,93,495	0.41	57,15,077	1.97
	Transfer	05 th October 2018	32,911	0.01	57,47,988	1.97
	Transfer	12 th October 2018	1,57,860	0.05	59,05,848	2.02
	Transfer	26 th October 2018	5,41,323	0.19	64,47,171	2.21
	Transfer	29 th March 2019	1,56,939	0.05	66,04,110	2.26
	At the end of the year		66,04,110	2.26	66,04,110	2.26

8. INTERNATIONAL FINANCE CORPORATION

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		2,27,16,509	7.95	2,27,16,509	7.95
	Transfer	20 th July 2018	(1,44,49,163)	(4.98)	82,67,346	2.85
	Transfer	27 th July 2018	(71,82,72)	(0.25)	75,49,074	2.60
	Transfer	03 rd August 2018	(18,69,946)	(0.64)	56,79,128	1.96
	At the end of the year		56,79,128	1.94	56,79,128	1.94

9. STEADVIEW CAPITAL MAURITIUS LIMITED

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		13,99,244	0.49	13,99,244	0.49
	Transfer	06 th April 2018	11,00,000	0.39	24,99,244	0.87
	Transfer	15 th June 2018	3,25,000	0.11	28,24,244	0.99
	Transfer	22 nd June 2018	50,000	0.02	28,74,244	1.01
	Transfer	17 th August 2018	8,00,000	0.28	36,74,244	1.26
	Transfer	31 st August 2018	9,14,616	0.31	45,88,860	1.58
	Transfer	07 th September 2018	1,10,384	0.04	46,99,244	1.62
	Transfer	14 th September 2018	2,05,000	0.07	49,04,244	1.69
	At the end of the year		49,04,244	1.68	49,04,244	1.68

10. HDFC LIFE INSURANCE COMPANY LIMITED

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		-	-	-	-
	Transfer	20 th July 2018	9,51,809	0.33	9,51,809	0.33
	Transfer	27 th July 2018	8,73,969	0.30	18,25,778	0.63
	Transfer	03 rd August 2018	2,91,691	0.10	21,17,469	0.73
	Transfer	21 st September 2018	1,00,000	0.03	22,17,469	0.76
	Transfer	29 th September 2018	4,32,807	0.15	26,50,276	0.91
	Transfer	05 th October 2018	3,00,262	0.10	29,50,538	1.01
	Transfer	12 th October 2018	50,011	0.02	30,00,549	1.03
	Transfer	19 th October 2018	47	0.00	30,00,596	1.03
	Transfer	26 th October 2018	75,294	0.03	30,75,890	1.05
	Transfer	02 nd November 2018	25,144	0.01	31,01,034	1.06
	Transfer	16 th November 2018	201	0.00	31,01,235	1.06
	Transfer	23 rd November 2018	(13,361)	(0.00)	30,87,874	1.06
	Transfer	30 th November 2018	(11,968)	(0.00)	30,75,906	1.05
	Transfer	07 th December 2018	75,000	0.03	31,50,906	1.08
	Transfer	14 th December 2018	6,079	0.00	31,56,985	1.08
	Transfer	21 st December 2018	(81,002)	(0.03)	30,75,983	1.05
	Transfer	28 th December 2018	1,25,009	0.04	32,00,992	1.10
	Transfer	04 th January 2019	1,25,357	0.04	33,26,349	1.14
	Transfer	11 th January 2019	80	0.00	33,26,429	1.14
	Transfer	18 th January 2019	21	0.00	33,26,450	1.14
	Transfer	25 th January 2019	2,75,323	0.09	36,01,773	1.23
	Transfer	01 st February 2019	18,598	0.01	36,20,371	1.24
	Transfer	08 th February 2019	7,825	0.00	36,28,196	1.24
	Transfer	15 th February 2019	1,06,474	0.04	37,34,670	1.28
	Transfer	22 nd February 2019	1,84,513	0.06	39,19,183	1.34
	Transfer	01 st March 2019	33,464	0.01	39,52,647	1.35
	Transfer	08 th March 2019	1,75,042	0.06	41,27,689	1.41
	Transfer	15 th March 2019	75,154	0.03	42,02,843	1.44
	Transfer	22 nd March 2019	60,631	0.02	42,63,474	1.46
	Transfer	29 th March 2019	4,45,126	0.15	47,08,600	1.61
	At the end of the year		47,08,600	1.61	47,08,600	1.61

Note: Variation in terms of percentage shareholding is due to increase in paid up share capital of the Bank on account of allotment of shares during the year ended 31st March 2019.

(v) Shareholding of Directors and Key Managerial Personnel:**1. Mr. Sanjay Agarwal – Managing Director & CEO**

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		5,59,82,359	19.59	5,59,82,359	19.59
	Transfer	10 th August 2018	7,84,000	0.27	5,67,66,359	19.57
	At the end of the year		5,67,66,359	19.42	5,67,66,359	19.42

2. Mr. Uttam Tibrewal - Whole Time Director

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		19,76,596	0.69	19,76,596	0.69
	Transfer	18 th September 2018	4,50,000	0.15	24,26,596	0.84
	Transfer	27 th September 2018	11,18,077	0.38	35,44,673	1.21
	At the end of the year		35,44,673	1.21	35,44,673	1.21

3. Ms. Jyoti Narang - Independent Director

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		-	-	-	-
	Transfer	06 th April 2018	175	0.00	175	0.00
	Transfer	28 th September 2018	420	0.00	595	0.00
	Transfer	29 th October 2018	937	0.00	1,532	0.00
	Transfer	08 th February 2019	169	0.00	1,701	0.00
	Transfer	18 th February 2019	173	0.00	1,874	0.00
	Transfer	25 th March 2019	540	0.00	2,414	0.00
	At the end of the year		2,414	0.00	2,414	0.00

4. Mr. Krishan Kant Rathi- Independent Director

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		94,289	0.03	94,289	0.03
	Transfer	-	-	-	-	-
	At the end of the year		94,289	0.03	94,289	0.03

5. Mr. Manil Venugopalan - Independent Director (Part Time) Chairman

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		-	-	-	-
	Transfer	-	-	-	-	-
	At the end of the year		-	-	-	-

6. Mr. Narendra Ostawal - Additional Director (Non-executive)

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		-	-	-	-
	Transfer	-	-	-	-	-
	At the end of the year		-	-	-	-

7. Mr. Raj Vikash Verma - Independent Director

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		-	-	-	-
	Transfer	-	-	-	-	-
	At the end of the year		-	-	-	-

8. Mr. Deepak Jain - Chief Financial Officer

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		9,13,623	0.32	9,13,623	0.32
	Transfer	27 th September 2018	1,52,869	0.05	10,66,492	0.37
	At the end of the year		10,66,492	0.36	10,66,492	0.36

9. Mr. Manmohan Parnami - Company Secretary

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		55310	0.02	55310	0.02
	Transfer	31 st May 2018	(228)	(0.00)	55,082	0.02
	Transfer	01 st June 2018	(1,362)	(0.00)	53,720	0.02
	Transfer	04 th June 2018	(1,500)	(0.00)	52,220	0.02
	Transfer	07 th June 2018	(1,000)	(0.00)	51,220	0.02
	Transfer	14 th August 2018	6,597	0.00	57,817	0.02
	Transfer	11 th December 2018	1,474	0.00	59,291	0.02
	At the end of the year		59,291	0.02	59,291	0.02

Note: Variation in terms of percentage shareholding is due to increase in paid up share capital of the Bank on account of allotment of shares during the year ended 31st March 2019.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment:

	Secured Loans excluding deposits	Unsecured Loans	Deposits*	Total
(₹ In lakh)				
Indebtedness				
Indebtedness at the beginning of the financial year				
i) Principal Amount	4,77,660.82	2,86,225.65		7,63,886.47
ii) Interest accrued and due on borrowings	0.00	0.00		0.00
iii) Interest accrued but not due	5,682.64	15,912.51		21,595.15
Total (i+ii+iii)	4,83,343.46	3,02,138.16	0	7,85,481.62
Changes in Indebtedness during the financial year				
Addition	10,77,812.11	12,77,436.81		23,55,248.92
Reduction	9,24,975.12	13,32,824.40		22,57,799.52
Net Change	1,52,836.99	-55,387.59	0	97,449.40
Indebtedness at the end of the financial year				
i) Principal Amount	6,30,497.81	2,30,838.06		8,61,335.87
ii) Interest due but not paid	0.00	0.00		0.00
iii) Interest accrued but not due	12,292.82	17,231.39		29,524.21
Total (i+ii+iii)	6,42,790.63	2,48,069.45	0	890,860.08

Note : Deposits received by the Bank are in the ordinary course of banking business, which does not amount to deposit in terms of the provisions of the Companies Act, 2013, hence, not included hereinabove.

VI) REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

Sl. No	Particulars of Remuneration	Name of MD/WTD/Manger		
		Mr. Sanjay Agarwal MD& CEO	Mr. Uttam Tibrewal WTD	Total
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	169.01	146.51	315.52
	(b) Value of perquisites u/s 17(2) Income-tax Act,1961			
	(c) Profits in lieu of salary under section 17(3) Income tax Act, 1961			
2.	Stock Option (no. of options)*		10,00,000	
3.	Sweat Equity	-	-	-
4.	Commission as % of profit others specify	-	-	-
5.	Others please specify	-	-	-
	Total (A)@	169.01	146.51	315.52
	Ceiling as per the Act:	being 10% of the net profits of the Bank calculated as per Section 198 of the Companies Act, 2013		

*Mr. Uttam Tibrewal, Whole-time Director of the Bank was granted 10,00,000 ESOPs under ESOP Scheme 2018 during the year at exercise price of ₹664/- each, which are subject to RBI approval. The remuneration of Mr. Uttam Tibrewal – Whole Time Director of the Bank does not include perquisites on ESOP amounting to ₹66.99 crore which were exercised during the period under review.

@The total remuneration consist of basic salary, taxable allowances including special allowance and excluding perquisites on ESOPs. ESOPs granted to Mr. Uttam Tibrewal, Whole-Time Director during the year which are subject to RBI approval.

Note: Above figures have been taken as recorded in Audited Financial Statement of the Bank.

B. Remuneration to other directors:

(₹ In lakh)

S. No.	Particulars of remuneration	Name of Directors				Total amount
		Krishan Kant Rathi	Mannil Venugopalan	Jyoti Narang	Raj Vikash Verma	
	Independent Directors					
1.	• Fee for attending Board/committee meetings	9.20	8.20	7.60	7.80	32.80
	• Commission	10.00	17.00	10.00	10.00	47.00
	• Others, Please specify	-	-	-	-	-
	Total (1)*	19.20	25.20	17.60	17.80	79.80
	Other Non-executive Directors	Name of Directors				Total amount
		Narendra Ostawal				
2.	• Fee for attending Board/committee meetings	-	-	-	-	-
	• Commission	-	-	-	-	-
	• Others, Please specify	-	-	-	-	-
	Total (2)	-	-	-	-	-
	Total (B)=(1)+(2)	-	-	-	-	79.80
	Total managerial remuneration Ceiling as per the Act	Note: In terms of provisions of Companies Act, 2013, the remuneration payable to directors other than executive directors shall not exceed 1% of the net profit of the Bank. The remuneration paid to directors was within prescribed limits during the year.				

*₹85.91 lakh were recorded as expenditure in books of accounts pertaining to Director sitting fees and profit related commission. Profit Linked Commission pertaining to FY 2018-19 is being released to the Independent Directors after the finalisation of Annual Audited Accounts of the Bank.

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

(₹ in lakh)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel		Total
		Deepak Jain (CFO)	Manmohan Parnami (Company Secretary)	
1.	Gross Salary Salary as per provisions contained in Section 17(1) of the income tax act,1961 Value of perquisites u/s 17(2) Income tax act,1961 Profits in lieu of salary u/s 17(3) Income tax Act,1961	112.35	35.92	148.27
2.	Stock Option (no. of options)	5,00,000	3,000	-
3.	Sweat Equity	-	-	-
4.	Commission -as a % of profit -others, specify	-	-	-
5.	Others, please specify (It includes amount of Bonus and arrear appraisal for FY 2017-18)	48.84	10.70	59.54
	Total @	161.20	46.62	207.81

@ The total remuneration consist of basic salary, taxable allowances including special allowance and annual performance linked bonus and exclusive of perquisites on ESOPs. ESOPs granted during the year have been mentioned hereinabove. The remuneration of Mr. Deepak Jain – Chief Financial Officer & Mr. Manmohan Parnami - Company Secretary of the Bank does not include perquisites on ESOP amounting to ₹9.35 crore & ₹0.47 crore respectively which were exercised during the period under review.

VII) PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief description	Details of penalty/ punishment/ compounding fees imposed	Authority {RD/ NCLT/COURT}	Appeal made, if any
A. Bank					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
B. Directors					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
C. Others Officers in Default					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

Note: There were neither any Penalties levied on the Bank nor any punishment was granted and no compounding of offences was carried out during the year under Companies Act, 2013, RBI, SEBI and other authorities.

For and on behalf of the Board of Directors
AU SMALL FINANCE BANK LIMITED

Sanjay Agarwal
Managing Director & CEO
DIN: 00009526

Uttam Tibrewal
Whole Time Director
DIN: 01024940

Date: 22nd April 2019
Place: Jaipur

Annexure VII

ANNUAL REPORT ON BUSINESS RESPONSIBILITY

At AU Small Finance Bank (**AU Bank**), we believe that the organisation is a critical component of the social fabric and its accountability is extended to all facets of society and the environment.

We believe that the optimum use of resources is the paramount responsibility of an organisation. The Bank follows Social Environment Management System (SEMS) practices, which are integral to our business model. These practices are well integrated in our systems and processes throughout the chain. We are committed to set the highest benchmark(s) for environment and sustainability measures in our operations and strive for fulfilling our commitment through SEMS. While conducting our business, we work hard to consistently improve our internal management system, products and services to make a more positive and meaningful societal and environmental impact.

Our Business Responsibility Report (Report) for FY 2018-19 follows the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, as notified by the Ministry of Corporate Affairs (MCA). The disclosures made under this report provide transparent and relevant information on the Bank's

efforts and performance against the principles of Business Responsibility as defined by Regulation 34(2)(f) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, covering topics across environment, social, governance, and stakeholder perspective.

AU DHARMA – AU BANK'S APPROACH TO BUSINESS RESPONSIBILITY

The Bank conducts business operations in a fair, transparent and accountable manner, which is also backed by a strong policy framework and an internal Code of Conduct. We have implemented suitable internal controls & monitoring mechanism to ensure adherence to all our ethical business practices. We lay special attention on the fact that even in our day-to-day operations our governance framework and predefined business practices are adhered to without any compromises. Therefore, we have defined and designed our working practices in the form of AU Dharma.

Our thoughtfully devised 'AU Dharma' guides the Bank's entire team in discharging their everyday duties in a fair and professional manner.

AU Dharma – Six Core Guiding Pillars



SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1. Corporate Identity Number (CIN) of the Company	L36911RJ1996PLC011381								
2. Name of the Company	AU SMALL FINANCE BANK LIMITED								
3. Registered address	19-A, Dhuleshwar Garden, Ajmer Road, Jaipur- 302001 Rajasthan								
4. Website	www.aubank.in								
5. E-mail id	investorrelations@aubank.in								
6. Financial Year reported	1 st April 2018 to 31 st March 2019								
7. Sector(s) that the Company is engaged in (industrial activity code-wise)	National Industrial Classification 2008 Section K: Financial and Insurance Activities Code: 64191								
8. List three key products/services that the Company manufactures/provides (as in balance sheet)	Being a banking company, it is engaged in banking and financial services, including retail banking, Small & Mid-Corporate, Business Banking, Digital Banking and treasury operations. <ul style="list-style-type: none"> • Deposits • Advances • Investments & Other liability products 								
9. Total number of locations where business activity is undertaken by the Company	(a) Number of international locations- NIL (b) Number of national locations – 572 as on 31 st March 2019								
10. Markets served by the Company	<table border="1"> <thead> <tr> <th>Local</th> <th>State</th> <th>National</th> <th>International</th> </tr> </thead> <tbody> <tr> <td>✓</td> <td>✓</td> <td>✓</td> <td>X</td> </tr> </tbody> </table>	Local	State	National	International	✓	✓	✓	X
Local	State	National	International						
✓	✓	✓	X						

SECTION B: FINANCIAL DETAILS OF THE COMPANY AS ON 31ST MARCH 2019

1. Paid-up capital	₹29,23,574,860
2. Total turnover (crore)	₹3,410.86
3. Total profit after taxes (crore)	₹381.81
4. Total spending on Corporate Social Responsibility (CSR) as a percentage of profit after tax (%)	1.20%
5. List of activities in which expenditure in 4 above has been incurred	<ol style="list-style-type: none"> 1. Promotion of sports <ul style="list-style-type: none"> • AU Bank Sports Village is a platform to facilitate physical and emotional development of the marginalised and disadvantaged children from rural and slum areas. • Sports is used as a tool of intervention and incentivising them to learn. • Construction of sports ground and infrastructure with Round Table India. 2. Promotion of Education through <ul style="list-style-type: none"> • AU Skills Academy: Vocational training centre to serve the unemployed youth who are aspiring to start or to build their career • AU Self Employment Training Centre: Vocational training workshops for rural women to get skilled and self-employed • Financial & Digital Literacy Camps: Spreading awareness about financial and digital literacy in rural and unbanked geographies through community engagement. • Other Initiatives: Supported 50 government schools of five districts of Rajasthan in mid-day meal programme through Akshaya Patra Foundation • Helping three slum schools with Alternative Development Centre, distribution of schoolbags and other educational materials in governments schools in the vicinity of Jaipur and Shahpura 3. Promotion of Preventive Healthcare through <ul style="list-style-type: none"> • Organ donation camps with Mohan Foundation, Shekhawati Agarwal Samaj for eye check-up camps, Khatu Shyam Health Camps at Khatu Shyam, Open Air Gym, contribution to Pratyek Vyakti Ki Umeed ki Sansthan • Making available safe drinking water through installation of water coolers at Jaipur, Shahpura and nearby areas. 4. Promotion of Art & Culture <ul style="list-style-type: none"> • Kabir Yatra with Lokayan Sansthan, Promotion of art & culture at Jaipur.

SECTION C: OTHER DETAILS (AS ON 31ST MARCH 2019)

1. Does the Company have any Subsidiary Company/Companies	The Bank does not have any subsidiary company
2. Do the Subsidiary Company/Companies participate in the BR initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s).	Not Applicable
3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	No

SECTION D: BR INFORMATION

1. Details of Director/Directors responsible for BR

S. No. Particular	Details
a. Details of Director responsible for implementation of the BR policy/policies	
DIN	00009526
Name	Mr. Sanjay Agarwal
Designation	Managing Director & CEO
b. Details of the BR Head	
DIN Number	Not Applicable
Name	Mr. Sunil Parnami
Designation	Chief of Investor Relations, M&A
Telephone number	022-62490607
E-mail id	sunil.parnami@aubank.in

2. Principle-wise (as per National Voluntary Guidelines) BR policy/policies

(a) Details of compliance (Reply in Y/N)

S. No. Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1. Do you have a policy/policies for	Y	Y	Y	Y	Y	Y	N	Y	Y
2. Has the policy being formulated in consultation with relevant stakeholders?	Y	Y	Y	Y	Y	Y	-	Y	Y
3. *Does the policy conform to any national/international standards? If yes, specify? (50 words)	Y	Y	Y	Y	Y	Y	-	Y	Y
4. **Has the policy being approved by the Board? If yes, has it been signed by MD/owner/CEO/appropriate Board Director?	Y	Y	Y	Y	Y	Y	-	Y	Y
5. Does the Company have a specified committee of the Board/Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	-	Y	Y
6. Indicate the link for the policy to be viewed online?	https://www.aubank.in/au-notice-board								
7. Has the policy been formally communicated to all relevant internal and external stakeholders?	Policies/code that are internal documents of the Bank are accessed by employees and the other relevant policies have been posted on the Bank website and can be accessed at above link.								
8. Does the Company have in-house structure to implement the policy/policies?	Y	Y	Y	Y	Y	Y	-	Y	Y
9. Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	Y	Y	-	Y	Y
10. Has the company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	-	Y	Y

*The policies are developed and aligned to applicable compliance requirements, RBI norms and guidelines, requirements of listing agreement with stock exchanges, or the Bank's internal requirements and best practices.

**The policies are being put up to the Board for approval after signature of respective process owner(s).

(b) If answer to the question at serial number 1 against any principle, is 'No', explain why (Tick up to 2 options)

S. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	The Company has not understood the principles	-	-	-	-	-	-	-	-	-
2	The Company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	-	-	-	-	-	-	-	-	-
3	The Company does not have financial or human resources available for the task	-	-	-	-	-	-	-	-	-
4	It is planned to be done within next six months	-	-	-	-	-	-	-	-	-
5	It is planned to be done within the next one year	-	-	-	-	-	-	-	-	-
6	Any other reason (please specify)	@Refer below								

@The Bank works closely with collective trade and industry associations, while there is no specific policy outlined for this principle and also we do not take part in any lobbying or policy advocacy.

Principle-wise policies

S.no	Business Responsibility Principles	Relevant Policies/Code
P1	Ethics, transparency and accountability	Fraud Risk Management Policy, Compliance Policy, Risk-based Internal Audit Policy, Anti-Bribery and Anti-Corruption Policy, Code of Conduct for Employees, Code of Conduct for Directors and Senior Management Personnel, Code of Conduct – Prohibition of Insider Trading Policy and Policy on Related Party Transactions and Materiality
P2	Contribute to sustainability throughout their lifecycle	Fair Practice Code for Lenders, MSME Policy Manual, Policy on Business Correspondents and Social and Environmental Management System
P3	Employee wellbeing	Learning & Development Policy, Code of Conduct for Employees, Capacity Building Policy, Compensation Policy, Whistle Blower Policy & Vigil Mechanism, Employee Leave Policy and Prevention and Redressal Against Sexual Harassment Policy
P4	Stakeholder engagement and responsiveness	Investor Grievance Redressal Policy, Communications Policy, CSR Policy and Customer Service Policy
P5	Promote human rights	Citizen's Charter, Charter on Customer Rights and Fair Practices Code for Lenders
P6	Environment Protection	Social and Environmental Management System
P7	Public and regulatory policy	The Bank does not have any policy/code for this principle
P8	Corporate social responsibility	CSR Policy and Social and Environmental Management System
P9	Customer value	Customer Grievance Redressal Policy, Customer Service Policy, Customer Compensation Policy, Collection of Dues & Repossession of Security, Charter on Customer Rights and Fair Practice Code for Lenders

3. Governance related to BR

(a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO assesses the BR performance of the Company? Within three months, three to six months, annually or more than one year?

Annual assessment of the SEMS Standards and BR initiatives is presented to the Board and detailed deliberation is conducted on the impact of the BR initiatives and future strategies around it.

(b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this

report? How frequently it is published?

Business Responsibility Report is published by the Bank annually and is hosted at its website at <https://www.aubank.in/disclosures>

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1: Ethics, Transparency and Accountability

We are determined to ensure that our operations are run ethically and transparently across the value chain. The Bank's work culture is built around 'AU Dharma' and the focus is on making employees responsibly entrepreneurial with ownership.

The Board of Directors and Senior Management affirm annually that they have acted ethically, honestly, diligently and in good faith to protect the Bank's properties, brand equity and image. They have acted in the Bank's best interests and its entire fraternity of stakeholders, while discharging their fiduciary obligations.

Through its Code of Conduct on Prohibition of Insider Trading, the Bank endeavours that no person is deriving any benefit or assisting any other person(s) to derive any benefit by virtue of having access to or possessing of price sensitive information relating to financial results or operations of the Bank; or passing it to any other person with whom the Bank has business dealings; or do an act which can have an unusual movement/trend in securities trading and may have an impact on the Bank's price of the securities.

While hiring any vendor for providing any material/services to the Bank, we ensure that a covenant pertaining to anti-bribery and anti-corruption is stipulated in the required agreement(s). This binds the service provider(s) to observe the highest standards of ethics during the supply of services and execution of the transaction and not to indulge in any corrupt practices. Employees at the time of their induction and at regular intervals are imparted classroom trainings & through Human Capital Management software for orientating them towards ethical business practices and organisation philosophy around it. For achieving the objective of this principle, the Bank has adopted the Compliance Policy, Fraud Risk Management Policy, Anti-Bribery and Anti-Corruption Policy, Code of Conduct for employees, Code of Conduct on Prohibition of Insider Trading and Code of Conduct for Direct Selling Agent among others.

1. Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/No. Does it extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

The Bank's policy relating to ethics, bribery and corruption serves as the guiding principles for all employees of the Bank including Director(s) and the Bank ensures its compliance in its dealings/transactions with vendors/service providers & business correspondents of the Bank. The Bank is neither part of any other group; nor has it any joint ventures/NGOs.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

The Bank received nine stakeholder complaints in FY 2018-19 from scores and other sources viz letter &

e-mail and 100% of those complaints were resolved satisfactorily; and no complaint was pending as on 31st March 2019.

The details of customer complaints are disclosed in the schedule no. 18(12) of notes to accounts.

Principle 2: Goods and Services that are Safe and Contribute to Sustainability Throughout their Lifecycle

AU Bank caters to the financial requirements of its customers by providing them finance facilities according to their requirements. As a Small Finance Bank, our primary focus is to lend for priority sector and cater to the requirements of underbanked, unbanked and unserved customer segments. Below are some of the customers that were provided credit assistance to set up their businesses and outlines the impact of the Bank's operations.

Raju Bhai – Customer AU BANK

Raju Bhai a progressive farmer who hails from a village near Ahmedabad had understood that dependence on agriculture alone for livelihood will never be enough to fend for his family. Raju's life prospered when he showed courage and took decision against all odds and approached AU. He received due support and the loan was sanctioned under '**Pradhan Mantri Mudra Yojana**'.



At AU Bank, we extended our support and gave wings to his aspirations by catering to his financial requirements, followed by our swift processing and fast approval process. Raju Bhai is earning handsome surplus, besides the income from his agriculture income. He has a well-settled pick-up vehicle business with three vehicles and two drivers who are paid ₹8000 each. "Starting this business was the best decision of my life, for someone who has struggled through those droughts as a farmer to someone who now counts the farm income as a bonus, I now feel truly empowered," he says.

Renuka Patel – Customer AU BANK

The journey of Renuka Patel has its own ups and downs. From an employee earning a nominal amount of ₹15,000 to the owner of two stitching factories. This story is about empowering an ambitious women entrepreneur who turned her 'employment' status to 'owner'.

Renuka started working at the age of 40. From being one of the workers in the stitching and embroidery factory of her husband's friend Mr. Nayak, she went on to become a supervisor in a few years. With her hard work, Renuka was supervising work in Mr. Nayak's four factories; and at times kept advising Mr. Nayak on his business expansion plan. Mr. Nayak knew she was ready for her own flight. Therefore, he offered to sell one of his factories to her and drive her entrepreneurial journey.

She approached AU as she knew they supported entrepreneurs like her. AU has always been a step ahead when it comes to promoting women empowerment and entrepreneur(s). Under the **Pradhan Mantri Mudra Yojana**, we provided her a loan of ₹4 lakh to start her entrepreneurial journey in 2017.

In the six-month time span, Renuka has set up two business units, one for stitching and embroidery in Vastral, Ahmedabad and another in the nearby village of Mahijeda for making cloth bags. Her household income has gone up substantially in a short span. She is employing more than 13 full-time women workers and 5-7 women who work from their homes in Vastral.

"I aspire to employ every housewife (home-maker) in Vastral so that maximum women become self-reliant." she beams.



Financial Inclusion

While financial inclusion is defined as extending banking services to the unreached, at AU it goes beyond. We understand their requirements and partner the borrower's success **"Unki jeet mein hamaari jeet hai"**. We are determined to foster and nurture inclusive

developments through our financial inclusion agenda. Our target customer segments are residents of semi-urban and rural India and include low and middle-income individuals and micro/small businesses and the loans are extended with a bottom-up approach.

In FY 2018-19, the Bank disbursed MUDRA loans of ₹3482 crore. The Bank opened 33,658 BSBD accounts with a balance of ₹12 crore. For the period under review, the Bank has issued 2,61,000 RuPay Cards, more than 300 financial literacy camps were organised which have benefitted more than 23,000 beneficiaries. Out of total number of branches of the Bank 28.43% branches & Banking Outlets are in unbanked area. We have started issuing policies under Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY). We have issued 650 policies under (PMJJBY) and a few policies under PMSBY and are planning to go live with Atal Pension Yojana (APY) in coming year.

1. List up to three of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

Our products and services are designed keeping in mind the profile of our customers and their impact on environmental concern, risk opportunities around it.

Product Example – Secured Business Loans to MSME

AU Bank has been catering to the underserved, unreached and unbanked rural and semi-urban areas for their financial requirements through the Bank's swift loan-approval process. The Bank has been relentlessly supporting these businesses with its collateral backed loans and has been helping them in growing their operations. It recognised their potential and supported them through devising a way to informally assessing them in the absence of reliable formal data.

In terms of our product suite, we have a full spectrum of retail loans including vehicles loans, consumer durable loans, MSMEs, SME and mid-corporate, liability & third party investments, transaction banking, mobile and digital banking.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional)

(a) Reduction during sourcing/production/distribution achieved since the previous year throughout the value chain?

Being in the banking industry, the Bank works towards reducing its resource consumption substantially. The material used and procured by the Bank primarily comprise paper and grid electricity for which your Bank is creating awareness among end users for sustainable consumption. In addition, your Bank has created a

robust technology platform to build a new age digital banking ecosystem and it is focussed on efficient use of natural resources and reducing carbon footprint in the environment.

The Bank's products and processes are directed towards technology advancement and digitisation of our banking services in a customer-friendly manner. The result of the same is visible with customer empowerment by providing them Banking with ease, less paperwork with TAB Banking and reduction in waste generation.

(b) Reduction during usage by consumers (energy, water) has been achieved since the previous year

The Bank is adopting sophisticated technology to digitise its operations and make products available digitally. We have witnessed strong growth in the adoption of TAB-based account opening, android-based mobile banking, and internet banking, thus minimising paper usage. The focus is to deliver a seamless omni-channel integrated solution that will ensure consistent high-level customer experience across all channels website, internet banking, mobile applications, chat bots and it has reduced the customers' travel time and expenses, thereby reducing the fuel consumption and carbon emissions.

3. Does the Company have procedures in place for sustainable sourcing (including transportation)?

(a) If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

Banking being a service-oriented business, sustainable sourcing for its products is not substantial. However, as a responsible corporate citizen, the Bank endeavours to reduce the environmental impact of its operations. The Bank does not utilise raw materials/resources directly, yet in procurements of electrical equipment ESP star ratings are taken into consideration while procuring products for its branches/offices to save electricity.

As the resources of the Bank are intangible/fungible in nature adequate and timely measures are being adopted by the Bank to ensure that its resources are utilised efficiently and optimally for sustainable use.

4. Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?

(a) If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

AU Bank procures significant items including marketing, promotional, stationery, consumable materials from local SME vendors. While procuring

the goods or services we also ensure that quality of services/products is not compromised and best quality products and services should be provided to the customers. AU Bank carefully selects its vendors keeping in mind development of the local community.

The Bank as part of vendor management process conducts proper checks before appointing any vendors, consultants/service providers and ensures to select the best. The Bank's Code of Conduct enumerates its expectations from vendors/suppliers and partners.

AU Bank majorly contributes to the development of capacity and capability of thousands of smaller businesses by providing them easy access to credit and banking services, quite a few of them being vendors of AU Bank.

5. Does the Company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.

The above principle description is not applicable for a banking company and the Bank ensures that applicable e-waste disposal guidelines are followed in disposal of e-waste originating from its operations.

Principle 3: Employee Wellbeing

Employee engagement

AU Bank duly acknowledges the employee as its assets and initiatives for continuous engagement programme, training and development are undertaken. Several behavioural and functional training programmes are conducted on an ongoing basis. Regular trainings are organised on products and services, behavioural and leadership development, among others.

Our Human Capital Management tool, an online platform, provides role-based ongoing training to employees. Communication channels have been augmented to communicate key achievements, policy and process changes, project launches, recognitions of success stories, and policies. Intranet, webcasts, mailers, posters, video steaming and other modes to leverage the technology to the extent possible for cost-effective and timely employee communication.

AU Bank is an equal opportunity employer and selects employees purely on merits, keeping in mind the job requirements, required skillsets and provides equal opportunities to all sections of society irrespective of caste, creed, gender, race, colour, age, marital status and religion. The Bank's operations do not promote any child labour, forced labour or any form of involuntary labour and discrimination. Its approach towards its employees revolved

around the following polices viz., Code of Conduct for Employees, Maternity Leave policy, Whistle Blower Policy, Employee Leave Policy, Prevention of Sexual Harassment Policy and other policies, codes and charter.

The polices, codes and charter are easily accessible to the Bank employees.

Talent Development

The belief that any institution is only as strong as its employees is deeply embedded within the AU Bank work culture and ethos. The Bank invests significantly in employee development across all verticals. The Bank has a substantial human capital resource base and hence it is imperative for the Bank to work harder to align each employee with the Bank's Dharma's. AU Bank continues to invest in a world-class human capital management system for its employees to redress their concerns, queries and to disseminate information. The system also offers e-learning modules for enhancement of employee skillset at work, which leads to greater employee satisfaction.

The training and development programmes are synchronised, where the focus of the training programme is on strengthening the skills & knowledge of the employees; the objective being to make them ready to undertake higher roles in their growth journey with the organisation.

With this approach your Bank, supports employees through learning & development at each stage of their career path to bolster their morale and productivity. Through AU connect programme we accustom the new people with the Bank's culture, HR policies, compliance mechanism. Training programmes are organised where they also get an opportunity to meet the business leaders. Several training sessions were organised by the Bank by collaborating with external agencies. Your Bank also organises various certification programmes wherein they are updated with Basics of Banking, Compliance, AML, KYC and other elements of the banking industry.

Health and Safety

Employees are trained to handle emergency situations. Training is also provided to security personnel to deal with various other threats and risks. To prepare ourselves better to react in an emergency, a Fire Safety and Evacuation drills were conducted periodically at our offices. During the training, our team practised evacuation, assembly area procedure and the use of fire extinguishers. The participants were briefed about the fire impediments, its detection and suppression, identification and use of fire-fighting equipment. It is followed by a demonstration and practice of first-aid, fire-fighting using fire extinguishers available in offices of the Bank.



Employee Value Proposition

Banking is a business of trust and to imbibe right values from top to bottom, the Bank focusses on three guiding principles of Intelligence, Honesty and Responsibility to be followed by employees at all levels, while dealing internally or with the external world. This has helped us in building and connecting right chords within the organisation.



1. Please indicate the total number of employees.

The total number of employees as on 31st March 2019 were 12,623 employees

2. Please indicate the total number of employees hired on temporary/contractual/casual basis.

38

3. Please indicate the number of permanent women employees.

The total number of permanent women employees were 671

4. Please indicate the number of permanent employees with disabilities.

The total number of permanent employees with disabilities were 5

5. Do you have an employee association that is recognised by management?

The Bank does not have any association.

6. What percentage of your permanent employees is members of this recognised employee association?

Not Applicable.

7. Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

No.	Category	No of complaints filed during the financial year	No of complaints Pending as on end of the financial year
1	Child labour/forced labour/involuntary	NIL	NIL
2	Sexual harassment	1	0
3	Discriminatory employment	NIL	NIL

8. What percentage of your undermentioned employees were given safety & skill up-gradation training in the last year?

- I. Permanent Employees 92%
- II. Permanent Women Employees 91%
- III. Causal/Temporary/Contractual Employees 53%
- IV. Employees with Disabilities 40%

Principle 4: Stakeholder Engagement and Responsiveness

AU Bank regularly and timely engages with all its stakeholders and follows responsive approach to act upon their valuable feedback. At AU Bank, we have devised a comprehensive and periodic stakeholder engagement framework keeping in the mind the nature, criticality, urgency and priority of stakeholder engagement.

Investor Grievance Redressal Policy is devised to address the grievances of the investors and it is ensured that investors' concerns are duly addressed in time. The Bank has designed policy on customer rights that protects the basic rights of its customers. It was pertinent for the Bank to follow the standard banking practices while dealing with individual customers. The said policy contains the right to review, appeal and complaint; to privacy, confidentiality, and to see information related to the service or user.

1. Has the Company mapped its internal and external stakeholders? Yes/No

Yes, the Bank has mapped its internal and external stakeholders.

2. Out of the above, has the Company identified the disadvantaged, vulnerable & marginalised stakeholders?

Yes, the Bank has identified the disadvantaged, vulnerable and marginalised stakeholders. As a Small Finance Bank, we are focussing on priority-sector lending.

3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalised stakeholders? If so, provide details thereof, in about 50 words or so.

The Bank as part of CSR initiatives, identified financial literacy as one of its core area and is determined to reach out to weaker sections, beneficiaries, children from marginalised socio-economic backgrounds and the differently abled, ensuring that every person is oriented with the basics of banking and no person is deprived from banking services. In addition to this, the Bank through its financial inclusion agenda continues to remain engaged with the unbanked and underbanked population.

Principle 5: Businesses Should Respect and Promote Human Rights.

AU Bank strongly advocates respecting and promoting basic human rights. Besides, the Bank has inherently adopted an exhaustive compliance mechanism at multiple levels, which minimises the slightest possibility of any abuse of the fundamental human-rights principle while dealing with internal & external stakeholders. The Bank follows humane

approach in dealing with internal stakeholder by providing equal employment opportunities to employees from all walks of life, providing them complete freedom of choice in associating and expressing themselves at workplace. The Bank does not practice any biased approach in offering its products and services and it has devised fair practice code to ensure equanimity in its approach while dealing with internal and external stakeholders. Beyond contractual obligations, the Bank ensures that vendors & service providers rights are duly protected.

1. Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

The policy is applicable to staff of all the branches/regional offices/departments handling banking operations and related activities. At AU Bank, all banking and related activities are undertaken in compliance of applicable laws. AU Bank does not promote any abuse/compromise of human rights for all its stakeholders. Customers interest were further protected with effective implementation of Charter on Customer Rights, Customer Service policy, Customer Grievance redressal policy and other policies. These policies have been hosted on the website of the Bank for creating awareness among stakeholders about their rights and processes followed by the Bank for its operations.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management ?

During the period under review the Bank has not received any complaint(s) on human right violation.

Principle 6: Environment Protection

The Bank firmly believes that its resources should be utilised efficiently, sustainably and optimally. AU Bank conducts its day-to-day business operations with the aim of minimising any harm to the environment. The Bank is focussed on leveraging the digital innovation in banking to reduce the usage of paper, ensuring efficient usage of electric & other resources and better waste management. The Bank's CSR focus, in line with its CSR Policy, also includes environmental sustainability, wherein the Bank directly or through its implementation partners, works on several positive initiatives for sustainable impact.

Through its Social and Environmental Management System, the Bank operates in a responsible manner and strives to ensure effective social & environmental management practices in all activities and services with special focus on the following:

- Ensuring that activities undertaken by the Bank are consistent with the applicable requirements outlined in the Social and Environmental Management System policy.
- Reviewing the projects against the applicable requirements.
- Financing projects that are designed, built and operated in accordance with the applicable requirements.

Initiatives for energy efficiency and carbon footprint reduction:

- a. Virtualisation of windows servers to save power.
- b. Fitted capacitors at the chiller end of the HVAC systems within office premises and branches.
- c. Fitted electric saver (timer) at various branches with glow-sign boards to turn off electricity at set times.
- d. Set up of APFC capacitors in electric panel across branches.
- e. Installed LED lights across all offices and branches.
- f. Use of Video Conferencing (VC) at big offices to maximise interactions across the premises without having to travel between locations, similarly, conducting recruitment HR interviews through VCs.
- g. Designed branch architecture to maximise the use of natural light to the extent possible.
- h. Set a process for double-sided printing as a default option for printing across locations/offices.
- i. Communication is sent to all internal stakeholders on the significance of responsible use of resources at regular intervals.

1. Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others?

There are several policies that directly and indirectly focus to ensure adherence of Principle 6.

The Bank understands its role and while carrying out its operation, it acts in a socially responsible manner to address the environmental concern and continue to enhance the value for the society and in the community in which it operates. The Bank, through its CSR initiatives support initiatives that protect environment directly and through implementing partners. Under SEMS management, the Bank refrains from financing any activity that is operating in contravention of applicable environmental laws.

The Bank endeavours to create awareness among its vendors, suppliers about the policies that governs the

Bank and the compliance to be ensured in this regard. The Bank also promote vendors to adopt environment friendly measures in their operations.

2. Does the Company have strategies/initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for web page etc.

No

3. Does the Company identify and assess potential environmental risks? Y/N

Yes. The Bank assesses its environmental risk in multiple ways. It has implemented social environment and management system and a fair practice code, which helps the Bank to assess the potential environmental risks in its operations covering loans and banking transactions of the customers. Being custodian of the public deposits, the Bank continue to follow a stringent approach in lending & investment operations, thereby protecting the potential risk in the sector in which it operates.

4. Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

Being a banking company and nature of operations comprising financial services, this information is not applicable.

5. Has the Company undertaken any other initiatives on clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc?

Energy efficiency and conservation is a part of our business planning. The Bank's systems and processes are designed in manner to ensure optimum energy usage by continuous monitoring of all forms of energy and augmenting the efficiency of operations.

The Bank's branches and offices are designed in a manner to ensure maximum utilisation of day light, resulting in reduced consumption of electricity. Moreover, it procures star rated electric equipments, auto monitors, auto switch timers and LED lights are installed for cost efficient operations in the Bank.

6. Are the emissions/waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?

Being a banking company and nature of operations comprising financial services this information is not substantial. However adequate measures are being put in place to ensure that emissions and waste

generated and discharged are within the permissible limits of laws applicable.

7. Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.

Nil.

Principle 7 - Businesses, When Engaged in Influencing Public and Regulatory Policy, Should do so in a Responsible Manner.

AU Bank regularly engages with multiple regulatory agencies, associations, organisations, management institutes, and others. The Bank also participates in several thought leadership and brainstorming workshops to upgrade its understanding on all critical matters. Compliance and secretarial function of the Bank keeps disseminating the important RBI, SEBI and other critical industry and regulatory circulars, updates on a regular basis to ensure the Bank's operations are run in accordance with regulatory framework.

In discussion with management requisite representations are made at appropriate forum to address the industrywide issues and issues of common importance and thus, develop policies that are beneficial to the Bank as well as its stakeholders.

1. Is your Company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:

1. Confederation of Indian Industry (CII)
2. Indian Banks Association (IBA)
3. Indian Institute of Banking and Finance (IIBF)
4. Society of Indian Automobile Manufactures (SIAM)
5. National Critical Information Infrastructure Protection Centre (NCIIPC)
6. Fixed Income Money Market and Derivatives Association of India (FIMMDA)

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good?

No.

Principle 8 - Corporate Social Responsibility Inclusive Growth and Equitable Development

The Corporate Social Responsibility Policy (CSR Policy) of the Bank sets out the broad framework for guidance on the Bank's CSR activities and long-term approach around it. The Policy also sets out the principles and the rules that need to be adhered to while taking up and implementing CSR activities to be undertaken as specified in Schedule VII of the Companies Act, 2013 (excluding the activities pursued in the normal course of business) and the expenditure thereon.

The report on Corporate Social Responsibility has been attached as Annexure II of the Board's report and can be referred for the content to this principle.

1. Does the Company have specified programmes/ initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof?

The Bank is committed towards the improvement of communities and complements it with its efforts by focussing on the development activities as per local and national level priorities. To ensure that its initiatives are aligned with the overall CSR objectives, the Bank has identified the following core focus areas for its CSR:

- Financial Inclusion through Livelihood Enhancement & Vocational Skill training;
- Sports for Development.
- Educating society at large through Financial & Digital literacy.

The Bank has CSR policy and CSR committee in place wherein social development programme projects and priorities are decided and implemented.

The detailed description is available in the CSR report section of the annual report.

2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/ government structures/any other organisation?

Programmes are undertaken by the Bank on its own and its foundation i.e. 'AU Foundation', along with other credible implementing agencies.

3. Have you done any impact assessment of your initiative?

Yes, at periodic intervals, CSR Committee and Board of the Bank is presented with progress and impact of key CSR initiatives undertaken under Schedule VII of the Companies Act, 2013. CSR initiatives undertaken by the Bank is covered under the Corporate Social Responsibility section of the Annual Report.

4. What is your Company's direct contribution to community development projects amount in INR and the details of the projects undertaken?

This is covered in detail under the Corporate Social Responsibility report of the Bank forming part of Annexure II to this Annual Report.

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community?

The Bank has undertaken several initiatives for promoting sustainable community development initiatives.

AU Bank is incorporating ways and means to permeate the successful adoption of its community development initiatives and it is adopted positively by community.

Principle 9: Businesses Should Engage with and Provide Value to their Customers and Consumers in a Responsible Manner

Customer centricity is one of the key pillars of AU Dharma. Customers being at the focal point for organisation, always have significant impact on the growth of any organisation. To provide value to its customers, the Bank has adopted a robust mechanism and has formed several customer-centric policies with an array of basic consumer services to redressal mechanism.

At AU Bank, our mission goes beyond customer servicing and we only aim for customer delight and going beyond their imagination. The focus has always been on offering simple, easily accessible, cost-effective technological solution to our valued customers. The Bank strives on effective communication of unique features of its products that cater to the differentiated requirements of customers through one-on-one meeting with customers, brochures at branches and information on the website.

AU Bank's deep customer centricity is reflected through its uniquely designed product features viz. monthly interest pay-outs, minimal paper work, digital onboarding, true anywhere banking, and others. Besides, our extended banking hours, multiple engagement channels including

mobile and digital banking that allow greater freedom, flexibility and choice to our customers.

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year?

For the FY 2018-19, the Bank has resolved 97 % of complaints.

2. Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. Remarks (additional information)

As a Bank our products are intangible, thus product label requirement is not applicable to us. We promptly communicate all the features, charges, terms and conditions for all of products and services to our customers through:

- Detailed on welcome letter/receipts to customers
- Display on website, at branches via collaterals and notice boards;

- Key applicable conditions are shared with customers at the time of account opening as MITC (Most Important Terms & Conditions) and

- Any changes are shared via email/SMS/physical communications.

3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year? If so, provide details thereof, in about 50 words or so.

No cases are pending as on the end of the financial year pertaining to unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the preceding five years.

4. Did your Company carry out any consumer survey/consumer satisfaction trends?

The Bank is exploring agencies for conducting annual consumer survey/consumer satisfaction trends. For the FY 2018-19 the Bank has not conducted any consumer survey.

Independent Auditor's Report

To
The Members of AU Small Finance Bank Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of AU Small Finance Bank Limited ("the Bank"), which comprise the Balance sheet as at March 31, 2019, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 and the Companies Act, 2013, as amended ("the Act") in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2019, its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Bank in

accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended March 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters	How our audit addressed the key audit matter
<p>(a) Identification of Non Performing Advances and provisioning for Advances (Refer Schedule 17.4 to the financial statements)</p> <p>Loans and advances constitute a major portion of the Bank's assets and the quality of the Bank's loan portfolio is measured in terms of the proportion of non-performing assets (NPAs) to the total loans and advances. As at March 31, 2019, the Bank has reported total gross loans and advances of ₹ 22,994 crores (March 31, 2018: ₹ 13,412 crores), gross non-performing advances of ₹ 470 crores (March 31, 2018: ₹ 270 crores) and a corresponding provision for non-performing advances of ₹ 176 crores (March 31, 2018: ₹ 100 crores).</p> <p>Identification and provisioning of NPAs is governed by the prudential norms prescribed by the Reserve Bank of India (RBI). These norms prescribe several criteria for a loan to be classified as a NPA including overdue aging.</p> <p>Given the volume and variety of loans, judgement is involved in the application of RBI norms for classification of loans as NPA and in view of the significance of this area to the overall audit of financial statements, it has been considered as a key audit matter.</p>	<ul style="list-style-type: none"> • Our audit procedures included considering the Bank's accounting policies for NPA identification and provisioning and assessing compliance with the prudential norms prescribed by the RBI (IRAC Norms). • Tested the operating effectiveness of the controls (including application and IT dependent controls) for appropriate classification of loans in the respective asset classes viz., standard, sub-standard, doubtful and loss with reference to IRAC norms at every month end. • Performed test of details to verify whether the provisioning rates applied for respective asset classes were in accordance with the Bank's accounting policies and assessed the reasonableness of the rates used by the management wherever such rates were higher than the minimum rates prescribed by RBI. • Performed inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a particular loan account or any product category which need to be considered as NPA. Examined the early warning reports generated by the Bank's credit team on a monthly basis to identify loan accounts with performance issues. • Considered the special mention accounts (SMA) reports submitted by the Bank to the RBI's central repository of information on large credits (CRILC) to assess whether any accounts from such reporting need to be considered as non-performing. • Tested the Bank's controls to identify loan accounts of a common borrower to ensure all facilities availed by a delinquent customer are classified appropriately. Performed analytical procedures on various financial and non-financial parameters to test the completeness of accounts identified as NPA. • Tested the arithmetical accuracy of computation of provision for Advances.
<p>(b) IT systems and controls</p> <p>As a newly set-up small finance bank there has been a major enhancement in the information technology (IT) infrastructure of the Bank in the previous year. During the current year, as the IT systems and processes continue to mature in view of the evolving business and regulatory landscape, frequent changes in the technology environment have been carried out by the Bank.</p> <p>The IT infrastructure is critical for smooth functioning of the Bank's business operations as well as for timely and accurate financial reporting. Accordingly, the Bank has continued to invest in its IT infrastructure in the current year as well.</p> <p>Due to the pervasive nature and complexity of the IT environment and considering that several systems and process have been implemented in recent past, and as a result the IT control environment may not have matured, it is considered a key audit matter.</p> <p>Our areas of audit focus included user access management, developer access to the production environment and changes to the IT environment. These are key to ensuring IT dependent and application based controls are operating effectively.</p>	<ul style="list-style-type: none"> • For testing the IT general controls, application controls and IT dependent manual controls, we included specialized IT auditors as part of our audit team. The specialized team also assisted in testing the accuracy of the information produced by the Bank's IT systems. • We tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting. • We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were appropriately reviewed and authorized. • We tested the Bank's periodic review of access rights. We inspected requests of changes to systems for appropriate approval and authorization. We considered the control environment relating to various interfaces, configuration and other application controls identified as key to our audit. • In addition to the above, we tested the design and operating effectiveness of certain automated controls that were considered as key internal controls over financial reporting. • Where deficiencies were identified, we tested compensating controls or performed alternate procedures.

Information Other than the Financial Statements and Auditor's Report Thereon

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank provision of section 29 of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by Reserve Bank of India ("RBI") from time to time.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue

as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty



exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the financial year ended March 31, 2019 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014.
2. As required sub section (3) of section 30 of the Banking Regulation Act, 1949 and the appointment letter dated September 20, 2018, we report that:
 - a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

- b. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
 - c. The financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches; we have visited 22 branches for the purpose of our audit.
3. As required by Section 143(3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
 - c. The Balance Sheet, the Profit and Loss Account, the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. In our opinion, the aforesaid financial statements comply with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI;
 - e. On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act;
 - f. With respect to the adequacy of the internal financial controls over financial reporting of the Bank with reference to these financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report;
 - g. In our opinion, the entity being a banking company, the remuneration to the whole-time director during the year ended March 31, 2019 has been paid by the Bank in accordance with the provisions of Section 35B (1) of the Banking Regulation Act, 1949; and

- h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
- i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note Schedule 12, Schedule 17.I and Schedule 18A – Note 32 to the financial statements;
- ii. The Bank did not have any long-term contracts, including derivative contracts, for which there were any material foreseeable losses;
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

For **S. R. Batliboi & Associates LLP**

Chartered Accountants

Firm's Registration No.: 101049W/E300004

per Amit Kabra

Partner

Membership No.: 094533

Place: Jaipur

Date: April 22, 2019

Annexure 1

to the Independent Auditor's Report of Even Date on the Financial Statements of AU Small Finance Bank Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the "Act")

TO THE MEMBERS OF AU SMALL FINANCE BANK LIMITED

We have audited the internal financial controls over financial reporting of AU Small Finance Bank Limited (the "Bank") as of March 31, 2019 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely

preparation of reliable financial information, as required under the Companies Act, 2013.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of

internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

OPINION

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S. R. Batliboi & Associates LLP**

Chartered Accountants

Firm's Registration No.: 101049W/E300004

per Amit Kabra

Partner

Membership No.: 094533

Place: Jaipur

Date: April 22, 2019

Balance Sheet

as at March 31, 2019

Particulars	Schedule	(₹ in '000)	
		As at March 31, 2019	As at March 31, 2018
CAPITAL & LIABILITIES			
Capital	1	29,23,575	28,57,036
Money received against Share Warrants		17,50,000	-
Employees stock options outstanding		4,29,435	1,74,959
Reserves & Surplus	2	2,65,25,899	1,97,79,832
Deposits	3	19,42,24,356	7,92,33,193
Borrowings	4	8,61,33,587	7,63,88,647
Other Liabilities and Provisions	5	1,42,41,113	98,94,060
Total		32,62,27,965	18,83,27,727
ASSETS			
Cash and Balances with Reserve Bank of India	6	81,11,424	49,21,236
Balances with banks and Money at Call and Short Notice	7	92,90,510	1,26,90,951
Investments	8	7,16,16,711	3,05,05,944
Advances	9	22,81,87,308	13,31,21,307
Fixed Assets	10	44,70,300	38,60,867
Other Assets	11	45,51,712	32,27,422
Total		32,62,27,965	18,83,27,727
Contingent Liabilities	12	50,21,437	51,60,692
Bills for Collection		-	-
Significant accounting policies and notes to accounts forming part of financial statements	17 & 18		

The Schedules referred to above form an integral part of the Balance Sheet.
As per our attached Report of even date.

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration No.: 101049W/E300004

per Amit Kabra
Partner
Membership No. 094533

Place: Jaipur
Date : April 22, 2019

For and on behalf of the Board of Directors
AU Small Finance Bank Limited
(Formerly Au Financiers (India) Limited)

Mannil Venugopalan
(Non-Executive Independent
Part Time Chairman)
DIN: 00255575

Uttam Tibrewal
(Whole Time Director)
DIN: 01024940

Manmohan Parnami
(Company Secretary)

Sanjay Agarwal
(Managing Director and CEO)
DIN: 00009526

Deepak Jain
(Chief Financial Officer)

Profit and Loss Account

for the year ended March 31, 2019

Particulars	Schedule	(₹ in '000)	
		Year Ended March 31, 2019	Year Ended March 31, 2018
I. INCOME			
Interest earned	13	2,94,88,354	1,76,71,899
Other income	14	46,20,292	38,80,601
Total Income		3,41,08,646	2,15,52,500
II. EXPENDITURE			
Interest expended	15	1,60,63,512	82,67,285
Operating expenses	16	1,08,26,075	75,26,092
Provisions & contingencies (refer note 9- schedule 18A)		34,00,991	28,38,727
Total Expenditure		3,02,90,578	1,86,32,104
III. PROFIT/LOSS			
Net profit/ (loss) for the year		38,18,068	29,20,396
Add: Balance in Profit/Loss Account brought forward from previous year		1,36,58,366	1,16,73,069
Total		1,74,76,434	1,45,93,465
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		9,54,517	7,30,099
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 (refer schedule 2.III)		3,78,000	2,05,000
Transfer to Capital Reserve		27,616	-
Transfer to Investment Fluctuation Reserve		2,21,200	-
Dividend paid (includes tax on dividend)		1,74,826	-
Balance carried over to Balance Sheet		1,57,20,275	1,36,58,366
Total		1,74,76,434	1,45,93,465
V. EARNING PER SHARE (refer note 5- schedule 18B)			
Basic (₹)		13.16	10.26
Diluted (₹)		12.90	10.00
Nominal value per share (₹)		10.00	10.00
Significant accounting policies and notes to accounts forming part of financial statements	17 & 18		

The Schedules referred to above form an integral part of the Profit and Loss Account. As per our attached Report of even date.

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration No.: 101049W/E300004

per **Amit Kabra**
Partner
Membership No. 094533

Place: Jaipur
Date : April 22, 2019

For and on behalf of the Board of Directors
AU Small Finance Bank Limited
(Formerly Au Financiers (India) Limited)

Mannil Venugopalan
(Non-Executive Independent
Part Time Chairman)
DIN: 00255575

Uttam Tibrewal
(Whole Time Director)
DIN: 01024940

Manmohan Parnami
(Company Secretary)

Sanjay Agarwal
(Managing Director and CEO)
DIN: 00009526

Deepak Jain
(Chief Financial Officer)

Cash Flow Statement

for the year ended on March 31, 2019

Particulars	(₹ in '000)	
	Year Ended March 31, 2019	Year Ended March 31, 2018
CASH FLOW FROM OPERATING ACTIVITIES		
Profit after tax	38,18,068	29,20,396
Add: Provision for tax	19,83,232	15,13,083
Net Profit Before Taxes	58,01,300	44,33,479
Adjustments for :-		
Employee Stock Options Expense	3,86,039	1,41,263
Depreciation on Bank's Property	6,17,546	5,32,456
Amortization of Premium on HTM Investments	1,28,310	57,651
Provision for Employee Expenses	(36,861)	95,877
Provision for Non Performing Assets, Standard Assets and Other Provisions	11,29,943	9,31,297
Loss/(Profit) on sale of Fixed Assets	14,428	6,041
Operating profit before working capital changes	80,40,705	61,98,064
Movement in working capital		
Decrease/ (Increase) in Investments (other than Subsidiaries, Joint Ventures and Other HTM Investments)	(1,94,30,372)	81,94,119
Increase in Advances	(9,58,18,346)	(6,81,75,428)
Decrease / (Increase) in Other Assets	(13,77,683)	(13,23,416)
(Decrease) / Increase in Deposits	11,49,91,163	7,92,33,193
Increase/ (Decrease) in Other Liabilities and Provisions	40,02,143	24,62,734
Cash Flow from/ (used in) Operating Activities	1,04,07,610	2,65,89,266
Direct Taxes Paid (Net of refunds)	(19,29,840)	(15,41,584)
Net Cash Flow from/ (used in) Operating Activities (A)	84,77,770	2,50,47,682
Cash Flow From Investing Activities		
Purchase of Fixed Assets	(12,57,168)	(16,49,722)
Proceeds from Sale of Fixed Assets	15,761	8,801
Investments in Subsidiaries/ Joint Ventures	-	-
Sale of investment in subsidiaries / associate (net of related expenses)	-	-
Investments in HTM securities	(2,18,04,530)	(1,72,54,572)
Dividend from Subsidiaries/ Joint Ventures	-	-
Net cash flow from/ (used in) Investing Activities (B)	(2,30,45,937)	(1,88,95,493)

Cash Flow Statement

for the year ended on March 31, 2019

Particulars	Year Ended	
	March 31, 2019	March 31, 2018
	(₹ in '000)	
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	97,44,940	51,89,793
Money received on exercise of Stock Options/Issue of Shares	30,70,937	32,523
Money received against Share Warrants	17,50,000	-
Share/Debenture Issue Expenses	(33,137)	(11,875)
Dividend paid (includes tax on dividend)	(1,74,826)	-
Net cash flow from/ (used in) in Financing Activities (C)	1,43,57,914	52,10,441
Net Increase in Cash And Cash Equivalents (A + B + C)	(2,10,253)	1,13,62,630
Cash and Cash Equivalents at the beginning of the year (Refer Note Below)	1,76,12,187	62,49,557
Cash and Cash Equivalents at the end of the year (Refer Note Below)	1,74,01,934	1,76,12,187
Note:		
Balance with Banks in India in Fixed Deposit (As per Sch 7 I (i) (b))	13,29,729	36,86,181
Balance with Banks in India in Current Account (As per Sch 7 I (i) (a))	60,781	3,55,731
Money at Call and Short Notice in India (as per Sch 7 I (ii))	79,00,000	86,49,039
Cash in hand (including foreign currency notes) (As per Sch 6 I)	11,59,935	9,24,148
Balance with RBI in Current Accounts (As per Sch 6 II)	69,51,489	39,97,088
Cash and Cash Equivalents at the end of the year	1,74,01,934	1,76,12,187

As per our attached Report of even date.

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration No.: 101049W/E300004

per Amit Kabra
Partner
Membership No. 094533

Place: Jaipur
Date : April 22, 2019

For and on behalf of the Board of Directors
AU Small Finance Bank Limited
(Formerly Au Financiers (India) Limited)

Mannil Venugopalan
(Non-Executive Independent
Part Time Chairman)
DIN: 00255575

Uttam Tibrewal
(Whole Time Director)
DIN: 01024940

Manmohan Parnami
(Company Secretary)

Sanjay Agarwal
(Managing Director and CEO)
DIN: 00009526

Deepak Jain
(Chief Financial Officer)

Schedules

forming part of the Balance Sheet as at March 31, 2019

SCHEDULE 1 : CAPITAL

Particulars	(₹ in '000)	
	As at March 31, 2019	As at March 31, 2018
Authorized shares		
35,00,00,000 (P.Y. 35,00,00,000) equity shares of ₹ 10/- each	35,00,000	35,00,000
Issued Subscribed and paid up capital		
I. 28,57,03,620 equity shares of ₹ 10/- each (March 31, 2018: 28,42,50,906 equity shares)	28,57,036	28,42,509
II. Add: 23,23,425 equity shares of ₹ 10/- each (March 31, 2018: 14,52,714 equity share) in pursuant to exercise of employee stock option	23,234	14,527
III. Add: 43,30,441 equity shares of ₹ 10/- each (March 31, 2018: Nil) in pursuant to preferential allotment	43,305	-
Total	29,23,575	28,57,036

SCHEDULE 2 : RESERVES AND SURPLUS

Particulars	(₹ in '000)	
	As at March 31, 2019	As at March 31, 2018
I. Statutory Reserve		
Opening Balance*	36,48,985	29,18,886
Additions during the year under the Banking Regulation Act, 1949	9,54,517	7,30,099
Deductions during the year	-	-
Sub-Total	46,03,502	36,48,985
II. Share Premium		
Opening Balance	22,67,481	23,79,938
Add: Allotment of equity shares	31,35,961	45,823
Less: Utilised for debenture redemption premium / issue expenses (net of tax)	-	1,58,280
Less: Utilised for share issue expenses (net of tax)	33,136	-
Sub-Total	53,70,306	22,67,481
III. Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		
Opening Balance	2,05,000	-
Additions during the year	3,78,000	2,05,000
Deductions during the year	-	-
Sub-Total	5,83,000	2,05,000
IV. Capital Reserve		
Opening Balance	-	-
Additions during the year	27,616	-
Deductions during the year	-	-
Sub-Total	27,616	-

*Opening balance of Statutory Reserve as at March 31, 2018 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.

Schedules

forming part of the Balance Sheet as at March 31, 2019

Particulars	(₹ in '000)	
	As at March 31, 2019	As at March 31, 2018
V. Investment Fluctuation Reserve		
Opening Balance	-	-
Additions during the year	2,21,200	-
Deductions during the year	-	-
Sub-Total	2,21,200	-
VI. Balance in Profit and Loss Account		
Balance in Profit and Loss Account	1,57,20,275	1,36,58,366
Sub-Total	1,57,20,275	1,36,58,366
Total	2,65,25,899	1,97,79,832

SCHEDULE 3 : DEPOSITS

Particulars	(₹ in '000)	
	As at March 31, 2019	As at March 31, 2018
A.I Demand Deposits		
(i) From Banks	5,83,330	3,19,779
(ii) From Others	1,02,33,214	35,98,196
Sub-Total	1,08,16,544	39,17,975
A.II Savings Bank Deposits	2,50,84,367	1,74,16,874
A.III Term Deposits		
(i) From Banks	3,59,04,650	1,84,40,782
(ii) From Others	12,24,18,795	3,94,57,562
Sub- Total	15,83,23,445	5,78,98,344
Total	19,42,24,356	7,92,33,193
B.I Deposits of branches in India	19,42,24,356	7,92,33,193
B.II Deposits of branches outside India	-	-
Total	19,42,24,356	7,92,33,193

SCHEDULE 4 : BORROWINGS

Particulars	(₹ in '000)	
	As at March 31, 2019	As at March 31, 2018
I. Borrowings in India		
(i) Reserve Bank of India	27,50,000	-
(ii) Other Banks	93,47,147	93,33,112
(iii) Other Institutions and Agencies	7,40,36,440	6,70,55,535
Sub-Total	8,61,33,587	7,63,88,647
II. Borrowings outside India	-	-
Total	8,61,33,587	7,63,88,647
Secured Borrowings other than CBLO and Repo Borrowings included in I above	6,02,99,781	4,77,66,082
Tier II Debt included in I above	72,00,000	27,50,000
Tier II Debt included in II above	-	-

Schedules

forming part of the Balance Sheet as at March 31, 2019

SCHEDULE 5 : OTHER LIABILITIES AND PROVISIONS

Particulars	₹ in '000	
	As at March 31, 2019	As at March 31, 2018
I. Bills Payable	3,80,964	5,45,944
II. Inter-office adjustments (net)	-	-
III. Interest Accrued	39,28,987	24,46,418
IV. Provision for Taxation	1,23,378	-
V. Standard Asset provision (refer note 4.6 - schedule 18A)	9,32,063	5,64,000
VI. Others (including Provisions)	88,75,721	63,37,698
Total	1,42,41,113	98,94,060

SCHEDULE 6 : CASH AND BALANCES WITH RESERVE BANK OF INDIA

Particulars	₹ in '000	
	As at March 31, 2019	As at March 31, 2018
I. Cash in Hand (including Foreign Currency Notes - NIL)	11,59,935	9,24,148
II. Balances with Reserve Bank of India		
a. in Current Account	69,51,489	39,97,088
b. in Other Account	-	-
Total	81,11,424	49,21,236

SCHEDULE 7 : BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE

Particulars	₹ in '000	
	As at March 31, 2019	As at March 31, 2018
I. In India		
i) Balances with banks in		
(a) Current Accounts	60,781	3,55,731
(b) Other Deposit Accounts	13,29,729	36,86,181
ii) Money at call and short		
(a) with Banks	79,00,000	65,00,000
(b) with Other Institutions	-	21,49,039
Sub-Total	92,90,510	1,26,90,951
II. Outside India		
i) in Current Accounts	-	-
ii) in Other Deposit Accounts	-	-
iii) in Money at Call and Short Notice	-	-
Sub-Total	-	-
Total	92,90,510	1,26,90,951

Schedules

forming part of the Balance Sheet as at March 31, 2019

SCHEDULE 8 : INVESTMENTS

Particulars	₹ in '000	
	As at March 31, 2019	As at March 31, 2018
I. Investments in India in (net of Provision)		
i) Government Securities	4,85,77,966	2,23,89,212
ii) Other Approved Securities	-	-
iii) Shares	9,72,054	4,49,764
iv) Debentures and Bonds	52,11,308	11,06,124
v) Subsidiaries and /or Joint Venture	-	-
vi) Others [Units, Certificate of Deposits (CD), Commercial Paper (CP), Pass Through Certificates (PTC)]	1,68,55,383	65,60,844
Sub-Total	7,16,16,711	3,05,05,944
II. Investments outside India (net of provision)	-	-
Total	7,16,16,711	3,05,05,944

SCHEDULE 9 : ADVANCES

Particulars	₹ in '000	
	As at March 31, 2019	As at March 31, 2018
A		
i) Bills Purchased and Discounted	40,132	3,750
ii) Cash Credits Overdrafts and Loans repayable on Demand	2,69,63,986	1,51,08,760
iii) Term loans	20,11,83,190	11,80,08,797
Total	22,81,87,308	13,31,21,307
B		
i) Secured by Tangible Assets (includes advances against Book debts)	22,10,37,413	12,92,98,131
ii) Covered by Bank / Government Guarantees (includes Advance to Banks)	49,227	3,750
iii) Unsecured	71,00,668	38,19,426
Total	22,81,87,308	13,31,21,307
C. I Advances in India		
i) Priority Sectors*	16,18,83,819	9,26,80,087
ii) Public Sector	1,21,199	1,24,681
iii) Banks	34,74,960	3,07,181
iv) Others	6,27,07,330	4,00,09,358
Total	22,81,87,308	13,31,21,307
C. II Advances outside India	-	-
Total	22,81,87,308	13,31,21,307

*Priority sectors includes ₹ 5,331.75 crore (previous year : ₹ 7,806.25 crore), in respect of which the Bank has sold Priority Sector Lending Certificates (PSLC). During the year ended March 31, 2019, the Bank has bought PSLC amounting ₹ 7,470.00 crore (previous year : ₹ Nil), which is not included in above.

SCHEDULE 10 : FIXED ASSETS

Particulars	₹ in '000	
	As at March 31, 2019	As at March 31, 2018
I. Premises (including Land)		
Gross Block		
At Cost as on 31st March of the preceding year	96,129	96,129
Additions during the year	4,91,315	-
Deductions during the year	-	-
Sub-Total	5,87,444	96,129

Schedules

forming part of the Balance Sheet as at March 31, 2019

SCHEDULE 10 : FIXED ASSETS (CONTD.)

Particulars	(₹ in '000)	
	As at March 31, 2019	As at March 31, 2018
Depreciation		
As at 31st March of the preceding year	10,789	9,582
Add: charge during the year	4,662	1,207
Deductions during the year	-	-
Sub-Total	15,451	10,789
Net Block	5,71,993	85,340
II. Other Fixed Assets (including Furniture & Fixtures)		
Gross Block		
At Cost as on 31st March of the preceding year	45,17,467	5,62,150
Additions during the year	7,49,403	39,91,287
Deductions during the year	88,085	35,970
Sub-Total	51,78,785	45,17,467
Depreciation		
As at 31st March of the preceding year	7,99,026	2,88,904
Add: charge during the year	6,12,885	5,31,250
Deductions during the year	57,896	21,128
Sub-Total	13,54,015	7,99,026
Net Block	38,24,770	37,18,441
III. Capital Work in Progress	73,537	57,086
Total	44,70,300	38,60,867

SCHEDULE 11 : OTHER ASSETS

Particulars	(₹ in '000)	
	As at March 31, 2019	As at March 31, 2018
i) Inter-Office Adjustment (Net)	-	-
ii) Interest Accrued	25,97,211	12,54,340
iii) Tax paid in Advance / Tax Deducted at Sources (Net of Provisions)	1,00,684	1,32,197
iv) Deferred Tax Assets (Net)	1,09,466	1,37,085
v) Advance for expenses	1,04,809	1,05,057
vi) Security Deposits	2,48,225	2,22,212
vii) Others	13,91,317	13,76,531
Total	45,51,712	32,27,422

SCHEDULE 12 : CONTINGENT LIABILITIES

Particulars	(₹ in '000)	
	As at March 31, 2019	As at March 31, 2018
I. Claims against the Bank not acknowledged as Debts	4,56,490	3,37,534
II. Guarantees given on behalf of Constituents		
a) In India	16,75,157	11,48,324
b) Outside India	-	-
III. Acceptances Endorsements and Other Obligation	2,42,312	88,382
IV. Other items for which the Bank is Contingently Liable		
(a) Credit enhancements provided by the Bank towards assets assignment/securitisation	23,96,530	32,26,228
(b) Capital commitments not provided	1,46,909	2,76,633
(c) Other Guarantees	1,04,039	83,591
Total	50,21,437	51,60,692

Schedules

forming part of the Profit and Loss Account for the Year Ended March 31, 2019

SCHEDULE 13 : INTEREST EARNED

Particulars	Year Ended	
	March 31, 2019	March 31, 2018
I. Interest / Discount on Advances / Bills	2,34,80,144	1,24,27,687
II. Income on Investments	27,40,873	12,84,550
III. Interest on Balances with RBI and Other Inter-Bank Funds	4,60,699	4,16,664
IV. Others	28,06,638	35,42,998
Total	2,94,88,354	1,76,71,899

SCHEDULE 14 : OTHER INCOME

Particulars	Year Ended	
	March 31, 2019	March 31, 2018
I. Commission Exchange and Brokerage	31,82,389	16,44,288
II. Profit / (Loss) on sale of Investments (net)	2,21,200	3,82,051
III. Profit / (Loss) on sale of Land Building & Other Assets (net)	(14,428)	(6,041)
IV. Income earned by way of Dividends etc. from subsidiaries / associates and / or others in India	-	-
V. Miscellaneous Income (refer note 47- schedule 18A)	12,31,131	18,60,303
Total	46,20,292	38,80,601

SCHEDULE 15 : INTEREST EXPENDED

Particulars	Year Ended	
	March 31, 2019	March 31, 2018
I. Interest on Deposits	89,91,397	15,57,478
II. Interest on Reserve Bank of India /Inter Bank Borrowings	6,69,882	8,82,737
III. Others	64,02,233	58,27,070
Total	1,60,63,512	82,67,285

SCHEDULE 16 : OPERATING EXPENSES

Particulars	Year Ended	
	March 31, 2019	March 31, 2018
I. Payments to and Provision for Employees	60,11,107	42,48,908
II. Rent Taxes and Lighting	7,47,312	7,99,680
III. Printing and Stationery	95,131	1,07,696
IV. Advertisement and Publicity	2,16,900	1,02,207
V. Depreciation on Bank's Property	6,17,546	5,32,456
VI. Directors' fees- allowances and exp	8,591	7,902
VII. Auditors' Fee	9,998	9,324
VIII. Law charges (incl. Professional Fees)	1,65,040	1,21,618
IX. Postages Telegrams Telephones etc.	2,28,051	1,88,975
X. Repairs and Maintenance (include AMC)	7,60,513	3,94,729
XI. Insurance	98,357	28,316
XII. Direct marketing expenses (Payout expense)	6,87,056	4,01,171
XIII. Travelling & Conveyance	3,39,511	2,48,883
XIV. Other Expenditure	8,40,962	3,34,227
Total	1,08,26,075	75,26,092

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 17: BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

1. Background

AU Small Finance Bank Limited (formerly known as Au Financiers (India) Limited) ("AUSFBL" or "the Company" or "the Bank") is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956.

The Company had originally obtained its license from Reserve Bank of India ('RBI') to operate as a non-deposit accepting Non-Banking Financial Company (NBFC-ND) on November 7, 2000 vide certificate of registration no. B-10-00139.

The Company has changed its name to AU Small Finance Bank Limited with effect from April 13, 2017 and commenced its operations as a Small Finance Bank from April 19, 2017 pursuant to the approval received from the Reserve Bank of India dated December 20, 2016.

The Bank is engaged in providing a range of banking and financial services including retail banking, wholesale banking and treasury operations and other services. The Bank operates in India only and does not have presence in any foreign country.

The Bank is governed by the Banking Regulation Act, 1949, banking guidelines issued by RBI on Small Finance Bank 2016, and the Companies Act, 2013.

2. Basis of preparation

The financial statements have been prepared under the historical cost convention and on the accrual basis of accounting, unless otherwise stated and complying with the requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank which is used in the preparation of financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by RBI from time to time, the accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014, Companies (Accounting Standards) Amendment Rules, 2016 in so far as they apply to banks. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

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 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.

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 17: BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

The Bank has applied following provisioning rates:

Overdue buckets	% of provision as per Bank policy	
	(Secured)	(Unsecured)
0-90	As mentioned below	
91-180	15%	25%
181-364	30%	30%
365-455	60%	60%
456-729	60%	100%
>729	100%	100%
Loss asset	100%	100%

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advances / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of instalments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made and classification thereof is as per the extant RBI guidelines.

In accordance with RBI guidelines, the Bank has provided general provision on standard assets at levels stipulated by RBI from time to time - direct advances to sectors agricultural and SME at 0.25%, commercial real estate at 1.00%, restructured standard advances progressively to reach 5.00%, commercial real estate-residential housing at 0.75%, housing loans (which have adequate Loan to Value (LTV) ratio as prescribed by RBI) at 0.25% and for other sectors at 0.40%. Provision made against standard assets in accordance with RBI guidelines as above is disclosed separately under Other Liabilities and not netted off against Advances.

Provision for unhedged Foreign Currency Exposure of borrowers is made as per the RBI guidelines.

B. Securitisation and transfer of assets

The Bank securitises out its receivables to Special Purpose Vehicles ('SPVs') in securitisation transactions. Such securitised-out receivables are de-recognised in the Balance Sheet when they are sold (true sale criteria as defined in RBI circular being fully met) and consideration is received by the Bank. In respect of receivable pools securitised-out, the Bank provides liquidity and credit enhancements, as specified by the rating agencies, in the form of cash collaterals / guarantees and / or by subordination of cash flows in line with RBI guidelines. The Bank also acts as a servicing agent for receivable pools securitised-out.

The Bank enters into transactions for transfer of standard assets through the direct assignment of cash flows, which are similar to asset-backed securitisation transactions through the SPV route, except that such portfolios of receivables are assigned directly to the purchaser and are not represented by Pass Through Certificates ('PTCs').

The RBI issued addendum guidelines on securitisation of standard assets vide its circular dated May 7, 2012. Accordingly, the Bank does not provide liquidity or credit enhancements on the direct assignment transactions undertaken subsequent to these guidelines. The Bank amortises any profit received for every individual securitisation or direct assignment transaction based on the method prescribed in these guidelines.

The Bank enters into transactions for the sale or purchase of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Bank sells the fulfilment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfilment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 17: BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

is recorded as 'Miscellaneous Income' and the fee paid for purchase of the PSLCs is recorded as 'Other Expenditure' in the Profit and Loss Account. These are amortised on quarterly basis.

The Bank invests in PTCs issued by other SPVs. These are accounted for at the deal value and are classified as investments. The Bank also buys loans through the direct assignment route which are classified as advances. These are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised over the tenor of the loans.

C. Investments

Classification and valuation of the Bank's Investments is carried out in accordance with RBI and Fixed Income Money Market and Derivatives Association ('FIMMDA') guidelines issued in this regard from time to time.

(i) Classification

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into 'Held for Trading' ('HFT'), 'Available for Sale' ('AFS') and 'Held to Maturity' ('HTM') categories (hereinafter called "categories").

Investments, which the Bank intends to hold till maturity, are classified as HTM investments. Investments that are held principally for resale within a short period, including short sale, are classified as HFT investments. All other investments are classified as AFS investments.

For the purpose of disclosure in the financial statements, the investments are classified under six groups (hereinafter called "groups"):

- a) Government Securities;
- b) Other Approved Securities;
- c) Shares;
- d) Debentures and Bonds;
- e) Subsidiaries / Joint Ventures; and
- f) Other Investments.

All investments purchase and sale including equity shares are recorded under "Settlement Date" Accounting.

(ii) Acquisition cost

The cost of investments is determined on weighted average basis. Broken period interest on debt instruments and government securities are considered as a revenue item. The transaction costs including brokerage, commission, transaction/settlement charges etc. paid at the time of acquisition of investments are recognised in Profit and Loss Account.

(iii) Transfer between categories

Transfer of investments between categories, if any are considered in accordance with the extant RBI guidelines as follows:

- a) Transfer from AFS /HFT to HTM is made at the lower of book value or market value at the time of transfer;
- b) Transfer from HTM to AFS/HFT is made at acquisition price/book value if originally placed in HTM at par or at a discount and at amortised cost if originally placed in HTM at a premium;
- c) Transfer from AFS to HFT category or vice-versa is made at book value and the provision for the accumulated depreciation, if any, held is transferred to the provisions for depreciation against the HFT securities or vice-versa.

(iv) Valuation

Investments classified under HTM need not be marked to market and are carried at acquisition cost, unless it is more than face value, in which case the premium is amortised over the period remaining maturity by applying constant price method (Straight Line Method). Such amortisation of premium is adjusted against interest income under the head "Income on investments" as per the RBI guidelines.

Bank recognise any diminution, other than temporary, in the value of their investment under HTM category for each investment individually.

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 17: BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Investments classified as AFS and HFT are marked to-market on a periodic basis as per relevant RBI guidelines. The securities are valued scrip-wise and any depreciation / appreciation is aggregated for each category. Net appreciation in each category, if any, is ignored, while net depreciation is provided for. The book value of individual securities is not changed consequent to the periodic valuation of investments.

Treasury bills, commercial papers and certificates of deposit are valued at carrying cost including the pro rata discount accreted for the holding period.

Quoted investments are valued at traded/quoted price available on the recognised stock exchanges, subsidiary general ledger account transactions, price list of RBI or prices declared by Financial Benchmark India Pvt. Ltd ('FIBIL') jointly with Fixed Income Money Market and Derivatives Association (FIMMDA) applicable as at the balance sheet date. For deriving market value of unquoted fixed income securities (other than Central and State Government securities), yields / mark-up rates (reflecting associate credit risk) published by the FIMMDA is used. The market value of unquoted government securities which are in the nature of Statutory Liquidity Ratio ('SLR') securities included in the AFS and HFT categories is valued as per rates published by FIBIL/FIMMDA.

In case of unquoted bonds, debentures and preference shares where interest / dividend is received regularly (i.e., not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by Fixed Income Money Market and Derivatives Association of India (FIMMDA)/ Financial Benchmark India Pvt. Ltd ('FIBIL') and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity published by FIMMDA is adopted for this purpose.

Equity shares for which current quotations are not available or where the shares are not quoted on the stock exchanges, should be valued at break-up value (without considering 'revaluation

reserves', if any) which is to be ascertained from the company's latest balance sheet (which should not be more than one year prior to the date of valuation). In case the latest balance sheet is not available the shares are to be valued at ₹ 1 per company, as per relevant RBI guidelines.

Investment in mutual fund units are valued at latest available re-purchase price or Net Asset Value (where re-purchase price is not available) as declared by the Mutual Fund in respect of each particular scheme.

In case of funds with a lock-in period, where repurchase price/ market quote is not available, Units could be valued at Net Asset Value (NAV). If NAV is not available, then these could be valued at cost, till the end of the locking period. Wherever the re-purchase price is not available, the Units could be valued at the NAV of the respective scheme.

Units of Venture Capital Funds (VCF) held under AFS category are valued using the Net Asset Value (NAV) shown by VCF as per the financial statement. The VCFs are valued based on the audited results once in a year. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the aforesaid six groups, is charged to the Profit and Loss Account. The net appreciation, if any, in any of the six groups is not recognised except to the extent of depreciation already provided. The valuation of investments includes securities under repo transactions. The book value of individual securities is not changed after the valuation of investments.

Non-performing investments are identified and depreciation / provision are made thereon based on the RBI guidelines. The depreciation / provision on such non-performing investments are not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Profit and Loss Account until received.

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 17: BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(v) Disposal of investments

Profit / Loss on sale of investments under AFS and HFT categories are recognised in the Profit and Loss Account. Profit in respect of investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to Capital Reserve account as per RBI guidelines. Loss on sale from HTM will be recognised in the Profit and Loss account.

(vi) Investment Fluctuation Reserve

As per the RBI circular RBI/2017-18/147 DBR. No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018, to build up adequate reserves to protect against increase in yields in future, the Bank has created an Investment Fluctuation Reserve (IFR) to the extent of the lower of following:

- a) net profit on sale of investments during the year;
- b) net profit for the year less mandatory appropriations.

As per the RBI circular, this reserve will be created until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis and where feasible this should be achieved within a period of three year.

(vii) Repo and reverse repo transactions

Repurchase ('repo') and reverse repurchase ('reverse repo') transactions including liquidity adjustment facility (with RBI) accounted for as borrowing and lending transactions. Accordingly, securities given as collateral under an agreement to repurchase them are held under the investments of the Bank and the Bank is accruing the coupon/discount on such securities during the repo period.

Also, the Bank value the securities sold under repo transactions as per the investment classification of the securities. The difference between the clean price of the first leg and clean price of the

second leg is recognised as interest income/expense over the period of the transaction in the Profit and Loss Account.

D. Transactions involving foreign exchange

Initial recognition

Transactions in foreign currencies entered into by the Bank are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement at the Balance Sheet date

Foreign currency monetary items, if any, of the Bank, outstanding at the balance sheet date are restated at the rates prevailing at the year-end as notified by Foreign Exchange Dealers Association of India ('FEDAI'). Non-monetary items of the Bank are carried at historical cost.

Contingent liabilities on account of foreign exchange contracts, currency future contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

Treatment of Exchange differences

Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Bank are recognised as income or expense in the Profit and Loss Account.

E. Employee Benefits

Employee benefits include provident fund, gratuity and compensated absences.

Defined contribution plan:

The Bank's contributions to provident fund are considered as defined contribution plan and are charged as an expense as they fall due based on the amount of contribution required to be made when the services are rendered by the employees.

Defined Benefits Plan

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Profit and Loss Account in the period in which they

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 17: BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

occur. Past service cost is recognised immediately to the extent that the benefits are already vested while otherwise, it is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Short term Employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under:

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

Long term Employee benefits

The Bank accrues the liability for compensated absences based on actuarial valuation as at the Balance Sheet date conducted by an independent actuary which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation. The net present value of the Banks' obligation is determined using the Projected Unit Credit Method as at the Balance Sheet date. Actuarial gains/losses are recognised in the Profit and Loss Account in the year in which they arise.

Share based payments

The Employee Stock Option Schemes (ESOSs) of the Bank are in accordance with Securities and Exchange Board of India (Share Based Employee Benefits)

Regulations, 2014. The Schemes provide for grant of options on equity shares to employees of the Bank to acquire the equity shares of the Bank that vest in a cliff vesting or in a graded manner and that are to be exercised within a specified period.

In accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the Guidance Note on Accounting for Employee Share-based Payments, issued by The Institute of Chartered Accountants of India, the cost of equity-settled transactions is measured using the intrinsic value method. The intrinsic value being the excess, if any, of the fair market price of the share under ESOSs over the exercise price of the option 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.

The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion. In respect of the options which expire unexercised the balance standing to the credit of Employee's Stock Option (Grant) Outstanding accounts is transferred to Profit & Loss Account.

F. Revenue recognition

- i) Interest Income is 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.

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 17: BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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) Service charges, fees and commission income are recognised when due except for guarantee commission and letter of credit which is recognised over the period of the guarantee / letter of credit.
- iii) Income on discounted instruments are recognised over the tenure of the instrument on a constant yield basis.
- iv) Loan origination income i.e. processing fee and other charges are collected upfront and recognised at the inception of the loan.
- v) All other charges such as cheque return charges, legal charges, seizing charges, etc. are recognised on realisation basis. These charges are treated to accrue on realisation, due to the uncertainty of their realisation.
- vi) Dividend income is 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) **Assignment and Securitisation:**
 - a) *Income on assignment transactions done prior to RBI circular no. DBOD.No.BP.BC-103/21.04.177/2011-12 May 07, 2012.*
In case of assignment of loan assets and related receivables "at par", income is accounted for by applying the interest rate implicit in such assigned contracts as reduced by Internal Rate of Return (IRR) committed to the purchaser of loan assets.

b) *For transactions done after issuance of RBI circular no. DBOD.No.BP.BC-103/21.04.177/2011-12 May 07, 2012.*

Gains arising on securitisation of assets is recognised over the tenure of securities issued by SPV as per guidelines on securitisation of standard assets issued by RBI. Income from excess interest spread is accounted for net of losses when redeemed in cash. Expenditure in respect of securitisation (except bank guarantee fees for credit enhancement) is recognised upfront. Bank guarantee fees for credit enhancement is amortised over the tenure of the agreements. Income arising on direct assignment is recognised over the tenure of agreement on accrual basis.

- x) Amounts recovered against debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognised in the Profit and Loss Account.
- xi) Fees received on sale of Priority Sector Lending Certificates is recognised on proportionate basis during the financial year and considered as Miscellaneous Income, in accordance with the guidelines issued by the RBI.

G. Accounting for leases

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term is classified as operating leases. Operating lease rentals are recognised as an expense on straight-line basis over the lease period in accordance with the AS 19, Leases.

H. Taxation

Tax expenses comprises of current income tax and deferred tax.

Income tax

Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 17: BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in Profit and Loss Account.

Deferred taxes

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the Profit and Loss Account.

Deferred tax liabilities are recognised for all taxable timing differences. Deferred tax assets are recognised for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Bank has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

The carrying cost of the deferred tax assets are reviewed at each balance sheet date. The Company writes down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

I. Accounting for provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Bank does not recognize a contingent liability but discloses its existence in the financial statements. Contingent assets are neither recognised nor disclosed in the financial statements.

J. Earnings Per Share (EPS)

Basic and diluted earnings per share is computed in accordance with Accounting Standard-20 – Earnings per share.

Basic earnings per share is calculated by dividing the net profit or loss after tax for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the period.

For the purpose of calculating diluted earnings per share, the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

K. Cash and Cash Equivalents

Cash and Cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

L. Fixed Assets

Property, Plant and Equipment/ Software/ Capital work-in-progress/ Software under development,

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 17: BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Depreciation and Impairment

(i) Property, Plant and Equipment (PPE) and software

Property, Plant and Equipment and software are carried at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price and directly attributable cost of bringing the asset to its working condition for the intended use.

Gains or losses arising from derecognition of Property, Plant and Equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Profit and Loss Account when the asset is derecognized.

(ii) Depreciation on property, plant and equipment:

Leasehold land is amortised on a straight-line basis over the period of lease.

Depreciation on Property, Plant, Equipment and software is charged on a straight-line basis using the rates arrived at, based on the useful lives estimated by the management as given below. The useful 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 owned by the Bank	60
Addition to Leased Premises	10
Furniture and Fixtures	10
Vehicles	8
Software	4-7
Computer, Printers, servers and other office equipment	4-6
ATMs	10
Safe, Locker and locker gate	15

All fixed assets individually costing up to ₹ 5,000 /- are fully depreciated in the year of installation/ purchase as the management estimates the useful life of such assets as one year.

Depreciation on assets acquired/sold during the period is recognised on a pro-rata basis to the Profit and Loss Account from/upto the date of acquisition/sale.

The residual values, useful 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 flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

(iv) Capital work-in-progress/ Software under development

Costs incurred towards acquisition of assets, including expenses incurred prior to those assets being put to use and directly attributable to bringing them to their working condition are included under "Capital Work in Progress". Capital Work in Progress and Software under development are stated at the amount incurred up to the date of Balance Sheet.

M. Segment Reporting

Part A: Business segments

Business segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 17: BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

risks and returns, the organisation structure, the internal business reporting system and the guidelines prescribed by RBI. The Bank operates in the following segments:

(a) Treasury

The treasury segment primarily consists of net interest earnings from the Bank's investment portfolio, money market borrowing and lending and gains or losses on investment operations.

(b) Retail banking

The retail banking segment serves retail customers through a branch network and other delivery channels. This segment raises deposits from customers and provides loans and other services to customers with the help of specialist product groups. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are derived from interest earned on retail loans, fees from services rendered etc. expenses of this segment primarily comprise interest expense on deposits, commission paid to retail assets sales agents infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses of specialist product groups, processing units and support groups.

(c) Wholesale banking

The wholesale banking segment provides loans and transaction services to large corporates, 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, 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.

N. Share Issue Expenses

Share issue expenses are adjusted from Securities Premium Account as permitted by Section 52 of the Companies Act, 2013.

O. Accounting for Proposed Dividend

Dividend proposed/ declared including dividend distribution tax after the balance sheet date is accrued in the books of the Bank in the year in which the dividend is approved by the shareholders as per revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, dated 30 March 2016.

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

Amounts in notes forming part of the financial statements for the year ended March 31, 2019 are denominated in rupee crore to conform to extant RBI guidelines.

A. Disclosures as Laid Down by RBI Circulars

1 Capital Adequacy Ratio

The Capital adequacy ratio ("CAR") has been computed as per operating guideline for Small Finance Bank in accordance with RBI Circular No. RBI/2016-17/81DBR. NBD.No.26/16.13.218/2016-17 dated October 6, 2016.

The Bank has followed Basel II standardized approach for credit risk in accordance with the Operating Guideline issued by the Reserve Bank of India for Small Finance banks. Further, the RBI vide its circular No. DBR.NBD.No. 4502/16.13.218/2017-18 dated November 8, 2017 has provided an exemption to all small Finance banks whereby no separate capital charge is prescribed for market risk and operational risk.

The Bank has considered the Upfront Consideration received during the year for share warrant issued and the funds raised from the issuance of share capital as part of Tier I Capital for the purpose of computation of the Capital Adequacy Ratio as at March 31, 2019.

The total Capital Adequacy ratio of the Bank at March 31, 2019 is 19.31% (previous year: 19.31%) against the regulatory requirement of 15.00% as prescribed by RBI.

The Bank has also considered an additional Risk Weight of 25% on assets under lien for its "grandfathered" legacy borrowings as per instructions received from RBI. The Bank has reduced proposed dividend for computing Capital Adequacy Ratio at March 31, 2019.

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:

Sr. No. Particulars	₹ in Crore)	
	March 31, 2019	March 31, 2018
(i) Common Equity Tier 1 capital ratio (%)	15.96%	18.42%
(ii) Tier I capital ratio (%)	15.96%	18.42%
(iii) Tier II capital ratio (%)	3.35%	0.89%
(iv) Total Capital Ratio (CRAR) (%)	19.31%	19.31%
(v) Percentage of the shareholding of the Government of India in public sector banks	-	-
(vi) Amount of equity capital raised*	482.09	3.25
(vii) Amount of Additional Tier I capital raised; of which		
Perpetual Non Cumulative Preference Shares (PNCPS)	-	-
Perpetual Debt Instruments (PDI)	-	-
(viii) Amount of Tier II capital raised; of which		
Debt capital instruments:	500.00	-
Preferential capital instrument	-	-
Shares (PCPS)/Redeemable Non-Cumulative Preference Shares (RNCPS)/Redeemable Cumulative Preference Shares	-	-

*During the year ended March 31, 2019, the Bank has raised additional equity capital through a preferential allotment of 4,330,441 equity shares of ₹ 10 each at an issue price of ₹ 692.77 per share. Accordingly, the paid-up share capital of the Bank has increased by ₹ 4.33 Crore and the reserves of the Bank have increased by ₹ 295.67 Crore. Also the Bank allotted 10,104,364 convertible warrants, each convertible into one equity share of the Bank of face value ₹ 10 each, at an issue price of ₹ 692.77 per share aggregating to ₹ 700.00 Crore out of which ₹ 175.00 Crore (the "Upfront Consideration") has been received during the current year against allotment of warrant and the balance of ₹ 525.00 Crore (the "Balance Consideration") shall be received upon allotment of equity shares against such warrants pursuant to exercise of option by the warrant holder. The warrants are exercisable within 18 months from the date of allotment of warrants upon payment of the Balance Consideration. Further the Bank allotted 2,323,425 equity shares (previous year: 1,452,714 equity shares) aggregating to face value ₹ 2.32 crore (previous year: ₹ 1.45 crore) in respect of stock options exercised.

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

2 Investments

2.1 Detail of Investments

Particulars	(₹ in Crore)	
	March 31, 2019	March 31, 2018*
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	7,161.72	3,051.06
(b) Outside India	-	-
(ii) Provisions for Depreciation		
(a) In India	0.05	0.47
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	7,161.67	3,050.59
(b) Outside India	-	-
(2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	0.47	-
(ii) Add: Provisions made during the year	0.05	0.47
(iii) Less: Write off / write back of excess provisions during the year	0.47	-
(iv) Closing balance	0.05	0.47

*The Bank has not availed the dispensation provided by RBI circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018 on deferment of mark to market losses on investments classified as AFS/ HFT, and have provided for any depreciation fully as on March 31, 2018.

2.2 Repo Transactions

Details of repo / reverse repo deals (in face value terms) (Including LAF and TREPS) done during the year ended March 31, 2019

Particulars	(₹ in Crore)			
	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2019
Securities sold under repo:				
i. Government securities				
a. LAF Repo	-	275.00	12.07	275.00
b. Triparty Repo (TREPS)	-	268.06	12.43	-
ii. Corporate debt securities	-	-	-	-
Securities purchased under reverse repo:				
i. Government securities				
a. LAF Repo	-	575.00	45.19	510.00
b. Triparty Repo (TREPS)	-	-	-	-
ii. Corporate debt securities	-	-	-	-

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

Details of repo / reverse repo deals (in face value terms) (Including LAF and TREPS) done during the year ended March 31, 2018

(₹ in Crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2018
Securities sold under repo :				
i. Government securities				
a. LAF Repo	-	55.00	1.14	-
b. Triparty Repo (TREPS)	-	-	-	-
ii. Corporate debt securities	-	-	-	-
Securities purchased under reverse repo :				
i. Government securities				
a. LAF Repo	-	575.00	6.76	575.00
b. Triparty Repo (TREPS)	-	-	-	-
ii. Corporate debt securities	-	-	-	-

2.3 Non-SLR investment portfolio

i) Issuer composition of Non SLR investments

Issuer-wise composition of non-SLR investments as at March 31, 2019:

(₹ in Crore)

Sr. No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities*	Extent of 'Unlisted' Securities**
1	2	3	4	5	6	7
(i)	Public sector undertakings	645.69	447.16	-	-	-
(ii)	Financial institutions	971.03	335.14	-	-	-
(iii)	Banks	33.17	-	-	-	-
(iv)	Private corporates	246.74	98.70	-	-	-
(v)	Subsidiaries / Joint Ventures	-	-	-	-	-
(vi)	Others \$	407.29	407.29	-	-	-
(vii)	Provision held towards depreciation	(0.05)	(0.05)	-	-	-
Total		2,303.87	1,288.24	-	-	-

Amounts reported under column 4, 5, 6 and 7 above are not mutually exclusive.

* Excludes investments in equity shares in line with extant RBI guidelines.

** Excludes investments in equity shares, Pass Through Certificates (PTC) and Commercial Paper (CP) in line with extant RBI guidelines.

\$ Others include Investment in PTC.

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

Issuer-wise composition of non-SLR investments as at March 31, 2018:

Sr. No. Issuer		Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities*	Extent of 'Unlisted' Securities**
		(₹ in Crore)				
1	2	3	4	5	6	7
(i)	Public sector undertakings	49.91	-	-	-	-
(ii)	Financial institutions	341.23	44.98	-	-	-
(iii)	Banks	235.83	-	-	-	-
(iv)	Private corporates	49.54	-	-	-	-
(v)	Subsidiaries / Joint Ventures	-	-	-	-	-
(vi)	Others \$	135.32	135.32	-	-	-
(vii)	Provision held towards depreciation	(0.16)	-	-	-	-
Total		811.67	180.30	-	-	-

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), Commercial Paper (CP) and Certificate of Deposits (CD) in line with extant RBI guidelines.

\$ Others include Investment in PTC.

ii) Non performing Non-SLR investments

The Bank does not have any Non performing Non-SLR investment as on March 31, 2019 and March 31, 2018.

2.4 Details of investments category - wise (Net of Provision for Depreciation)

The details of investments held under the three categories viz. Held for Trading (HFT), Available for Sale (AFS) and Held to Maturity (HTM) are as under:

Particulars	As at March 31, 2019				As at March 31, 2018			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Government securities	5.08	965.40	3,887.31	4,857.79	-	519.23	1,719.69	2,238.92
Other approved securities	-	-	-	-	-	-	-	-
Shares	-	97.21	-	97.21	-	44.98	-	44.98
Debentures and bonds	-	521.13	-	521.13	-	110.61	-	110.61
Subsidiary/Joint ventures	-	-	-	-	-	-	-	-
Others*	-	1,685.54	-	1,685.54	-	656.08	-	656.08
Total	5.08	3,269.28	3,887.31	7,161.67	-	1,330.90	1,719.69	3,050.59

* Others Investment includes Certificate of Deposits amounting of ₹ NIL (previous year: ₹ 149.18 Crore), Commercial Papers of ₹ 1,278.30 Crore (previous year: ₹ 371.58 Crore) and PTC of ₹ 407.29 Crore (previous year: ₹ 135.32 Crore).

Figures Reported above are Net of Provision (Depreciation/NPI)

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

2.5 Sale and Transfers to / from HTM Category

During the year ended March 31, 2019 and the previous year ended March 31, 2018 the Bank has not sold and transferred securities to or from HTM category exceeding 5% of the book value of investment held in HTM category at the beginning of the year. The 5% threshold referred to above does not include onetime transfer of securities to/ from HTM category with the approval of Board of Directors permitted to be undertaken by banks as per extant RBI guidelines, sale of securities under pre-announced Open Market Operation (OMO) auction to the RBI and sale of securities or transfer to AFS / HFT consequent to the reduction of ceiling on SLR securities under HTM.

3 Derivatives / Exchange traded Interest derivatives / Risk exposures in derivatives

The bank has not entered into any derivative instruments for trading / speculative purposes either in Foreign Exchange or domestic treasury operations and Bank does not have any Forward Rate Agreement or Interest rate swaps during the year ended March 31, 2019 and March 31, 2018.

4 Asset Quality

4.1 Movement in NPAs (On fund based portfolio)

Particulars	(₹ in Crore)	
	March 31, 2019	March 31, 2018
(i) Net NPAs to Net Advances (%)	1.29%	1.27%
(ii) Movement of NPAs (Gross)		
Gross NPAs as on 1st April (opening balance)	269.74	124.51
Additions (Fresh NPAs) during the year	447.73	206.25
Sub-total (A)	717.47	330.76
Less:		
(i) Upgradations	175.20	42.34
(ii) Recoveries (excluding recoveries made from upgraded accounts)	52.50	12.75
(iii) Technical / Prudential Write-offs	-	-
(iv) Write-offs other than those under (iii) above	19.63	5.93
Sub-total (B)	247.33	61.02
Gross NPAs as on 31st March (closing balance) (A-B)	470.14	269.74
(iii) Movement of Net NPAs		
(a) Opening balance	169.34	80.46
(b) Additions during the year	316.53	134.84
(c) Reductions during the year	(191.37)	(45.96)
(d) Closing balance	294.50	169.34
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	100.40	44.04
(b) Provisions made during the year	131.22	71.41
(c) Write-offs / Write-back of excess provisions	(55.98)	(15.05)
(d) Closing balance	175.64	100.40

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

4.2 Disclosure on accounts subjected to restructuring for the year ended March 31, 2018:

Sr No	Type of Restructuring Asset Classification → Details ↓	Under CDR Mechanism			Under SME Debt Restructuring Mechanism			Others			Total		
		Standard	Sub-Standard	Loss	Standard	Sub-Standard	Loss	Standard	Sub-Standard	Loss	Standard	Sub-Standard	Loss
1	Restructured Accounts as on April 1 of the FY (opening figures)*	-	-	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year	-	-	-	-	-	-	-	7	1	-	8	-
	Amount outstanding	-	-	-	-	-	-	-	2.50	0.00	-	2.50	-
	Provision thereon	-	-	-	-	-	-	-	0.62	0.00	-	0.62	-
3	Upgradations to restructured standard category during the year	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year	-	-	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the year	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the year	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts as on March 31 of the year (closing figures)*	-	-	-	-	-	-	-	7	1	-	8	-
	Amount outstanding	-	-	-	-	-	-	-	2.50	0.00	-	2.50	-
	Provision thereon	-	-	-	-	-	-	-	0.62	0.00	-	0.62	-

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

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

4.3 Details of Financial Assets sold during the year to Securitisation / Reconstruction Companies (SC/RC)
During the year, there was no sale of non-performing financial assets to Securitisation Company / Reconstruction Company (Previous year Nil).

4.4 Details of book value of investment in security receipts (SRs) backed by NPAs
The Bank has not invested in security receipts during the year and previous year.

4.5 Details of non-performing assets purchased/sold
The Bank did not sell / buy non-performing assets during the year and previous year.

4.6 Provisions on Standard Assets

Particulars	(₹ in Crore)	
	March 31, 2019	March 31, 2018
Provision towards Standard Assets	93.21	56.40

5 Business Ratios

Particulars	March 31, 2019	March 31, 2018
i. Interest Income as a percentage to Working Funds	12.02%	13.66%
ii. Non interest income as a percentage to Working Funds	1.88%	3.00%
iii. Operating Profit as a percentage to Working Funds	2.94%	4.45%
iv. Return on Assets	1.48%	2.04%
v. "Business" (deposits plus advances) per employee (₹ in crore)	2.34	1.10
vi. Profit per employee (₹ in crore)	0.03	0.03

Definitions of certain items in Business ratios / information:

- Working funds to be reckoned as 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 (Previous Year: The Bank has received the schedule commercial bank license in the month of November 2017 and after that started reporting form X. For the period from April 2017 to October 2017 monthly average of total assets have been considered as working funds).
- Operating profit = (Interest Income + Other Income - Interest expenses - Operating expenses).
- Return on Assets has been calculated on average assets.
- "Business" is the total of average of net advances and deposits (net of inter-bank deposits).
- Productivity ratios are based on average employee numbers.

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system/reports and has been furnished by the Management which has been relied upon by the auditors.

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

6 Asset Liability Management

Maturity pattern of certain items of assets and liabilities

As at March 31, 2019

Particulars	(₹ in Crore)											
	Day 1	2 to 7 days	8 to 14 days	15-30 days	31 days & upto 2 months	More than 2 months and upto 3 months	Over 3 month & upto 6 month	Over 6 month & upto 1 year	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Deposits	45.95	691.48	495.99	911.62	1,733.71	1,739.14	2,099.08	4,482.04	6,955.77	253.52	14.14	19,422.44
Advances	8.54	332.72	168.46	394.94	654.47	518.75	1,326.14	2,736.79	8,598.92	3,632.66	4,446.34	22,818.73
Investments	1,048.15	347.44	502.80	465.69	684.38	602.81	677.33	1,193.67	1,408.25	47.88	183.27	7,161.67
Borrowings	0.73	0.05	327.50	203.29	133.84	100.30	1,150.61	1,492.90	4,028.59	675.55	500.00	8,613.36
Foreign Currency assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-	-	-	-

As at March 31, 2018

Particulars	(₹ in Crore)											
	Day 1	2 to 7 days	8 to 14 days	15-30 days	31 days & upto 2 months	More than 2 months and upto 3 months	Over 3 month & upto 6 month	Over 6 month & upto 1 year	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Deposits	18.49	302.95	411.74	95.71	508.24	717.43	820.10	1,456.39	3,470.21	104.33	17.73	7,923.32
Advances	10.82	168.81	211.29	173.13	255.29	325.37	681.36	1,469.13	5,253.29	2,074.70	2,688.94	13,312.13
Investments	353.85	168.93	140.94	169.62	218.46	277.47	209.35	346.94	951.22	160.40	53.41	3,050.59
Borrowings	326.27	10.15	14.00	90.73	24.07	145.89	901.01	939.23	4,038.21	1,149.30	-	7,638.86
Foreign Currency assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-	-	-	-

In computing the above information, certain estimates and assumptions have been made by the Bank's Management which have been relied upon by the auditors.

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

7 Exposures

7.1 Exposure to real estate sector

Category	(₹ in Crore)	
	March 31, 2019	March 31, 2018
(a) Direct exposure		
(i) Residential Mortgages-	116.35	1.64
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, 2019 ₹ 78.90 crore and as at March 31, 2018 ₹ 0.25 crore).		
(ii) Commercial Real Estate-	793.69	768.12
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.		
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures-		
(a) Residential	-	-
(b) Commercial Real Estate	-	-
Total (A)	910.04	769.76
(b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	394.63	389.58
Total (B)	394.63	389.58
Total Exposure to Real Estate Sector (A+B)	1,304.67	1,159.34

Of the loans given against the mortgage of any real estate, only those loans have been classified as an exposure to commercial real estate, the prospects for repayment in respect of which depend primarily on the cash flows generated by such mortgaged asset.

7.2 Exposure to Capital Market

Particulars	(₹ in Crore)	
	March 31, 2019	March 31, 2018
(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.	97.21	44.98
(ii) Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity oriented mutual funds.	-	-
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security.	-	-
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds ₹ does not fully cover the advances.	16.12	-
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers.	-	-

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

7.2 Exposure to Capital Market (contd.)

Particulars	(₹ in Crore)	
	March 31, 2019	March 31, 2018
(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	113.33	44.98

7.3 Details of risk category wise country exposure

The Bank does not have any country risk exposure other than "home country exposures" and accordingly, no provision is maintained with regard to country risk exposure (previous year Nil).

7.4 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the bank

During the year ended March 31, 2019 and March 31, 2018, the Bank has not exceeded the prudential credit exposure limit as prescribed by the Reserve Bank of India in respect of Single Borrower and Group Borrowers.

7.5 Unsecured Advances

The Bank has not extended any advances where the collateral is an intangible asset such as a charge over rights, licenses, authorisations, etc. (previous year Nil). The unsecured advances of ₹ 710.07 crore (previous year: ₹ 381.94 crore) as disclosed in Schedule 9 are without any collateral security.

8 Penalties levied by the RBI

No penalty has been levied on the Bank by RBI during the year ended March 31, 2019 and March 31, 2018.

9 Breakup of "Provisions and Contingencies" recognised in the Profit and Loss Account comprise:

Sr No.	Particulars	(₹ in Crore)	
		March 31, 2019	March 31, 2018
(i)	Provision for Non performing advances	75.24	56.35
(ii)	Provision for Depreciation on Investments	(0.42)	0.47
(iii)	Provision for Income Tax	195.56	153.08
(iv)	Provision for Deferred Tax	2.76	(1.77)
(v)	Non performing Advances written off	28.47	39.43
(vi)	Provision on Standard Advances	36.81	33.57
(vii)	Other Provision and Contingencies	1.68	2.74
	Total Provisions and Contingencies	340.10	283.87

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

10 Floating provision

Particulars	(₹ in Crore)	
	March 31, 2019	March 31, 2018
(a) Opening balance in the floating provisions account	-	-
(b) The quantum of floating provisions made in the accounting year	-	-
(c) Amount of draw down made during the accounting year	-	-
(d) Closing balance in the floating provisions account	-	-

11 Draw down from reserves

There has been no draw down from reserves during the year ended March 31, 2019 and March 31, 2018 other than those disclosed under Schedule 2.

12 Disclosure for Customer Complaints

(A) Status of Customer Complaints

Particulars	March 31, 2019	March 31, 2018
No. of complaints pending at the beginning of the year	121	0
No. of complaints received during the year	28911	10448
No. of complaints redressed during the year	28137	10327
No. of complaints pending at the end of the year	895	121

Includes complaints received from Banking Ombudsman (BO) and out of 895 pending complaints, all redressed before Board meeting except 62 complaints.

(B) Status of Awards passed by the Banking Ombudsman (BO)

Particulars	March 31, 2019	March 31, 2018
No. of unimplemented Awards at the beginning of the year	Nil	Nil
No. of Awards passed by the Banking Ombudsmen during the year	Nil	Nil
No. of Awards implemented during the year	Nil	Nil
No. of unimplemented Awards at the end of the year	Nil	Nil

The above details are as furnished by the Management and relied upon by the Auditors.

13 Disclosure of Letters of Comfort (LoC) issued by the Bank

The Bank has not issued any Letter of Comfort during the period ended March 31, 2019 and March 31, 2018.

14 Provisioning Coverage Ratio

The Provision Coverage Ratio (PCR) (excluding Standard Provision) of the Bank is 37.36% as at March 31, 2019 (previous year: 37.22%).

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

15 Bancassurance Business

Commission, Exchange and Brokerage in Schedule 14 include the following fees earned on Bancassurance business:

Nature of Income	(₹ in Crore)	
	March 31, 2019	March 31, 2018
Towards selling of life insurance policies	16.03	-
Towards selling of non life insurance policies	9.85	2.00
Towards selling of mutual fund products	0.70	0.13

16 Concentration of deposits, advances, exposures and NPAs

(i) Concentration of Deposits

Particulars	(₹ in Crore)	
	March 31, 2019	March 31, 2018
Total Deposits of twenty largest depositors*	4,854.83	3,242.08
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	25.00%	40.92%

*Includes certificate of deposits

(ii) Concentration of Advances

Particulars	(₹ in Crore)	
	March 31, 2019	March 31, 2018
Total Advances to twenty largest borrowers	1,289.56	1,108.90
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	5.72%	8.34%

Advances comprise credit exposure (funded and non-funded credit limits).

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system which has been relied upon by the auditors.

(iii) Concentration of Exposures

Particulars	(₹ in Crore)	
	March 31, 2019	March 31, 2018
Total Exposure to twenty largest borrowers / customers	2,071.66	1,365.57
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the bank on borrowers / customers	8.33%	9.68%

Exposures comprise credit exposure (funded and non-funded credit limits) including investment exposure.

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system which has been relied upon by the auditors.

(iv) Concentration of NPAs

Particulars	(₹ in Crore)	
	March 31, 2019	March 31, 2018
Total Exposure to top four NPA accounts	26.25	18.30

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

17 Sector wise advances

(₹ in Crore)

Sr. No.	Sector	March 31, 2019		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
A	Priority Sector*			
1	Agriculture and allied activities	3,227.80	73.86	2.29%
2	Advances to industries sector eligible as priority sector lending	1,490.30	24.99	1.68%
	Engineering	236.90	4.69	1.98%
	Gems and Jewellery	248.66	2.03	0.82%
	Infrastructure	321.73	2.23	0.69%
3	Services	11,529.05	303.98	2.64%
	Transport Operators	2,634.88	78.23	2.97%
	Trade	5,090.90	141.40	2.78%
4	Personal loans**	91.05	-	0.00%
	Sub-total (A)	16,338.20	402.83	2.47%
B	Non Priority Sector			
1	Agriculture and allied activities	-	-	0.00%
2	Industry	18.06	0.06	0.31%
	Engineering	3.42	-	0.00%
	Gems and Jewellery	0.18	0.00	1.04%
	Infrastructure	2.86	0.02	0.70%
3	Services	4,175.49	41.93	1.00%
	Transport Operators	137.36	5.01	3.65%
	Trade	224.64	11.90	5.30%
	Non-Banking Financial Companies	2,712.78	-	0.00%
4	Personal loans	2,462.62	25.32	1.03%
	Vehicle Loans	1,551.24	19.50	1.26%
	Sub-total (B)	6,656.17	67.31	1.01%
	Total (A+B)	22,994.37	470.14	2.04%

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

17 Sector wise advances (Contd.)

Sr. No.	Sector	March 31, 2018		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
(₹ in Crore)				
A	Priority Sector*			
1	Agriculture and allied activities	1,492.84	45.77	3.07%
2	Advances to industries sector eligible as priority sector lending	599.52	16.75	2.79%
	Gems and Jewellery	114.69	0.50	0.44%
	Basic Metal and Metal Products	126.14	1.50	1.19%
3	Services	7,264.76	182.11	2.51%
	Transport Operators	1,543.05	43.40	2.81%
	Trade	3,617.83	95.87	2.65%
4	Personal loans**	0.25	-	0.00%
	Sub-total (A)	9,357.37	244.63	2.61%
B	Non Priority Sector			
1	Agriculture and allied activities	-	-	0.00%
2	Industry	8.57	-	0.00%
	Gems and Jewellery	6.24	-	0.00%
	Basic Metal and Metal Products	0.53	-	0.00%
3	Services	3,050.08	23.39	0.77%
	Transport Operators	113.76	2.92	2.57%
	Trade	78.03	2.99	3.84%
	Non-Banking Financial Companies	1,529.51	-	0.00%
4	Personal loans	996.50	1.72	0.17%
	Vehicle Loans	674.51	-	0.00%
	Sub-total (B)	4,055.15	25.11	0.62%
	Total (A+B)	13,412.52	269.74	2.01%

*Priority sector outstanding total advances includes ₹ 5,331.75 crore (previous year : ₹ 7,806.25 crore), in respect of which the Bank has sold Priority Sector Lending Certificates (PSLC).

During the year ended March 31, 2019, the Bank has bought PSLC amounting ₹ 7,470.00 crore (previous year : ₹ Nil), which is not included in above disclosure.

**Personal loan includes Housing loans.

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system/reports, which has been furnished by the Management and has been relied upon by the auditors.

18 Technical or prudential write-offs

Technical or prudential write-offs refer to the amount of non-performing assets which are outstanding in the books of the branches, but have been written-off (fully or partially) at the head office level. The financial accounting systems of the Bank are integrated and there are no write-offs done by the Bank which remain outstanding in the books of the branches. Movement in the stock of technically or prudentially written-off accounts is given below:

Particulars	March 31, 2019		March 31, 2018	
Opening balance of technical / prudential write-offs	-	-	-	-
Technical / Prudential write-offs during the year	-	-	-	-
Sub-total (A)	-	-	-	-
Recoveries made from previously technically / prudentially written-off accounts during the year (B)	-	-	-	-
Closing balance of technical / prudential write-offs [(A)-(B)]	-	-	-	-

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

19 Overseas assets, NPAs and revenue

The Bank does not have any overseas branches and hence the disclosure regarding overseas assets, NPAs and revenue is not applicable (previous Year : Nil).

20 Off Balance Sheet SPVs sponsored

There are no Off-Balance Sheet SPVs sponsored by the Bank, which need to be consolidated as per accounting norms.

21 Disclosures on remuneration

A. Qualitative Disclosures:

a) Information relating to the composition and mandate of the Remuneration Committee:

In compliance of Companies Act 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Banking Regulation Act 1949 and other guidelines as applicable, the Board of Directors through its Nomination and Remuneration Committee (NRC) of the Board oversees the framing, review and implementation of the Compensation policy of the Bank, on behalf of the Board. This committee works in co-ordination with Risk Management Committee of the Bank, in order to achieve effective alignment between risk and remuneration. The Nomination and Remuneration Committee consist of Non-Executive Directors and constitution of the committee is as follows:

- Mr. Krishan Kant Rathi - Independent Director (Chairman)
- Mr. Mannil Venugopalan - Independent Director
- Ms. Jyoti Narang - Independent Director
- Mr. Narendra Ostawal - Non- Executive Director

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 which will lay down the criteria for remuneration of Directors, Key Management Personnel (KMPs) and Senior Management personnel (SMPs) and other employees and take inputs from the Risk Management Committee of the Board to ensure balance

between remuneration and risks as required is in place.

It shall ensure that the mix of cash, equity and other forms of compensation must be consistent with risk alignment and objectives of the Bank.

- (ii) Lay down the comprehensive criteria for assessment in terms of qualifications, positive attributes, independence, professional experience, track record, integrity and in view of other parameters for appointment of Directors, KMPs and SMPs.
- (iii) Develop policies and lay down criteria for appointment/removal/reappointment of the directors of the Board capturing the statutory and regulatory requirements.
- (iv) Assist in defining the performance evaluation criteria for Directors and other KMPs and ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- (v) Ensure that the compensation policy formulated for remuneration of Directors, KMPs and SMPs is reasonable and sufficient to attract, retain and motivate quality talent required to run the Bank.
- (vi) Ensure Bank's compensation policy provides a fair and consistent basis for motivating and rewarding employees appropriately according to their performance, job profile, their contribution, skill and competence and also review compensation levels of the Bank's employees vis-à-vis other banks and the banking industry in general.
- (vii) Ensure that the compensation for directors, KMPs, SMPs is a mix of fixed & variable pay and such compensation that reflects short and long term performance objectives appropriate to the working and the goals of the Bank.

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

- (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.
- (x) Assessing the integrity, suitability, financial position, cross check of any criminal records, civil actions undertaken, refusal of admission to or expulsion from professional bodies, sanctions applied by regulators or similar bodies and previous questionable business practice that are considered for a candidate.
- (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;
- (f) Formulation of the criteria for determining qualifications, positive attributes and independence of a Directors and Formulate the criteria for evaluation of performance of all the Directors on the Board, KMPs and SMPs.

The remuneration process is aligned to Bank's compensation Policy

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

Objectives of Compensation Policy:

- Ensure compliance with applicable laws, rules and regulations as well as 'Fit and Proper criteria' of directors before their appointment.
- Establish standards on compensation/remuneration including fixed and variable, which are in alignment with the applicable rules and regulations and is based on the trends and practices of remuneration prevailing in the industry.
- Retain, motivate and promote talent and to ensure long term sustainability of talented KMP, SMP and other employees.
- Define internal guidelines for payment of perquisites to the directors and KMP.
- 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) 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 operations of the Bank are taken into consideration in devising the remuneration structure and it is symmetric to the risk outcomes.
- (ii) Compensation pay out is scheduled in manner where sensitivity to time horizon of risks is taken into consideration in the review process.
- (iii) Individual performance is reviewed on the basis of Key Responsibility Areas (KRAs) and the same is carried out under the annual performance review (APR) of the Bank.
- (iv) Industry Benchmarking, inflation and increase of cost of living.

In addition, remuneration process includes a 'malus' and 'clawback' option to take care of any disciplinary issue or future drop in performance of individual/ business/ Bank.

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

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

Individual performances are assessed in line with business/ individual delivery of the Key Result Areas (KRAs), top priorities of business and budgets etc. One of the key factor to be considered for annual performance evaluation is the goal sheet built in Human Capital Management Software (HCMS).

In linking the performance and level of remuneration the job levels, business budgets, risk factors, achievement of individual KRAs are taken into consideration for taking decision in this regard.

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

Employees are classified into following three categories for the purpose of remuneration:

Category I: Whole Time Directors (WTD)/Chief Executive Officer (CEO)

Category II: Risk Control and Compliance Staff

Category III: Other Categories of Staff

Category I

The compensation for all Category 1 employees is approved by the Nomination and Remuneration committee & RBI and the variable pay shall not exceed 70% of the fixed pay.

Category II

The compensation shall be subject to several factors while assessing the remuneration structure of employees with judicious mix of fixed and variable pay in line with industry practices. Key Result Areas (KRAs) of the executives, risk factors, performance vis-a-vis targets will be given suitable weightage for deciding the variable pay and considering principles laid down under compensation policy.

Category III

The employees of the Bank are being appointed by the Human Capital Management team of the Bank. The remuneration structure of employees

with judicious mix of fixed and variable pay in line with industry practices.

For adjusting deferred remuneration before and after vesting:

The Bank's compensation policy provides for following in the event of negative contributions malus arrangement wherein Bank shall withhold vesting of amount of deferred remuneration and clawback arrangement wherein ED's shall be liable to return previously paid or vested remuneration to the Bank as per the applicable provisions/ guidelines stipulated by RBI.

Malus: Payment of all or part of amount of deferred variable pay can be prevented, this shall be applicable in case of:

- (i) Disciplinary Action (at the discretion of the Disciplinary Committee) and/ or
- (ii) Significant drop in performance of Individual/ Business (at the discretion of the Nomination & Remuneration Committee).
- (iii) Resignation of staff prior to the payment date

Clawback: Previously paid or already vested deferred variable pay may be recovered under this clause. This clause will be applicable in case of Disciplinary Action (at the discretion of the Disciplinary Action Committee and approval of the Nomination & Remuneration Committee).

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

The Bank remuneration structure is Mix of Fixed Pay, Variable Pay & Deferred compensation methodology, which is reflective of the commitment and philosophy of creating and sharing wealth with the employees. The Variable pay is decided considering risk factors, job profile, level of performance and industry norms to ensure that employee morale is high and to promote consistency in performance over the time horizon. The break up of remuneration is the follows:

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

Fixed Remuneration: It consists of Basic Salary, House Rent Allowance, conveyance, other allowances and perquisites.

Variable Remuneration: Variable Remuneration is paid as a percentage of Fixed pay, depending upon the performance of the Employees against set key responsibility/results areas (KRAs).

Employee Stock Option: ESOPs are being given to the Executive Directors, KMPs, SMPs and other employees on the basis of their performance against set KRAs, responsibilities, and vintage with the organization.

B. Quantitative Disclosures:

a) Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.

During year ended March 31, 2019, 6 meetings of Nomination and Remuneration committee was held. Each Member of the Nomination and Remuneration committee is paid a sitting fee of ₹ 20,000 per meeting attended.

b) Number of employees having received a variable remuneration award during the financial year.

1 KMP and 5 Senior Management Personnels as risk takers were paid the variable remuneration during the year.

c) Number and total amount of sign-on awards made during the financial year. - Nil (previous year Nil)

d) Details of guaranteed bonus, if any, paid as joining / sign on bonus. - Nil (previous year Nil)

e) Details of severance pay, in addition to accrued benefits, if any. - Nil (previous year Nil)

f) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.

Cash - Nil (previous year Nil)

Outstanding ESOPs as at March 31, 2019 - 27,56,429 equity shares (previous year 35,82,644 equity shares)

g) Total amount of deferred remuneration paid out in the financial year.

Cash - NIL

ESOPs - 1,308,217 Equity Shares exercised (previous year 888,011 Equity Shares exercised).

h) Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non deferred.

Total fixed salary for the year ended March 31, 2019 - ₹ 7.26 Crores (previous year ₹ 5.58 crore).

Deferred Variable Pay

ESOPs - 5,47,200 equity shares (previous year 30,601 equity shares)

Variable Pay for Mr. Sanjay Agarwal, MD & CEO of ₹ 0.45 Crore for the year FY 2017-18 was approved by Nomination & remuneration committee & Board which is pending with RBI for its approval and no variable pay is proposed for performance of FY 2018-19.

Variable Pay for Mr. Uttam Tibrewal, WTD of ₹ 0.91 Crore, ₹ 0.65 Crore & ₹ 0.75 Crore for the year FY 2016-17, FY 2017-18 and FY 2018-19 was approved by Nomination & remuneration committee & Board, the approval of the same from RBI is awaited.

Non Deferred variable pay

Remuneration award paid during for the year ended March 31, 2019 ₹ 1.50 crore was related to FY 2017-18 and remuneration award for the FY 2018-19 is pending for approval at remuneration committee or RBI (previous Year ₹ 2.30 crore was related to FY 2016-17).

10,00,000 ESOPs under ESOP Scheme 2018 were granted to Mr. Uttam Tibrewal, WTD during the year FY 2018-19 and the same are subject to RBI approval, earlier for FY 2017-18 38,702 ESOPs under ESOP Scheme 2015 - Plan A & 10,18,758 ESOPs Under ESOP Scheme 2015 - Plan B were granted and approval from RBI is pending.

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

- i) *Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments - Nil*
- j) *Total amount of reductions during the financial year due to ex- post explicit adjustments.- Nil*
- k) *Total amount of reductions during the financial year due to ex- post implicit adjustments. - Nil*

22 Credit default swaps

The Bank has not transacted in credit default swaps during the period ended March 31, 2019, (previous year: Nil).

23 Intra-Group exposure

The Bank does not have any exposure (advances/investments) within the group, (previous year: Nil).

24 Transfers to Depositor Education and Awareness Fund (DEAF)

During the year ended March 31, 2019 and March 31, 2018 the Bank was not required to transfer any amount to Depositor Education and Awareness Fund.

25 Unhedged foreign currency exposure

As of March 31, 2019, there is no unhedged foreign currency exposure, (previous year: Nil).

26 Disclosures relating to Securitisation

(i) Information of assignment/securitisation activity as an originator:

Particulars	Year ended	
	March 31, 2019	March 31, 2018
Total number of loan assets assigned/securitized (in Nos.)	-	20,351
Total book value of loan assets assigned/securitized	-	802.30
Sale consideration received for loan assets assigned/securitized	-	802.30
Income recognised in Profit and Loss Account (incl. income on MRR)	159.84	302.95

(ii) Information with respect to outstanding credit enhancements and liquidity support:

Particulars	Transactions at PAR		Transactions at PREMIUM	
	As at	As at	As at	As at
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Outstanding credit enhancements (first loss):				
Corporate guarantee	-	-	5.81	5.81
Cash collaterals (placed as bank deposits)	99.75	136.90	0.23	0.23
Outstanding credit enhancements (second loss):				
Guarantees provided by banks on behalf of the Bank *	138.27	185.46	-	-
Cash collateral placed in lieu of bank guarantee	-	-	-	-
Liquidity facility (utilised)	24.43	32.44	-	-
Liquidity facility (unutilised)	1.40	2.06	-	-

* Cash margins / deposits pledged with the banks, is NIL (previous year ₹ 1.82 crore), have not been netted off.

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

(iii) Disclosure as per RBI guidelines for securitisation transactions:

Particulars	(₹ in Crore)	
	As at March 31, 2019	As at March 31, 2018
No. of SPVs sponsored by the Bank for securitisation transactions (in Nos.)	26	37
Total amount of securitised assets as per books of the SPVs sponsored by the Bank (outstanding as on balance sheet date)	876.74	2,009.10
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	-	-
Others	-	-
b) On balance sheet exposures		
First Loss	99.75	136.90
Others	59.35	135.32
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*)	138.27	185.46
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	-	-

* Cash margins / deposits pledged with the banks, is NIL (previous year ₹ 1.82 crore), have not been netted off.

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

27 Liquidity Coverage ratio (LCR)

i) Quantitative disclosure on Liquidity Coverage Ratio (LCR) for period ended March 31, 2019:

(₹ in Crore)

Particular	Quarter ended March 31, 2019		Quarter ended December 31, 2018		Quarter ended September 30, 2018		Quarter ended June 30, 2018	
	Total Unweighted Value (average)	Total Weighted Value (average)	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)		3,811.74		3,034.42		2,205.42		1,671.12
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:								
(i) Stable deposits	760.21	38.01	657.44	32.87	561.97	28.10	456.19	22.81
(ii) Less stable deposits	4,380.32	438.03	3,388.19	338.82	2,623.55	262.35	1,987.79	198.78
3 Unsecured wholesale funding, of which:								
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non operational deposits (all counterparties)	5,137.36	3,886.14	4,535.92	3,307.09	3,310.51	2,270.90	2,512.27	1,782.26
(iii) Unsecured debt	497.05	497.05	214.91	214.91	403.41	403.41	324.33	324.33
4 Secured wholesale funding		16.67		-		19.57		3.30
5 Additional requirements, of which :								
(i) Outflows related to derivative exposures and other collateral requirements								
(ii) Outflows related to loss of funding on debt products								
(iii) Credit and liquidity facilities								
6 Other contractual funding obligations	423.77	423.77	276.73	276.73	303.81	303.81	270.04	270.04
7 Other contingent funding obligations	2,145.08	100.23	1,822.23	83.48	1,460.15	66.02	1,316.84	58.87
8 Total Cash Outflows		5,399.90		4,253.90		3,354.16		2,660.39
Cash Inflows								
9 Secured lending (e.g. reverse repos)	45.13	-	65.03	-	43.36	-	26.56	-
10 Inflows from fully performing exposures	1,518.77	1,340.21	1,465.87	1,303.73	1,405.35	1,260.68	1,167.06	1,029.46
11 Other cash inflows	272.42	136.21	266.62	133.31	223.98	111.99	207.56	103.78
12 Total Cash Inflows		1,476.42		1,437.04		1,372.67		1,133.24
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
13 Total HQLA		3,811.74		3,034.42		2,205.42		1,671.12
14 Total Net Cash Outflows		3,923.48		2,816.86		1,981.49		1,527.15
15 Liquidity Coverage Ratio (%)		97%		108%		111%		109%

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

i) Quantitative disclosure on Liquidity Coverage Ratio (LCR) for period ended March 31, 2018:

(₹ in Crore)

Particular	Quarter ended March 31, 2018		Quarter ended December 31, 2017		Quarter ended September 30, 2017		Quarter ended June 30, 2017	
	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)		1,327.86		1,181.23		950.62		825.84
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:								
(i) Stable deposits	342.44	17.12	225.24	11.26	114.13	5.71	22.17	1.11
(ii) Less stable deposits	1,474.05	147.41	941.41	94.14	474.98	47.50	78.69	7.87
3 Unsecured wholesale funding, of which:								
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non operational deposits (all counterparties)	1,619.08	1,173.70	1,073.82	858.42	704.71	590.53	316.55	207.97
(iii) Unsecured debt	326.22	326.22	341.49	341.49	388.99	388.99	179.41	179.41
4 Secured wholesale funding		16.11		-		23.78		71.88
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	280.72	280.72	255.00	255.00	299.24	299.24	255.22	255.22
7 Other contingent funding obligations	871.81	39.64	431.35	20.59	319.98	15.80	233.98	11.70
8 Total Cash Outflows		2,000.92		1,580.90		1,371.55		735.16
Cash Inflows								
9 Secured lending (e.g. reverse repos)	18.67	-	6.74	-	-	-	-	-
10 Inflows from fully performing exposures	775.83	646.85	868.92	749.08	1,134.76	1,020.56	1,201.28	1,089.72
11 Other cash inflows	187.91	93.95	174.30	87.15	156.71	78.35	180.21	90.11
12 Total Cash Inflows		740.80		836.23		1,098.91		1,179.83
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
13 Total HQLA		1,327.86		1,181.23		950.62		825.84
14 Total Net Cash Outflows		1,260.11		744.67		342.89		183.78
15 Liquidity Coverage Ratio (%)		105%		159%		277%		449%

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

ii) Qualitative disclosure on Liquidity Coverage Ratio (LCR):

To assess Bank's resilience in liquidity stress scenario of 30 days with its high-quality liquid assets, Banks need to compute Liquidity Coverage Ratio (LCR) as per RBI - Basel III Framework on Liquidity Standards. High Ratio signifies Bank has enough liquid assets which it can use to fulfil its liquidity obligations in acute stress scenario. Ratio to compute as below

$$\text{LCR} = \frac{\text{Stock of High Quality Liquid Assets (HQLA)}}{\text{Net Cash Outflows over a 30 days period}}$$

Stock of High Quality Liquid Asset is total funding liquid assets could generate in stress scenario. Net Cash outflows is the difference as derived by multiplying the outstanding balances of various categories or types of liabilities by the outflow run-off rates and cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in.

Minimum Requirement for Small Finance Banks (as per operating guidelines for Small Finance Banks RBI/2016-17/81 DBR. NBD.No.26/16.13.218/2016-17 dated Oct 06, 2016) is as below:

Till December 31, 2017	By January 1, 2018	By January 1, 2019	By January 1, 2020	By January 1, 2021
60%	70%	80%	90%	100%

The Bank has implemented LCR framework and has consistently maintained the LCR percentage well above the regulatory threshold limit. The average LCR for the quarter ended March 31, 2019 was 97% which is above the regulatory limit of 80%. For the quarter ended March 31, 2019 HQLA stood at ₹ 3,812 Crores.

Asset Liability Committee (ALCO) of the Bank is the primary governing body for Liquidity Risk Management, Treasury is entrusted with the responsibility, under the guidance of the ALCO operationalizing liquidity management within the Bank. ALM Risk unit independently measures, monitors & report Liquidity Risk as per regulatory & internal guidelines.

In computing the above information, certain estimates and assumptions have been made by the Bank's Management which have been relied upon by the auditors.

28 Divergence in the asset classification and provisioning

RBI vide its circular DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 and Notification dated 1st April 2019, has directed banks shall make suitable disclosures, if either or both of the following conditions are satisfied:-

- 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.

There has been no material divergence observed by RBI for the financial year 2017-18 in respect of the Bank's asset classification and provisioning under the extant prudential norms on income recognition asset classification and provisioning (IRACP) which require such disclosures.

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

29 Details of Priority Sector Lending Certificates (PSLCs)

Type of PSLCs	For the year ended March 31, 2019		For the year ended March 31, 2018	
	PSLC bought	PSLC sold	PSLC bought	PSLC sold
	(₹ in Crore)			
Agriculture	1,750.00	275.00	-	542.50
Small and Marginal farmers	1,105.00	600.00	-	645.00
Micro Enterprises	-	2,409.75	-	1,807.50
General	4,615.00	2,047.00	-	4,811.25
Total	7,470.00	5,331.75	-	7,806.25

30 Provision pertaining to fraud accounts

Particulars	(₹ in Crore)	
	March 31, 2019	March 31, 2018
No. of frauds reported during the year	33	10
Amount involved in fraud	0.64	3.83
Amount involved in fraud net of recoveries / write-offs as at the end of the year	0.28	3.69
Provisions held as at the end of the year	0.28	3.69
Amount of unamortised provision debited from "other reserves" as at the end of the year	0.00	0.00

31 Provision for credit card and debit card reward points

The Bank is not providing any reward points on cards.

32 Description of contingent liabilities

Sr. No.	Contingent liability*	Brief description
1	Claims against the Bank not acknowledged as debts	The Bank is a party to various legal and tax proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.
2	Guarantees on behalf of constituents	As a part of its Banking activities, the Bank issues guarantees on behalf of its customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of customer failing to fulfill its financial or performance obligations.
3	Acceptances, endorsements and other obligations	These includes: Documentary credit such as letters of obligations, enhance the credit standing of the customers of the Bank. Bill rediscounted by the Bank and cash collateral provided by the Bank on assets which have been securitised.
4	Other items for which the Bank is contingently liable	These includes: a) Credit enhancements in respect of securitised-out loans b) Contractual payments for Capital commitments c) Other Guarantees

*Also refer Schedule 12 - Contingent Liabilities

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

33 Corporate social responsibility

Particulars	(₹ in Crore)	
	March 31, 2019	March 31, 2018
(a) Gross amount required to be spent by the Bank during the year (including deficit of previous year)	11.10	7.18
(b) Amount spent during the year		
On purposes other than construction/acquisition of any asset		
Paid in Cash	4.59	4.23
Yet to be Paid in Cash	-	-
Total	4.59	4.23

34 Small and micro industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

35 Proposed dividend

The Board of Directors at their meeting proposed a dividend of ₹ 0.75 per share (previous year ₹ 0.50 per share), subject to the approval of the members at the 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 (including tax) aggregating ₹ 26.43 crore (previous year ₹ 17.22 crore) from Profit and Loss Account. However, the effect of the proposed dividend has been reckoned in determining Capital funds in the computation of capital adequacy ratio as at March 31, 2019 and March 31, 2018.

36 Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A) :

The Bank does not have any account under the Scheme for Sustainable Structuring of Stressed Assets (S4A) as on March 31, 2019, (previous year: Nil).

37 Disclosures on Flexible Structuring of Existing Loans :

The Bank does not have any account under the Scheme Flexible Structuring of Existing Loans as on March 31, 2019, (previous year: Nil).

38 Resolution of Stressed Assets – Revised Framework

The Bank does not have any account for resolution of stressed Assets (Revised framework) as per RBI Circular RBI/2017-18/131DBR.No.BP.BC.101/21.04.048/2017-18 Loans as on March 31, 2019, (previous year: Nil).

39 Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances

The Bank has not restructured any account as per RBI Circular DBR.No.BP.BC.100/21.04.048/2017-18 dated February 07, 2018 and DBR.No.BP.BC.108/21.04.048/2017-18 dated June 6, 2018 as on March 31, 2019, (previous year: Nil).

40 Disclosures on Strategic Debt Restructuring Scheme (SDR):

The Bank does not have any accounts under SDR as on March 31, 2019, (previous year: Nil).

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

41 Disclosures on Change in Ownership outside SDR Scheme:

The Bank does not have any account which are currently under the scheme of Change in Ownership Outside SDR as on March 31, 2019, (previous year: Nil).

42 Disclosures on Change in Ownership of Projects Under Implementation:

The Bank does not have any account which are currently under the scheme of Change in Ownership of Projects Under Implementation as on March 31, 2019, (previous year: Nil).

43 Details of factoring exposure:

The factoring exposure of the Bank as at March 31, 2019 is Nil, (previous year: Nil).

44 Inter-bank Participation with risk sharing:

During the year the Bank has not entered into inter-bank participation with risk sharing, (previous year: Nil).

45 Investor education and protection fund

There is no amount required to be transferred to Investor Education and Protection Fund by the Bank, (previous year: Nil).

46 Disclosure on remuneration to Non-Executive Directors

Particulars	(₹ in Crore)	
	March 31, 2019	March 31, 2018
Remuneration by way of sitting fees to the Non-Executive Directors for attending meetings of the Board and its committees	0.36	0.40
Profit related commission to all Non-Executive Directors other than the Chairperson	0.33	0.20

47 Miscellaneous income includes profit on sale of units of mutual fund, recoveries from loans written off, income from dealing in Priority Sector Lending Certificates (PSLC), marketing support fees etc.

48 Details of payments of audit fees

Particulars	(₹ in Crore)	
	March 31, 2019	March 31, 2018
Statutory Audit fees and other related services*	1.00	0.93
Other Matters	-	-
Total	1.00	0.93

* Includes out of pocket expenses

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

B. Other Disclosures

1 Fixed Assets as per Schedule 10 relating to purchase of software and system development expenditure which are as follows :

Particulars	(₹ in Crore)	
	March 31, 2019	March 31, 2018
Gross Block		
At cost on 31st March of the preceding year	107.18	3.90
Additions during the year	17.80	103.28
Deductions during the year	0.19	-
Total (a)	124.79	107.18
Depreciation / Amortisation		
As at 31st March of the preceding year	17.29	2.48
Charge for the year	16.76	14.81
Deductions during the year	0.19	-
Total (b)	33.86	17.29
Net Value (a-b)	90.93	89.89

2 Segment reporting

Part A: Business segments:

Segment reporting for the year ended March 31, 2019 and March 31, 2018 is given below:

S. No.	Particulars	(₹ in Crore)	
		March 31, 2019	March 31, 2018
1	Segment revenue		
(a)	Treasury	403.03	210.29
(b)	Retail banking	2,563.88	1,693.59
(c)	Wholesale banking	417.37	249.23
(d)	Other banking operations	26.58	2.13
(e)	Unallocated	-	-
	Income from operations	3,410.86	2,155.24
2	Segment results		
(a)	Treasury	156.92	105.34
(b)	Retail banking	687.13	545.98
(c)	Wholesale banking	114.03	70.28
(d)	Other banking operations	26.58	2.13
	Total Segment results	984.66	723.73
	Less: Unallocated expenses	404.53	280.38
	Total Profit Before Tax	580.13	443.35
	Provision for Tax (Including deferred tax)	198.32	151.31
	Total Profit After Tax	381.81	292.04
3	Segment Assets		
(a)	Treasury	9,079.48	4,713.62
(b)	Retail banking	18,840.30	10,884.22
(c)	Wholesale banking	4,113.51	2,648.55
(d)	Other banking operations	4.40	0.64
(e)	Unallocated	585.11	585.74
	Total Assets	32,622.80	18,832.77

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

2 Segment reporting (Contd.)

S. No.	Particulars	(₹ in Crore)	
		March 31, 2019	March 31, 2018
4	Segment Liabilities		
(a)	Treasury	4,170.86	2,377.99
(b)	Retail banking	12,725.16	8,646.73
(c)	Wholesale banking	12,419.25	5,324.53
(d)	Other banking operations	-	-
(e)	Unallocated	144.64	202.34
	Capital and Other Reserves	3,162.89	2,281.18
	Total Liabilities	32,622.80	18,832.77

Part B: Geographic segments

The business of the Bank is in India only. Accordingly, geographical segment is not applicable.

Segmental information is provided as per the MIS/reports available for internal reporting purposes, which includes certain estimates and assumptions. The methodology adopted in compiling and reporting the above information has been relied upon by the auditors.

3 Related Party Disclosures:

A. Related Parties :

Key management personnel (KMP)	Mr. Sanjay Agarwal, Managing Director and CEO Mr. Uttam Tibrewal, Whole Time Director Mr. Deepak Jain, Chief Financial Officer Mr. Manmohan Parnami, Company Secretary
Enterprises over which KMP / relatives of KMP have control / significant influence	AU Foundation (w.e.f. July 19, 2018) BIFCO Private Limited Deepak Tarachand HUF DS Speciality Product LLP Durga Automation & Control Private Limited (w.e.f. March 12, 2019) Durga Bearings (Mumbai) Private Limited Jyoti Sanjay Family Trust Khushi Buildhome Private Limited M Power Micro Finance Private Limited (upto July 19, 2017) MYS Holdings Private Limited Namokar Mining Industries LLP Shivgyan Mines Minerals Private Limited Shree Dham Mining Industries LLP Speciality Stones Private Limited

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

3 Related Party Disclosures: (Contd.)

Relatives of KMP

Ms. Jyoti Agarwal
 Mr. Chiranji Lal Agarwal
 Ms. Shakuntala Agarwal
 Mr. Yuvraj Agarwal
 Ms. Mallika Agarwal
 Mr. Ajay Agarwal
 Ms. Pinki Agarwal
 Ms. Pooja Tibrewal
 Mr. Devi Prasad Tibrewal
 Ms. Geeta Devi Tibrewal
 Mr. Vaibhav Tibrewal
 Mr. Subhash Tibrewal
 Ms. Manju Agarwal
 Ms. Uma Bagaria
 Ms. Suman Sultania
 Ms. Shweta Jain
 Ms. Santosh Jain
 Mr. Devansh Jain
 Ms. Khushi Jain
 Ms. Kavita Goyal
 Ms. Sunita Agrawal
 Ms Anita Agarwal
 Ms. Bhawna Parnami
 Ms. Rajkumari Sukhija
 Ms. Asmita Parnami
 Mr. Mahinder Parnami
 Ms. Kavita Sukhija
 Ms. Shikha Taneja

B. The Bank's related parties balances and transactions for the year ended are summarised as follows:

1. Deposits

Particular	As at March 31, 2019		As at March 31, 2018	
	Closing balance	Highest balance during the year	Closing balance	Highest balance during the year
	(₹ in Crore)			
Key Management Personnel (KMP)	3.26	35.43	3.95	18.24
Relatives of KMP	10.96	26.22	8.47	18.68
Enterprise over which KMP/Relative of KMP have control / significant influence	0.22	3.51	0.08	0.38

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

2. Interest Paid on Deposits

Particulars	(₹ in Crore)	
	Year ended March 31, 2019	Year ended March 31, 2018
Key Management Personnel (KMP)	0.27	0.21
Relatives of KMP	0.63	0.33
Enterprise over which KMP/Relative of KMP have control / significant influence	0.00	-

Income including miscellaneous charges received from all the related parties are less than ₹ 50,000/- hence not shown separately.

3. Remuneration

Particulars	(₹ in Crore)	
	Year ended March 31, 2019	Year ended March 31, 2018
Mr. Sanjay Agarwal, Managing Director and CEO	1.69	1.47
Mr. Uttam Tibrewal, Executive Director	1.47	1.28
Mr. Deepak Jain, Chief Financial Officer	1.61	1.98
Mr. Manmohan Parnami, Company Secretary	0.47	0.45
Total	5.24	5.18

- Remuneration paid excludes value of employee stock options exercised during the year.
- The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Bank as a whole.

4. Loans given and repayment

There is no loan related transaction with the related parties during the year (previous year : Nil).

5. Other transaction

Name of related party	Nature of transactions	(₹ in Crore)	
		Year ended March 31, 2019	Year ended March 31, 2018
Mr. Uttam Tibrewal	Issue of Equity Shares of the Bank	2.57	1.71
Mr. Deepak Jain	Issue of Equity Shares of the Bank	0.15	0.10
Mr. Manmohan Parnami	Issue of Equity Shares of the Bank	0.02	0.01
Mr. Sanjay Agarwal	Personal guarantee on behalf of Bank	-	1.05
Mr. Sanjay Agarwal & Mrs. Jyoti Agarwal	Personal guarantee on behalf of Bank	-	12.60
AU Foundation	Donation	0.77	-

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

4 Leases

The Bank has taken various premises under operating lease. The future minimum lease payments are given below:

Particulars	₹ in Crore	
	March 31, 2019	March 31, 2018
Not later than one year	53.36	47.74
Later than one year and not later than five years	215.29	189.44
Later than five years	97.66	140.21
Total	366.31	377.39
The total of minimum lease payments recognized in the Profit and Loss Account for the year	60.01	52.92
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	-	-

5 Earnings per equity share (AS 20)

Particulars	₹ in Crore	
	March 31, 2019	March 31, 2018
Profit/ (loss) after tax (A)	381.81	292.04
Less: Exceptional item	-	-
Net profit excluding exceptional item (B)	381.81	292.04
Weighted average number of equity shares in calculating basic EPS (C)	29,01,57,123	28,47,69,718
Add: Effect of dilution - Stock option granted to employees	57,92,321	73,39,525
Weighted average number of equity shares in calculating diluted EPS (D)	29,59,49,445	29,21,09,243
Earning per share including exceptional item		
Basic (In ₹) (A / C)	13.16	10.26
Diluted (In ₹) (A / D)	12.90	10.00
Nominal value per share (In ₹)	10.00	10.00
Earning per share excluding exceptional item		
Basic (In ₹) (B / C)	13.16	10.26
Diluted (In ₹) (B / D)	12.90	10.00
Nominal value per share (In ₹)	10.00	10.00

The dilutive impact is due to options granted to employees by the Bank.

6 Deferred taxes

Other assets include deferred tax asset (net). The break-up of the same is as follows:

Particulars of Asset/ (Liability)	₹ in Crore	
	March 31, 2019	March 31, 2018
Provision for NPA and general provision on standard assets	39.53	24.50
Expenditure allowed on payment basis	5.33	6.16
Depreciation	(17.68)	(11.79)
Deduction u/s. 36(1)(viii) of the Income Tax Act, 1961	(20.37)	(7.09)
Others	4.14	1.93
Net Deferred Tax Asset	10.95	13.71

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

7 Accounting for employee share based payments

Stock options

The Bank has provided various share-based payment schemes to its Directors and Employees. The plans in operation are Plan A, Plan B, Plan C and Plan D. The numerical A1, A2, A3, B1, B2, B3, B4, B5, B6, C1, C2, C3, C4, C5, C6, C7, C8, C9, D1, D2 and D3 represents different grants made under these plans. During the year ended March 31, 2019, the following series were in operation:

Particulars	Plan A1	Plan A2	Plan A3	Plan B1	Plan B2	Plan B3	Plan B4	Plan B5	Plan B6
Date of grant	Aug 31, 2015	Aug 23, 2016	Oct 27, 2017	Aug 31, 2015	Aug 23, 2016	Nov 11, 2016	Jan 24, 2017	Oct 27, 2017	Aug 6, 2018
Date of Board / Compensation Committee approval	Aug 10, 2015	Aug 23, 2016	Oct 27, 2017	Aug 10, 2015	Aug 23, 2016	Nov 11, 2016	Jan 24, 2017	Oct 27, 2017	Aug 6, 2018
Number of Options granted	33,38,436	4,18,512	3,61,000	28,62,846	10,92,654	36,000	30,000	42,510	1,146
Method of settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Graded vesting period:									
1st vesting "12 months from the date of grant or on the date of proposed initial public offer of Bank's equity shares whichever is later"	20%	20%	20%	20%	20%	20%	20%	20%	20%
1st vesting "12 months from the date of grant or one year from the date of proposed initial public offer of Bank's equity shares which ever is later"	NA	NA	NA	NA	NA	NA	NA	NA	NA
1st vesting "12 months from the date of grant	NA	NA	NA	NA	NA	NA	NA	NA	NA
2nd vesting "On expiry of one year from the 1st vesting date"	30%	30%	30%	30%	30%	30%	30%	30%	30%
3rd vesting "On expiry of two years from the 1st vesting date"	50%	50%	50%	50%	50%	50%	50%	50%	50%
4th vesting "On expiry of 3 years from the 1st vesting date"	NA	NA	NA	NA	NA	NA	NA	NA	NA
Exercise period				4 years from the 1st vesting date					
Vesting conditions				Continuous service					
Weighted average remaining contractual life (years)	2.28	2.40	3.58	2.28	2.40	2.62	2.82	3.58	4.35
Weighted average exercise price per option (₹)	10.11	10.11	10.11	33.37	33.37	33.37	33.37	33.37	33.37

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

7 Accounting for employee share based payments (Contd.)

Particulars	Plan C1	Plan C2	Plan C3	Plan C4	Plan C5	Plan C6	Plan C7	Plan C8	Plan C9	Plan D1	Plan D2	Plan D3
Date of grant	Nov 11, 2016	Jan 24, 2017	Feb 22, 2017	May 13, 2017	Jan 30, 2018	Apr 25, 2018	Aug 6, 2018	Aug 30, 2018	Oct 13, 2018	Aug 30, 2018	Nov 22, 2018	Jan 17, 2019
Date of Board / Compensation Committee approval	Nov 11, 2016	Jan 24, 2017	Feb 22, 2017	May 13, 2017	Jan 30, 2018	Apr 25, 2018	Aug 6, 2018	Aug 30, 2018	Oct 13, 2018	Aug 30, 2018	Nov 22, 2018	Jan 17, 2019
Number of Options granted	11,700	1,85,900	70,700	4,99,800	10,53,901	2,919	5,480	27,600	50,865	18,56,950	1,54,541	2,437
Method of settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Graded vesting period:												
1st vesting "12 months from the date of grant or on the date of proposed initial public offer of Bank's equity shares whichever is later"	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
1st vesting "12 months from the date of grant or one year from the date of proposed initial public offer of Bank's equity shares which ever is later"	20%	20%	20%	20%	20%	20%	20%	20%	20%	NA	NA	NA
1st vesting "12 months from the date of grant	NA	NA	NA	NA	NA	NA	NA	NA	NA	20%	20%	20%
2nd vesting "On expiry of one year from the 1st vesting date"	30%	30%	30%	30%	20%	20%	20%	20%	20%	20%	20%	20%
3rd vesting "On expiry of two years from the 1st vesting date"	50%	50%	50%	50%	30%	30%	30%	30%	30%	30%	30%	30%
4th vesting "On expiry of 3 years from the 1st vesting date"	NA	NA	NA	NA	30%	30%	30%	30%	30%	30%	30%	30%
Exercise period					6 years from the 1st vesting date							
Vesting conditions					Continuous service							
Weighted average remaining contractual life (years)	5.28	5.28	5.28	5.28	5.84	6.07	6.36	6.42	6.54	6.42	6.65	6.81
Weighted average exercise price per option (₹)	140.00	140.00	140.00	140.00	140.00	140.00	140.00	140.00	140.00	664.00	643.00	622.00

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

7 Accounting for employee share based payments (Contd.)

Particulars	March 31, 2019									
	Plan A1	Plan A2	Plan A3	Plan B1	Plan B2	Plan B3	Plan B4	Plan B5	Plan B6	
Options outstanding at the beginning of the year	24,12,210	3,34,810	3,61,000	22,39,418	7,21,813	28,800	24,000	42,510	-	-
Granted during the year	-	-	-	-	-	-	-	-	-	1,146
Forfeited during the year	(8,86,587)	(1,25,554)	(50,600)	(8,27,946)	(2,49,466)	(10,800)	-	(2,502)	-	-
Expired during the year	(30,032)	-	-	(20,820)	(22,852)	-	-	-	-	-
Outstanding at the end of the year	14,95,591.00	2,09,256.00	3,10,400.00	13,90,652.00	4,49,495.00	18,000.00	24,000.00	40,008.00	1,146.00	-
Exercisable at the end of the year	12,265	-	21,600	6,649	15,581	-	9,000	6,000	-	-

Particulars	March 31, 2019											
	Plan C1	Plan C2	Plan C3	Plan C4	Plan C5	Plan C6	Plan C7	Plan C8	Plan C9	Plan D1	Plan D2	Plan D3
Options outstanding at the beginning of the year	9,000	1,70,000	66,200	1,04,200	10,37,921	-	-	-	-	-	-	-
Granted during the year	-	-	-	-	-	2,919	5,480	27,600	50,865	18,56,950	1,54,541	2,437
Forfeited during the year	-	-	-	-	-	-	-	-	-	-	-	-
Expired during the year	(1,800)	(27,360)	(11,380)	(18,440)	(1,10,990)	-	-	-	-	(39,558)	(7,422)	-
Outstanding at the end of the year	5,040.00	1,06,160.00	36,160.00	64,400.00	8,09,336.00	1,419.00	3,980.00	27,600.00	50,865.00	18,17,392.00	1,47,119.00	2,437.00
Exercisable at the end of the year	-	4,000	-	1,200	72,942	-	-	-	-	-	-	-

Particulars	March 31, 2018												
	Plan A1	Plan A2	Plan A3	Plan B1	Plan B2	Plan B3	Plan B4	Plan B5	Plan C1	Plan C2	Plan C3	Plan C4	Plan C5
Options outstanding at the beginning of the year	30,19,554	4,18,512	-	28,02,954	10,06,830	36,000	30,000	-	11,700	1,85,900	70,700	-	-
Granted during the year	-	-	3,61,000	-	-	-	-	42,510	-	-	-	4,99,800	10,53,901
Forfeited during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Expired during the year	(6,02,220)	(83,702)	-	(5,60,196)	(1,93,396)	(7,200)	(6,000)	-	-	-	-	-	-
Outstanding at the end of the year	24,12,210	3,34,810	3,61,000	22,39,418	7,21,813	28,800	24,000	42,510	9,000	1,70,000	66,200	1,04,200	10,37,921
Exercisable at the end of the year	683	-	-	528	-	-	-	-	-	-	-	-	-

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

7 Accounting for employee share based payments (Contd.)

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

Particulars	(₹ in Crore)	
	Year ended March 31, 2019	Year ended March 31, 2018
Profit after tax as reported	381.81	292.04
Add: ESOP cost using intrinsic value method (net of tax)	25.11	9.24
Less: ESOP cost using fair value method (net of tax)	36.38	12.51
Profit after tax (adjusted)	370.54	288.77
Earnings Per Share		
Basic		
- As reported	13.16	10.26
- Adjusted for ESOP cost using fair value method	12.77	10.14
Diluted		
- As reported	12.90	10.00
- Adjusted for ESOP cost using fair value method	12.52	9.89

Particulars	(₹ in Crore)	
	As at March 31, 2019	As at March 31, 2018
Stock options outstanding (gross)	103.75	94.04
Deferred compensation cost outstanding	44.87	73.76
Stock options outstanding (net)	58.88	20.28

The Bank has granted 10,00,000 stock options on 30th August 2018 under Plan D1 and 38,702 and 10,18,758 stock options on 27th October 2017 under Plan A3 and Plan B5, respectively, to Whole time Director which are pending for RBI Approval. Accordingly, these options have not been considered for the purpose of computing the impact of ESOP fair value on profit before tax. The vesting period for these options will commence only after the RBI approval is received.

During the year ended March 31, 2018, 360,000 options granted under plan C4 had a different vesting schedule, however, the options granted expired without any vesting to the grantee as the service conditions were not fulfilled. Accordingly these options have not been considered for the purpose of computing the impact of ESOP fair value on profit before tax for the year ended March 31, 2018.

8 Employee benefits

(a) Defined benefit plans

Gratuity

The gratuity plan provides a lumpsum payment to vested employees at retirement or on termination of employment based on respective employee's salary and years of employment with the Bank considering the ceiling of gratuity amount of ₹ 0.20 crore.

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

8 Employee benefits (Contd.)

Reconciliation of opening and closing balance of present value of defined benefit obligation for gratuity benefits is given below:

Particulars	(₹ in Crore)	
	March 31, 2019	March 31, 2018
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Liability at the beginning of the year	11.60	6.98
Interest cost	0.90	0.52
Current service cost	5.65	4.77
Benefits paid during the year	(0.32)	(0.15)
Actuarial (gain) / loss on obligation	(2.68)	(0.52)
Experience adjustment	-	-
Assumption change	-	-
Liability at the end of the year	15.15	11.60
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	0.14	-
Expected return on plan assets	0.18	0.00
Contributions	11.86	0.14
Benefits paid	(0.32)	-
Actuarial gain / (loss) on plan assets	-	-
Experience adjustment	-	-
Assumption change	-	-
Fair value of plan assets at the end of the year	11.86	0.14
Amount recognised in Balance Sheet		
Fair value of plan assets at the end of the year	11.86	0.14
Liability at the end of the year	(15.15)	(11.60)
Net Asset (included under Schedule 11.VII) / (Liability) (included under Schedule 5.IV)	(3.29)	(11.46)
Expenses recognised in Profit and Loss Account		
Interest cost	0.90	0.52
Current service cost	5.65	4.77
Expected return on plan assets	(0.18)	(0.00)
Net actuarial (gain) / loss recognised in the year	(2.68)	(0.52)
Net cost	3.69	4.77
Actual return on plan assets	0.18	0.00
Estimated contribution for the next year	3.00	12.20
Assumptions		
Discount rate	8.00% per annum	7.75% per annum
Expected return on plan assets	8.00% per annum	7.75% per annum
Withdrawal rate	1.00% at all ages	1.00% at all ages
Salary escalation rate	7.50% per annum	7.50% per annum

Schedules

forming part of the Financial Statements for the year ended March 31, 2019

SCHEDULE 18 - NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019 (CONTD.)

8 Employee benefits (Contd.)

Experience adjustment

Particulars	Years Ended March 31,				
	2019	2018	2017	2016	2015
Plan assets	11.86	0.14	-	-	-
Defined benefit obligation	15.15	11.60	6.99	4.64	2.83
Surplus / (deficit)	(3.29)	(11.46)	(6.99)	(4.64)	(2.83)
Experience adjustment gain / (loss) on plan assets	-	-	-	-	-
Experience adjustment (gain) / loss on plan liabilities	(2.68)	(0.52)	0.18	0.11	(0.07)

(₹ in Crore)

(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 ₹ 14.36 Crore (previous year ₹ 11.74 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 ₹ 4.49 Crore (previous year ₹ 5.11 Crore) in the books of accounts for the period.

9 Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

Basel II (Pillar 3) Disclosures

As at 31st March 2019

RBI circular DBR.No.BP.BC.4/21.06.201/2015-16 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/sites/default/files/Pillar-III-31st-March-2019.pdf>



AU SMALL FINANCE BANK LIMITED

CIN: L36911RJ1996PLC011381

Registered Office: 19-A, DHULESHWAR GARDEN, AJMER ROAD,
JAIPUR – 302001, RAJASTHAN

Tel: +91 0141 4110060 | Fax: +91 0141 4110090

E-mail: investorrelations@aubank.in | Website: www.aubank.in

Notice of Annual General Meeting

Notice is hereby given that the Twenty Fourth (24th) Annual General Meeting (**AGM**) of the members of **AU SMALL FINANCE BANK LIMITED (Bank)** will be held on Friday, 26th July 2019 at 04:00 p.m. at Suryavanshi Mahal – Ground, Floor, ITC Rajputana, Palace Road, Jaipur-302006, Rajasthan, India to transact the following business:

ORDINARY BUSINESS

ITEM NO. 1: To consider and adopt the Audited Financial Statements of the Bank for the Financial Year ended 31st March 2019 and the reports of the Board of Directors and the Auditors thereon.

ITEM NO. 2: To declare dividend of ₹ 0.75 per equity share of ₹ 10 each for the Financial Year 2018-19.

ITEM NO. 3: To appoint a Director in place of Mr. Uttam Tibrewal (DIN: 01024940), who retires by rotation and being eligible, has offered himself for re-appointment.

ITEM NO. 4: To ratify the appointment of M/S S.R. BATLIBOI & ASSOCIATES LLP, Chartered Accountants (Registration No. 101049W/E300004) as the Statutory Auditors of the Bank.

To consider and, if thought fit, to pass, the following resolution as an **Ordinary Resolution:**

“RESOLVED THAT pursuant to the applicable provisions, if any, of the Companies Act, 2013 and the applicable provisions of the Banking Regulation Act, 1949 or re-enactment(s) thereof for the time being in force and the Rules, Circulars and Guidelines issued by the Reserve Bank of India from time to time and pursuant to the resolution passed by the Members at the Twenty Second Annual General Meeting held on 27th September 2017 appointing M/S S.R. BATLIBOI & ASSOCIATES LLP, Chartered Accountants (Registration No. 101049W/E300004) as Statutory Auditors of the Bank to hold office for four (4) years from the conclusion of the Twenty Second Annual General Meeting till the conclusion of the Twenty Sixth Annual General Meeting, the appointment of M/S S.R. BATLIBOI & ASSOCIATES LLP, Chartered Accountants (Firm Registration No. 101049W/E300004), as statutory auditors to hold office from the conclusion of this Annual General

Meeting till the conclusion of 25th Annual General Meeting, be and is hereby ratified by the Members of the Bank, subject to approval from Reserve Bank of India and such other regulatory authorities, as may be applicable, and on such terms and conditions, including remuneration, as approved by the Board of Directors of the Bank.”

SPECIAL BUSINESS

ITEM NO. 5: To appoint Mr. Narendra Ostawal (DIN: 06530414) as Director (Non-Executive).

To consider and, if thought fit, to pass, the following resolution as an **Ordinary Resolution:**

“RESOLVED THAT pursuant to the provisions of Section 152, 160 and other applicable provisions, if any, of the Companies Act, 2013 (“Act”) read with the Companies (Appointment and Qualification of Directors) Rules, 2014, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, Section 10A (2A) and other applicable provisions of the Banking Regulation Act, 1949 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and the rules, circulars and guidelines issued by the Reserve Bank of India, relevant provisions of Article of Association of the Bank, any other applicable laws, and based on the recommendation of Nomination & Remuneration Committee and the Board of Directors of the Bank, Mr. Narendra Ostawal (DIN: 06530414), who was appointed as an Additional Director (Non-Executive) pursuant to the provisions of Section 161 and other applicable provisions of the Companies Act, 2013 to hold Office up to the date of this AGM and in respect of whom the Bank has received a notice in writing under Section 160 of the Act, proposing his candidature for the office of Director, approval of the Members of the Bank be and is hereby accorded to the appointment of Mr. Narendra Ostawal as a Non-Executive Director of the Bank to hold office for a term of four (4) years commencing from 17th January 2019 and whose office shall be liable to retire by rotation.

RESOLVED FURTHER THAT the Board of Directors of the Bank be and is hereby authorised to do all such acts, deeds, matters and things as it may consider necessary

and desirable in connection with or incidental thereto but not limited to filing of necessary forms with the Registrar of Companies and delegate all or any of its powers herein conferred to any Director(s)/Officer(s) of the Bank, to give effect to this resolution.”

ITEM NO. 6: To approve fees or compensation (profit linked commission) payable to Non-Executive Directors, including Independent Directors.

To consider, and if thought fit, to pass, the following Resolution, as an **Ordinary Resolution:**

“RESOLVED THAT pursuant to the provisions of Section 197 and other applicable provisions, if any, of the Companies Act, 2013 read with the relevant rules made thereunder, Regulation 17 (6) (a) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, the relevant provisions of Section 35B and other applicable provisions, if any, of the Banking Regulation Act, 1949 (including any statutory amendment(s) thereto, modification(s) or re-enactment(s) thereof, for the time being in force) and the rules, guidelines and circulars issued by the Reserve Bank of India, from time to time and subject to such other approvals, as may be applicable, approval of the members be and is hereby accorded to approve fees or compensation (profit linked commission) paid to Non-Executive Directors including Independent Directors not exceeding one percent (1%) of net profit of the Bank in any Financial Year computed in accordance with Section 198 of the Companies Act, 2013 and considering the performance of the Bank shall be paid to the Non-Executive Directors in such proportion as may be determined by the Board of Directors of the Bank from time to time.

RESOLVED FURTHER THAT the Board of Directors of the Bank be and is hereby authorised to execute all such documents, instruments and writings as deemed necessary, with the power to settle all questions, difficulties or doubts that may arise in this regard as it may in its sole and absolute discretion deem fit and to do all such acts, deeds, matters and things as it may consider necessary and desirable and to delegate all or any of its powers herein conferred to any Director(s)/Officer(s) of the Bank, to give effect to this resolution.”

ITEM NO. 7: To revise the compensation (Profit Linked Commission) payable to Mr. Mannil Venugopalan (DIN:00255575), as the Independent Director (Part-Time) Chairman.

To consider, and if thought fit, to pass, the following Resolution, as an **Ordinary Resolution:**

“RESOLVED THAT pursuant to the provisions of Section 197 (7) and other applicable provisions, if any, of the Companies Act, 2013 read with the relevant rules made thereunder, the relevant provisions of Section 35B and other applicable provisions, if any, of the Banking Regulation Act, 1949 (including any statutory amendment(s) thereto, modification(s) or re-enactment(s) thereof, for the time being in force) and the rules, guidelines and circulars issued by the Reserve Bank of India, from time to time and subject to such other approvals, as may be applicable, approval of the members be and is hereby accorded to revise the annual compensation (profit linked commission) to ₹ 25,00,000/- (Rupees Twenty Five Lakhs only) payable exclusive of sitting fees, travelling and other out of pocket expenses for Financial Year 2019-20 and thereafter as applicable to Mr. Mannil Venugopalan (DIN:00255575) Independent Director (Part-Time) Chairman of the Bank, subject to approval of Reserve Bank of India.

RESOLVED FURTHER THAT the Board of Directors of the Bank be and is hereby authorised to execute all such documents, instruments and writings as deemed necessary, with the power to settle all questions, difficulties or doubts that may arise in this regard as it may in its sole and absolute discretion deem fit and to do all such acts, deeds, matters and things as it may consider necessary and desirable and to delegate all or any of its powers herein conferred to any Director(s)/Officer(s) of the Bank, to give effect to this resolution.”

ITEM NO. 8: To revise the remuneration payable to Mr. Sanjay Agarwal (DIN 00009526), as the Managing Director & CEO.

To consider, and if thought fit, to pass, the following Resolution, as an **Ordinary Resolution:**

“RESOLVED THAT pursuant to the provisions of Section 196, 197 and other applicable provisions, if any, of the Companies Act, 2013 (‘Act’), read with the relevant rules made thereunder and Schedule V of the Companies Act 2013, the relevant provisions of Section 35B and other applicable provisions, if any, of the Banking Regulation Act, 1949 (including any statutory amendment(s) thereto, modification(s) or re-enactment(s) thereof, for the time being in force) and the rules, guidelines and circulars issued by the Reserve Bank of India, from time to time, approval of the members of the Bank be and is hereby accorded to revise the remuneration with 10% increase in fixed pay for Financial Year 2019-20 to be paid to Mr. Sanjay Agarwal, Managing Director & CEO by way of salary, allowances and perquisites and other amount as detailed herein subject to such terms & conditions as may be approved by Reserve Bank of India in this regard.

Below is the bifurcation of existing and proposed fixed & variable pay (annually) for Mr. Sanjay Agrawal:

Sr. No.	Items	Existing (₹ in lakhs)	Proposed (₹ in lakhs)
1	Salary	67.60	74.38
2	Dearness allowance	-	-
3	House rent allowance	33.80	37.19
4	Conveyance allowance	-	-
5	Entertainment allowance	-	-
6	Other allowances	67.61	74.38
Total		169.01	185.95
Perquisites			
1	Free furnished house	Nil	Nil
2	Free use of bank's car -official Purpose -private purpose	Two cars with chauffeur for each - -	Two cars with chauffeur for each - -
3	Servant allowance	Reimbursement of servant expenses	Reimbursement of servant expenses
4	Variable pay	-	No variable pay proposed for performance of the FY 2018-19.
5	Loans	-	Loan facilities to be provided as per the Bank's policy, at the rate of interest applicable to the other employees.
6	Provident Fund/Gratuity/Pension -Provident fund -Gratuity	As applicable to all employees of bank 0.24 3.25	As applicable to all employees of bank 0.23 3.58
7	Travelling and halting allowances	On Actuals	On Actuals
8	Medical reimbursement	Ceiling of one month's basic salary annually or three months' basic salary over 3 years	Ceiling of one month's basic salary annually or three months' basic salary over 3 years
9	Other benefits: - Insurance -Leave travel concession	Total of ₹ 5,00,00,000 for health, personal accidental insurance and Group Insurance Scheme, together For self and family once, a year incurred in accordance with Company rules.	Total of ₹ 5,00,00,000 for health, personal accidental insurance and Group Insurance Scheme, together For self and family once, a year incurred in accordance with Company rules.

RESOLVED FURTHER THAT when in any financial year, the Bank has no profits or its profits are inadequate, the remuneration including the perquisites as aforesaid will be paid to Mr. Sanjay Agarwal in accordance with the applicable provisions of Schedule V of the Act.

RESOLVED FURTHER THAT the aggregate of the remuneration and perquisites as aforesaid in any financial year shall not exceed the limit from time to time under Section 197, 198 and other applicable provisions of the Act and Rules made thereunder, read with Schedule V of the said Act or any statutory modification(s) or re-enactment thereof for the time being in force, or otherwise as may be permissible under the law.

RESOLVED FURTHER THAT in the event of any statutory amendment, modification or relaxation by the Central Government to Schedule V of the Act or any other relevant Statutory enactment(s) thereof in this regard, the Board of Directors be and are hereby authorised to vary or increase the remuneration, including salary, commission, perquisites, allowances etc. within such prescribed limit or ceiling and the said agreement between the Bank and Mr. Sanjay Agarwal, be suitably amended to give effect

to such modification, relaxation or variation without any further reference to the members for their approval.

RESOLVED FURTHER THAT the Board of Directors of the Bank be and is hereby authorised to do all deeds, things, acts as may deemed necessary, in this regard but not limited to making correspondences in this regard with RBI or any other regulatory authority and/or to settle all questions, difficulties or doubts that may arise in this regard as it may in its sole and absolute discretion deem fit and to delegate all or any of its powers herein conferred to any Director(s)/Officer(s) of the Bank, to give effect to this resolution."

ITEM NO. 9: To Revise the remuneration payable to Mr. Uttam Tibrewal (DIN: 01024940), as the Whole Time Director.

To consider, and if thought fit, to pass, the following Resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 196, 197 and other applicable provisions, of the Companies Act, 2013, if any read with the relevant rules made thereunder

and Schedule V of the Companies Act 2013, the relevant provisions of Section 35B and other applicable provisions, if any, of the Banking Regulation Act, 1949 (including any statutory amendment(s) thereto, modification(s) or re-enactment(s) thereof, for the time being in force) and the rules, guidelines and circulars issued by the Reserve Bank of India, from time to time, approval of the members of the Bank be and is hereby accorded to revise the remuneration

with 15% increase in fixed pay for Financial Year 2019-20 and 50% of fixed pay, as variable pay for performance of Financial Year 2018-19 to be paid to Mr. Uttam Tibrewal, Whole-time Director by way of salary, allowances and perquisites and other amount as detailed herein as may be approved by Reserve Bank of India and subject to such other compliances/approval as may be required in this regard.

Below is the bifurcation of existing and proposed fixed & variable pay (annually) for Mr. Uttam Tibrewal:

Sr. No.	Items	Existing (₹ in lakhs)	Proposed (₹ in lakhs)
1	Salary	58.61	67.42
2	Dearness allowance	-	-
3	House rent allowance	29.30	33.71
4	Conveyance allowance	-	-
5	Entertainment allowance	-	-
6	Other allowances	58.61	67.42
Total		146.52	168.55
Perquisites			
1	Free furnished house	Nil	Nil
2	Free use of bank's car -Official purpose -Private purpose	One car with chauffeur	One car with chauffeur
3	Servant allowance	-	Reimbursement of servant expenses
4	Stock options	-	Employee Stock Options as may be granted by the Nomination Remuneration Committee/ Board, from time to time subject to approval of RBI as applicable
5	Variable pay	-	As approved by the Nomination and Remuneration Committee/ Board, subject to approval of RBI as applicable
6	Loans	-	Loan facilities to be provided as per the Bank's policy, at the rate of interest applicable to the other employees.
7	Provident Fund/ Gratuity/Pension -Provident fund -Gratuity	As applicable to all employees of bank. 0.24 2.82	As applicable to all employees of bank 0.23 3.24
8	Travelling and halting allowances	On Actuals	On Actuals
9	Medical reimbursement	Ceiling of one month's basic salary annually or three months' basic salary over 3 years	Ceiling of one month's basic salary annually or three months' basic salary over 3 years
10	Other benefits: -Insurance -Leave travel concession	Total of ₹ 5,00,00,000 for health, personal accidental insurance and Group Insurance Scheme, together For self and family once, a year incurred in accordance with Company rules	Total of ₹ 5,00,00,000 for health, personal accidental insurance and Group Insurance Scheme, together For self and family once, a year incurred in accordance with Company rules

RESOLVED FURTHER THAT when in any financial year, the Bank has no profits or its profits are inadequate, the remuneration including the perquisites as aforesaid will be paid to Mr. Uttam Tibrewal in accordance with the applicable provisions of Schedule V of the Act.

RESOLVED FURTHER THAT the aggregate of the remuneration and perquisites as aforesaid in any financial year shall not exceed the limit from time to time under Section 197, 198 and other applicable provisions of the Act and Rules made thereunder, read with Schedule V of the said Act or any statutory modification(s) or re-enactment thereof for the time being in force, or otherwise as may be permissible under the law.

RESOLVED FURTHER THAT in the event of any statutory amendment, modification or relaxation by the Central Government to Schedule V to the Companies Act, 2013, or any other relevant Statutory enactment(s) thereof in this regard, the Board of Directors be and are hereby authorised to vary or increase the remuneration, including salary, commission, perquisites, allowances etc. within such prescribed limit or ceiling and the said agreement between the company and Mr. Uttam Tibrewal, be suitably amended to give effect to such modification, relaxation or variation without any further reference to the members for their approval.

RESOLVED FURTHER THAT the Board of Directors of the Bank be and is hereby authorised to do all deeds things acts as may deemed necessary, in this regard but not limited to making correspondences in this regard with RBI or any other regulatory authority and/or to settle all questions, difficulties or doubts that may arise in this regard as it may in its sole and absolute discretion deem fit and to do all such acts, deeds, matters and things as it may consider necessary and desirable and to delegate all or any of its powers herein conferred to any Director(s)/Officer(s) of the Bank, to give effect to this resolution."

ITEM NO. 10: To authorise Board of Directors to borrow money in excess of paid up capital, free reserves and securities premium of Bank u/s 180 (1) (c) of the Companies Act, 2013.

To consider and, if thought fit, to pass, the following resolution as a **Special Resolution:**

"RESOLVED THAT in supersession of the earlier resolution passed by the members of the Bank in the AGM held on 07th August 2018 and pursuant to the provisions of Section 180 (1) (c) and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and as per the applicable provisions of

Banking Regulation Act, 1949 and rules, guidelines and circulars issued by Reserve Bank of India, from time to time, the consent of the members of the Bank be and is hereby accorded to the Board of Directors of the Bank (hereinafter called '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) to borrow for the purpose of business of the Bank, such sum or sums of monies as they may deem necessary, notwithstanding the fact that the monies so borrowed and the monies to be borrowed from time to time (apart from (i) temporary loans obtained from the Bank's bankers in the ordinary course of business and (ii) acceptances of deposits of money from public repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise and/or temporary loans obtained in the ordinary course of business from banks, whether in India or outside India) will exceed the aggregate of the paid up capital of the Bank, its free reserves and securities premium, provided that the total amount so borrowed including the money already borrowed and the money to be borrowed by the Board in any manner permissible at any time shall not exceed ₹ 22,000 crore (Rupees Twenty-Two Thousand crore).

RESOLVED FURTHER THAT the Board of the Bank be and is hereby authorised to do all such acts, deeds and things and to sign all such documents and writings as may be necessary, expedient and incidental thereto including delegating its powers under the resolution to give effect to this resolution and for matters connected therewith or incidental thereto."

ITEM NO. 11: To issue 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 Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 and the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended and the applicable provisions of the Banking Regulation Act, 1949 (including any statutory amendment(s) thereto or modification(s) or re-enactment(s) thereof for the time being in force) and the rules, circulars and guidelines issued by Reserve Bank of India (RBI), from time to time and all other relevant provisions of applicable law(s), the provisions of 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), the approval of the Members of the Bank be and is hereby accorded to the Board of Directors (hereinafter referred to as 'the Board' and which term shall be deemed to include any Committee of the Board or any other persons to whom powers are delegated by the Board as permitted under the Companies Act, 2013) for borrowing/raising funds denominated in Indian rupees or any other permitted foreign currency by issue of debt securities, including but not limited to long-term bonds, non-convertible debentures, perpetual debt instruments, Tier I/ Tier II Capital and Bonds or such other debt securities as may be permitted under RBI guidelines from time to time, on a private placement basis and/or for making offers and/or invitations thereof and/or issue(s)/ issuances thereof, on private placement basis, for a period of one year from the date hereof, in one or more tranches and/or series and under one or more shelf disclosure documents and/or one or more letters of offer and on such terms and conditions for each series/tranches, including the price, coupon, premium, discount, tenor etc. as deemed fit by the Board, as per the structure and within the limits permitted by RBI, as applicable of an amount not exceeding ₹ 12,000 crore (Rupees Twelve Thousand Crore) 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 of Directors of Bank be and is hereby authorised to delegate all or any of its powers conferred herein to any Committee or any Director(s) or officer(s) of the Bank and to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, proper and desirable and to settle any question, difficulty or doubt that may arise with regard to the issue of the securities."

Item No. 12: To alter Article of Association of the Bank.

To consider and, if thought fit, to pass the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the relevant provisions of the Articles of Association of the Bank, Section 14 and other applicable provisions of the Companies Act, 2013, if any, and the rules made thereunder, the applicable provisions of the Banking Regulation Act, 1949, the rules, circulars and guidelines issued by the Reserve Bank of India from time to time (including any amendments, statutory modification(s) and/ or re-enactment(s) thereof for the time being in force) the insertion of new Article No. 6j after Article No. 6 I in the form and manner given below, be and is hereby approved by the Members of the Bank.

"6j": The Company may carry out consolidation and re-issuance of its debt securities, pursuant to and in terms of the provisions of Regulation 20A of SEBI (issue and Listing of Debt Securities) Regulations, 2008, as may be amended, from time to time.

RESOLVED FURTHER THAT the Board of Directors of Bank be and is hereby authorised to delegate all or any of its powers conferred herein to any Committee or any Director(s) or officer(s) of the Bank and to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, proper and desirable and to settle any question, difficulty or doubt that may arise with regard to the issue of the securities."

Item No. 13: To approve amendments in Employee Stock Option Scheme 2016.

To consider and if thought fit, to pass, the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to provisions of Section 62 (1) (b) of Companies Act, 2013 and other applicable provisions, if any, of Companies Act, 2013 read with Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014 and Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and Securities and Exchange Board of India (Listing Obligations And Disclosure Requirements) Regulations, 2015 (including any statutory modification(s), amendments or re-enactment(s) thereof for the time being in force) and pursuant to the relevant clauses of Articles of Association of the Bank and such other rules, regulations, notifications, guidelines and laws applicable in this regard, from time to time, and subject to such approval(s) / consent(s) / permission(s) / sanction(s), as may be required, from the appropriate regulatory authorities / institutions / bodies including but not limited to the Stock Exchanges, Securities and Exchange Board of India, the Reserve Bank of India and further subject to such terms and conditions as may be prescribed while granting such approval(s) / consent(s) / permission(s) / sanction(s), and which may be agreed to and accepted by the Board of Directors (hereinafter referred to as the "Board" which term shall be deemed to include any Committee thereof, including the Nomination and Remuneration Committee ("NRC") constituted by the Board, for the time being exercising the powers conferred on the Board by this Resolution), consent of shareholders be and is hereby accorded to amend/alter the Employee Stock Option Scheme, 2016 ("ESOP Scheme 2016") by deleting the existing clause 5.4 of the ESOP Scheme 2016 of the Bank relating to Exercise Price and substituting in place thereof, the following revised clause 5.4 and that the amended ESOP Scheme, 2016 as submitted before this meeting be approved and adopted:

Heading	Existing Clause	Revised Clause
Exercise Price (in ₹)	₹ 140/- Per ESOP	Exercise price of options shall be determined as average of weekly high and low of volume weighted average price (VWAP) of AU Small Finance Bank Equity Shares on the stock exchange having higher trading volume during the last twenty-six weeks from the day preceding the date of grant.

RESOLVED FURTHER THAT it is hereby noted that the amendments to the ESOP Scheme 2016 are not prejudicial to the interests of the option holders.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary or expedient in this regard but not limited delegate power conferred herein to any of the committee constituted by the Bank or to any Director or Directors or to any Committee of Directors or to any Officer or Officers to settle all questions, difficulties or doubts that may arise in this regard as it may in its sole and absolute discretion deem fit and to do all such acts, deeds, matters and to seek such approval/ consent from the government departments as may be required in this regard."

**BY THE ORDER OF THE BOARD OF DIRECTORS
FOR AU SMALL FINANCE BANK LIMITED**

Sd/-
MANMOHAN PARNAMI
COMPANY SECRETARY
Membership No. F9999

PLACE: JAIPUR
DATE: 22nd April 2019
Registered Office: 19-A, Dhuleshwar Garden,
Ajmer Road, Jaipur - 302001, Rajasthan
Website: www.aubank.in
Tel: +91 0141 4110060
Fax: +91 0141 4110090
E-mail: investorrelations@aubank.in

Notes:

1. An Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 relating to the Special Business to be transacted at the AGM is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE AGM IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL IN THE AGM INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE BANK.**

3. A person can act as proxy on behalf of not exceeding 50 members and holding in aggregate, not more than 10% of the total share capital of the Bank carrying voting rights. A member holding more than ten percent of the total share capital of the Bank carrying voting rights may appoint a single person as proxy provided that such person shall not act as proxy for any other person or shareholder.
4. Corporate members intending to send their authorised representatives to attend the meeting are requested to send a certified copy of the Board Resolution/Power of Attorney to the Bank, authorising their representative to attend and vote on their behalf at the meeting.
5. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. The instrument appointing the proxy, duly completed in all respect, must be deposited at the Bank's Registered Office not less than 48 hours before commencement of the meeting. A proxy form for the AGM is enclosed.
7. Members/Proxies/Authorised Representatives should bring the duly filled Attendance Slip enclosed herewith to attend the meeting.
8. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 and the Register of Contracts or Arrangements in which the Directors are interested, maintained under Section 189 of the Companies Act, 2013 will be available for inspection by the members at the AGM.
9. The Register of Members and Share Transfer Books of the Bank will remain closed from Saturday, 20th July 2019 to Friday, 26th July 2019 i.e. for seven days (both days inclusive) for the purpose of AGM.
10. Dividend on Equity shares as recommended by the Board of Directors for the year ended 31st March, 2019, if approved at the Meeting, will be payable to those members who hold shares of the Bank based on the beneficial ownership details to be received from National Securities Depository Limited and Central Depository Services (India) Limited as at the Friday, 19th July 2019. Your dividend warrant is valid for payment by the Company's Bankers for three months from the date of issue. Thereafter, please contact our Registrar and Share Transfer Agent, M/s Link Intime India Pvt. Ltd., C 101, 247 Park, L B S Marg, Vikhroli West, Mumbai 400 083 Tel No: +91 22- 49186000 Fax: +91 22 49186060, Email: rnt.helpdesk@linkintime.co.in for revalidation of the warrants.

11. In order to receive the dividend without loss of time, all the eligible shareholders holding shares in Demat mode are requested to update with their respective Depository Participants, their correct Bank Account Number, including 9 Digit MICR Code and 11 digit IFSC Code, E-Mail ID and Mobile No(s). This will facilitate the remittance of the dividend amount as directed by SEBI in the Bank Account electronically. Updation of E-mail IDs and Mobile No(s) will enable sending communication relating to credit of dividend, un-encashed dividend, etc. Format for updation of email ID and Bank Account detail is attached as annexure to this AGM Notice.
12. Members wishing to claim unclaimed dividend pertaining to FY 2017-18 are requested to correspond with the Link Intime India Pvt. Ltd. or the Company Secretary of the Bank, at the Bank's registered office. The Bank has uploaded the details of unclaimed dividend amounts lying with the Bank on the website of the Bank www.aubank.in/unpaidunclaimed-dividend-details
- Members are requested to note that dividends, which are not claimed within seven years from the date of transfer to the Bank's Unpaid Dividend Account, will, as per the provisions of Section 124 of the Companies Act, 2013 and rules made thereunder, be transferred to the Investor Education and Protection Fund. Further, pursuant to the provisions of Section 124(6) of the Act read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended (the IEPF Rules), all shares in respect of which dividend has not been paid or claimed for seven consecutive years or more shall be transferred to the demat account of the Investor Education and Protection Fund authority (IEPF Authority).
13. With a view to using natural resources responsibly, we request shareholders to update their email address with their depository participants to enable the Bank to send all the communications electronically including Annual Report, Notices and Circulars, etc.
14. The Annual Report for the financial year 2018-19, the Notice of the 24th AGM and instructions for e-Voting, along with the Attendance Slip and Proxy Form, are being sent by electronic mode to all members whose email addresses are registered with the Bank/Depository Participant(s), unless a member has requested for a physical copy of the documents. For members who have not registered their email addresses, physical copies of the documents are being sent by the permitted mode.
15. Members may also note that the Notice of 24th AGM and the Annual Report for the financial year 2018-19 of the Bank is posted on the Bank's website i.e. www.aubank.in and at the website of the NSDL at www.evoting.nsdl.com. The physical copies of the documents will also be available at the Bank's registered office for inspection during the normal business hours between 10 AM to 5 PM on working days up to the date of the AGM. Members who require communication in physical form in addition to e-communication or have any other queries, may please write to us at investorrelations@aubank.in
16. Brief profile and other additional information pursuant to Regulation 36 (3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard on General Meetings (SS-2) issued by The Institute of Company Secretaries of India, in respect of the Directors seeking appointment/reappointment at the AGM, is furnished as annexure to the Notice. The Directors have furnished consent/declaration of their appointment/re-appointment as required under the Companies Act, 2013 and the Rules made thereunder.
17. The Securities and Exchange Board of India (SEBI) has mandated the submission of the Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are therefore, requested to submit their PAN to their Depository Participant(s).
18. Shareholders are requested to tender their attendance slips at the registration counters at the venue of the AGM and seek registration before entering the meeting hall.
- The Shareholder needs to furnish the printed Attendance Slip, along with a valid identity proof such as the PAN card, passport, AADHAR card or driving license to enter the AGM venue.
19. Members are requested to:
- notify the change in address if any, with Pin Code numbers immediately to the Bank.
 - quote their Regd. Folio Number/DP and Client ID No. in all their correspondence with the Bank or its Registrar and Share Transfer Agent 'RTA' i.e. Link Intime India Pvt. Ltd., C 101, 247 Park, L B S Marg, Vikhroli West, Mumbai 400 083 Tel No: +91 22- 49186000 Fax: +91 22 49186060, Link Intime India Website: www.linkintime.co.in
20. Non-Resident Indian Members are requested to inform Registrar & Share Transfer Agent of the Bank any change in their residential status on return to India for permanent settlement, particulars of their bank account maintained in India with complete name,

branch account type, account number and address of Bank with pin code number, if not furnished earlier. Members holding shares in electronic form may contact their respective Depository Participants for availing this facility.

- Members desirous of getting any information about the accounts and/or operation of the Bank are requested to write to the Bank at least seven days before the date of meeting to enable us to keep the information ready at the meeting.

22. Voting option

Voting through Electronic Means

Pursuant to provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of India, the Bank is pleased to provide members facility to exercise their right to vote at the AGM by electronic means and the business may be transacted through e-Voting Services.

The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM (remote e-voting) will be provided by National Securities Depository Limited (NSDL).

The Bank has approached NSDL for providing remote e-voting services through e-voting platform. In this regard, your Demat Account/Folio Number will be enrolled by the Bank for your participation in remote e-voting on resolutions placed by the Bank on remote e-Voting system.

The Notice of the AGM of the Bank inter alia indicating the process and manner of remote e-voting process, along with printed Attendance Slip and Proxy Form can be downloaded from the link <https://www.evoting.nsdl.com/> or link www.aubank.in

- The remote e-voting period commences on Monday, 22nd July 2019 (9:00 a.m.) and ends on Thursday, 25th July 2019 (5:00 p.m.). During this period, shareholders of the Bank, holding shares either in physical form or in dematerialised form, as on the cut-off date of Friday, 19th July 2019, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.

- The voting rights of members shall be in proportion to their shares in the paid-up equity share capital of the Bank as on the **cut-off date i.e.** Friday, 19th July 2019.

Instructions for E-voting are as under:

How do I vote electronically using NSDL e-Voting system?

The way to vote electronically on NSDL e-Voting system consists of 'two steps', which are mentioned below:

Step 1: Log-in to NSDL e-Voting system at www.evoting.nsdl.com

Step 2: Cast your vote electronically on NSDL e-Voting system.

Details on Step 1 is mentioned below:

How to Log-in to NSDL e-Voting website?

- Visit the e-Voting website of NSDL. Open web browser by typing the following URL: 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 the 'Shareholders' section.
- A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen. Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.
- 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***

5. Your password details 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 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'.
 - If your email ID is not registered, your 'initial password' is communicated to you on your postal address.
6. If you are unable to retrieve or have not received the 'Initial password' or have forgotten your password:
- 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.
 - 'Physical User Reset Password?'** (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.
 - 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.
7. After entering your password, tick on Agree to 'Terms and Conditions' by selecting on the check box.
8. Now, you will have to click on 'Login' button.
9. After you click on the 'Login' button, Home page of e-Voting will open.

Details on Step 2 is given below:

How to cast your vote electronically on NSDL e-Voting system?

- After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.
- After click on Active Voting Cycles, you will be able to see all the companies 'EVEN' in which you are holding shares and whose voting cycle is in active status.
- Select **'EVEN NO. 110733'** of Bank for which you wish to cast your vote.
- Now you are ready for e-Voting as the Voting page opens.
- 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.
- Upon confirmation, the message 'Vote cast successfully' will be displayed.
- You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
- Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

General Guidelines for shareholders

- 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 authorised signatory(ies) who are authorised to vote, to the Scrutiniser by e-mail to cs.vmanda@gmail.com with a copy marked to evoting@nsdl.co.in.
- 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.
- In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-Voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.:

1800-222-990 or contact Ms. Pallavi Mhatre, Manager, National Securities Depository Ltd., Trade World, 'A' Wing, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013, at the designated email address: pallavid@nsdl.co.in/evoting@nsdl.co.in or at telephone no. +91 22 24994545 who will also address the grievances connected with the voting by electronic means. Members may also write to the Company Secretary at the email address: investorrelations@aubank.in or contact at telephone no. 0141-4110060/61.

Voting at AGM

The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutiniser, by use of polling paper/tab voting for all those members who are present at the General Meeting but have not cast their votes by availing the remote e-Voting facility.

25. Please note the following:

A member may participate in the AGM even after exercising his right to vote through remote e-Voting but shall not be allowed to vote again at the AGM.

A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date i.e. Friday, 19th July 2019, only shall be entitled to avail the facility of remote e-Voting as well as voting at the AGM through polling paper/tab voting.

26. The Board of Directors have appointed CS Manoj Maheshwari, Practicing Company Secretary (Membership No. FCS: 3355), as the Scrutiniser to scrutinise the polling and remote e-Voting process in a fair and transparent manner.
27. The Scrutiniser shall after the conclusion of voting at the AGM, will submit consolidated scrutiniser's report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by him in writing, who shall countersign the same and declare results (consolidated) within 48 hours from the conclusion of the meeting.

28. The results of voting will be declared and the same along with the Scrutiniser's Report will be published on the website of the Bank (www.aubank.in) and the website of NSDL (www.nsdl.com) immediately after the declaration of result by the Chairman and the same will also be communicated to BSE Limited and the National Stock Exchange of India Limited within 48 hours from the conclusion of the AGM.

29. Other information:

Any person, who acquires shares of the Bank and becomes member of the Bank after dispatch of the notice and holding shares as on cut-off date i.e. Friday, 19th July 2019, may obtain the login ID and password by sending a request at evoting@nsdl.co.in or contact Bank's RTA.

However, if you are already registered with NSDL for remote e-Voting then you can use your existing user ID and password/PIN for casting your vote. If you forgot your password, you can reset your password by using 'Forgot User Details/Password' or 'Physical User Reset Password?' option available on www.evoting.nsdl.com or contact NSDL at the toll free no.: 1800-222-990.

You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).

30. The route map of the venue of the AGM is given in the Notice.

**BY THE ORDER OF THE BOARD OF DIRECTORS
FOR AU SMALL FINANCE BANK LIMITED**

Sd/-
MANMOHAN PARNAMI
COMPANY SECRETARY
Membership No. F9999

PLACE: JAIPUR
DATE: 22nd April 2019
Registered Office: 19-A, Dhuleshwar Garden, Ajmer Road, Jaipur - 302001, Rajasthan
Website: www.aubank.in
Tel: +91 0141 4110060
Fax: +91 0141 4110090
E-mail: investorrelations@aubank.in

Explanatory Statement pursuant to the provisions of Section 102(1) of Companies Act, 2013

The following Statement sets out all material facts relating to the Special Business mentioned in the above Notice:

ITEM NO. 5

Mr. Narendra Ostawal (DIN:06530414), who was appointed as an Additional Director of the Bank w.e.f. 17th January, 2019 pursuant to the provisions of Section 161(1) and other applicable provisions of the Companies Act, 2013 (the "Act"), holds office up to the date of this AGM of the Bank or the last date on which the AGM should have been held, whichever is earlier and is eligible for appointment. In terms of Section 160 of the Act, the Bank has received a notice in writing from a Member signifying his intention to propose the candidature of Mr. Narendra Ostawal for the office of Director. The candidature of Mr. Narendra Ostawal was recommended by the Nomination and Remuneration Committee ("NRC") and approved by Board.

Mr. Narendra Ostawal has furnished consent/declarations for his appointment as required under the Act and the Rules made thereunder.

Mr. Narendra Ostawal leads investment evaluation in the financial services sector for his current employer viz. Warburg Pincus India Private Limited ("WPIPL").

He possesses a post graduate diploma in Business Management from Indian Institute of Management, Bangalore, Chartered Accountant from ICAI and Commerce graduate and he is Managing Director of WPIPL from 1st January 2015 till date. He has 19 years post Chartered Accountancy experience and 16 years post MBA experience which includes more than 3 years in management consulting and 13 years in Investment management.

Prior to his appointment as Additional Director on the Board, he was acting as Nominee Director on behalf of Redwood Investment Limited since 30th January 2018. The NRC assessed the profile of Mr. Narendra Ostawal and found him to be 'fit and proper' in terms of Reserve Bank of India's Circular on 'Fit and proper' criteria for Directors of banks and recommended his appointment to the Board of Directors. In terms of Sections 152, 160 and other applicable provisions of the Act, the Board of Directors of the Bank, based on the recommendation of the NRC having reviewed the profile of Mr. Narendra Ostawal and found him a person of integrity, having necessary knowledge, experience, expertise and is of opinion that he meets the criteria for being appointed as a Non-Executive Director. Considering his vast expertise and knowledge in the field of Investment Management, it would be in the interest of the Bank that Mr. Narendra Ostawal is appointed

as a Non-Executive Director on the Board of the Bank. On appointment, he will be designated as Non-Executive Director of the Bank to hold office for a term of four (4) years commencing from 17th January 2019 and whose office shall be liable to retire by rotation.

Appointment of Mr. Narendra Ostawal is in compliance with the provisions of Section 10A of the Banking Regulation Act, 1949. He has requisite experience/expertise required under Section 10A (2) of the Banking Regulation Act, 1949.

The brief profile of Mr. Narendra Ostawal, in terms of the Secretarial Standards on General Meetings (SS-2) issued by the Institute of Company Secretaries of India has been provided as annexure to the Notice. Mr. Narendra Ostawal does not hold any equity shares of the Bank.

Your Directors, therefore, recommend the appointment of Mr. Narendra Ostawal (DIN: 06530414) as a Non-Executive Director of the Bank, liable to retire by rotation, as set forth in Item No. 5 of this Notice.

No Director other than Mr. Narendra Ostawal himself or any of the Key Managerial Personnel of the Bank or their relatives are, directly or indirectly, concerned or interested in the Resolution set out at Item No. 5. Further, Mr. Narendra Ostawal is not related to any Director or Key Managerial Personnel of the Bank.

ITEM NO. 6

In terms of Regulation 17 (6) (a) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015, the Board of Directors shall recommend all fees or compensation (profit linked commission), if any paid to Non-Executive Directors including Independent Directors shall require approval of the Shareholders in general meeting. The requirement of obtaining approval of shareholders in general meeting shall not apply to payment of sitting fees to Non-Executive Directors, if made within the limits prescribed under the Companies Act, 2013.

In view of the requirement, Board of Directors of the Bank recommended that fees or compensation (profit linked commission) to be paid to all Non-Executive Directors shall not exceed one percent (1%) of net profit. The Bank has always been in compliance of above said & RBI regulations in this regard and the amount shall not exceed the limit prescribed for non-executive directors.

No Director other than Non-Executive Directors or any of the Key Managerial Personnel of the Bank or their relatives

are, directly or indirectly, concerned or interested in the Resolution set out at Item No.6

The Board of Directors recommends the passing of the Special Resolution as set out in Item No. 6 of the Notice.

ITEM NO. 7

Mr. Mannil Venugopalan was appointed as the Independent Director (Part-Time) Chairman of the Bank with effect from 19th April 2017 vide RBI Letter bearing Ref. No. DBR. Appt.No.12183/29.44.003/2016-17 dated 13th April 2017 up to a period ending 29th March 2020.

Under the stewardship of Mr. Mannil Venugopalan, the Bank has performed well in all parameters and he has contributed immensely as Chairman of the Board. His foresightedness and guidance helped Bank to achieve and maintain standards of governance at all levels. He brings to the Board his rich experience and insights on areas of importance for committees and Board of the Bank.

In view of this, the Nomination and Remuneration Committee ("**NRC**") of the Board, at its meeting held on 22nd April 2019, reviewed the compensation (profit linked commission) of Mr. Mannil Venugopalan and recommended a revision in his compensation (profit linked commission), for the approval of the Board. Pursuant to the recommendation of the NRC, the Board of Directors of the Bank at its meeting held on 22nd April 2019, approved the revision in the compensation (profit linked commission) payable to Mr. Mannil Venugopalan as the Chairman of the Bank, subject to the approval of the Shareholders of the Bank and the Reserve Bank of India.

The brief profile of Mr. Mannil Venugopalan, in terms of the Secretarial Standards on General Meetings (SS-2) issued by the Institute of Company Secretaries of India has been provided as annexure to the Notice. Mr. Mannil Venugopalan does not hold any equity shares of the Bank.

No Director other than Mr. Mannil Venugopalan himself or any of the Key Managerial Personnel of the Bank or their relatives are, directly or indirectly, concerned or interested in the Resolution set out at Item No. 7. Further, Mr. Mannil Venugopalan is not related to any Director or Key Managerial Personnel of the Bank.

The Board of Directors recommends the passing of the Ordinary Resolution as set out in Item No.7 of the Notice.

ITEM NO. 8

During the year ended 31st March 2019, under the leadership of Mr. Sanjay Agarwal, Managing Director & CEO, the Bank has achieved all-round progress in terms of business growth, profitability, branch expansion, ATM network expansion and improved brand equity of the Bank. In a competitive and rapidly changing Banking sector,

it is critical for the Bank to leverage his expertise, knowledge and experience. Mr. Agarwal's achievement in the financial sector has received numerous recognition. He is recipient of many business awards notably 'EY Entrepreneur of the Year 2018'. He is responsible for overall strategic planning providing guidance to the executive management team of the Bank and Head of Departments (HODs) of Treasury, Risk, Audit, Operations, Digital Analytics, HR and Distributions among other departments that reports to him.

In view of above, the Nomination and Remuneration Committee ("**NRC**"), at its meeting held on 22nd April 2019, reviewed the remuneration being paid to Mr. Sanjay Agarwal as the Managing Director & CEO of the Bank and recommended a revision in his remuneration, for the approval of the Board.

Pursuant to the recommendation of the NRC, the Board of Directors of the Bank at its meeting held on 22nd April 2019 approved the revision in the remuneration by way of salary, allowances and perquisites payable to Mr. Sanjay Agarwal as the Managing Director & CEO of the Bank, subject to the approval of the Shareholders of the Bank and the Reserve Bank of India.

The brief profile of Mr. Sanjay Agarwal, in terms of the Secretarial Standards on General Meetings (SS-2) issued by the Institute of Company Secretaries of India has been provided as annexure to the Notice.

No Director and Key Managerial Personnel of the Bank other than Mr. Sanjay Agarwal himself or their relatives are, directly or indirectly, concerned or interested in the Resolution set out at Item No. 8 except to the extent of their shareholding in the Bank.

Further, Mr. Sanjay Agarwal is not related to any Director or Key Managerial Personnel of the Bank.

The Board of Directors recommends the passing of the Ordinary Resolution as set out in Item No. 8 of the Notice.

ITEM NO. 9

During the year ended 31st March 2019, under the leadership of Mr. Uttam Tibrewal, Whole-Time Director, Bank witnessed rapid growth in the retail business with consistent growth in revenue and profits. Mr. Uttam Tibrewal has demonstrated his ability to take up higher responsibilities and presently, retail assets and liability verticals report to him. His dynamic vision, strategic focus, and entrepreneurial skills continue to guide the growth of the Bank's businesses.

Considering the above, the Nomination and Remuneration Committee ("**NRC**") at its meeting held on 22nd April 2019 reviewed the remuneration being paid to Mr. Uttam Tibrewal

as the Whole-Time Director of the Bank and recommended a revision in his remuneration, for the approval of the Board.

Pursuant to the recommendation of the NRC, the Board of Directors of the Bank at its meeting held on 22nd April 2019, approved the revision in the remuneration by way of salary, allowance and perquisites payable to Mr. Uttam Tibrewal as the Whole-time Director of the Bank subject to the approval of the Shareholders of the Bank and the Reserve Bank of India.

The brief profile of Mr. Uttam Tibrewal, in terms of the Secretarial Standards on General Meetings (SS-2) issued by the Institute of Company Secretaries of India, has been provided as annexure to this Notice.

No Director and Key Managerial Personnel of the Bank other than Mr. Uttam Tibrewal himself or their relatives are, directly or indirectly, financially or otherwise, concerned or interested in the Resolution set out at Item No. 9 except to the extent of their shareholding in the Bank.

Further, Mr. Uttam Tibrewal is not related to any Director or Key Managerial Personnel of the Bank.

The Board of Directors recommends the passing of the Ordinary Resolution at Item No. 9 of the Notice to the members of the Bank.

ITEM NO. 10

In terms of good asset financing led growth in FY 2018-19 and projected financing needs for FY 2019-20, the Bank will be required to borrow funds for its business needs. Also, the Board of Directors of the Bank envisages requirement of funds in future. As per the provisions of Section 180(1) (c) of the Companies Act, 2013, the Board can borrow money subject to the condition that the money to be borrowed together with the monies already borrowed by the Bank (apart from deposits of money accepted from public in the ordinary course of its business, temporary loans obtained from the Company's bankers in the ordinary course of business) shall not exceed the aggregate, for the time being, of the paid-up share capital, free reserves and securities premium of Bank, that is to say, reserves not set apart for any specific purpose, unless the Shareholders have authorised the Board to borrow the monies up to some higher limits.

Hence, it is proposed to empower and authorise the Board of Directors of the Bank to borrow money from any Financial Institutions (FIs), Foreign Institutional Investors (FIIs), Bodies Corporate or Business Associates or any other person or entity etc., in excess of paid up capital, free reserves and securities premium of the Bank up to a sum not exceeding ₹ 22,000 crore (Rupees Twenty Two Thousand Crore) for the purpose of business activities of the Bank.

None of the Director or Key Managerial Personnel of the Bank or their relatives are, directly or indirectly, financially or otherwise, concerned or interested in the Resolution set out at Item No. 10.

The Board of Directors recommends the passing of the Special Resolution as set out in Item No. 10 of the Notice.

Item No. 11

Section 42 of the Companies Act, 2013 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 provides that Bank can issue securities including non-convertible debentures (NCDs) on a private placement basis subject to the condition that the proposed offer of debt securities or invitation to subscribe to debt securities has been previously approved by the Shareholders of the Bank, by means of a special resolution, for each of the offers or invitations. In case of an offer or invitation for NCDs, it shall be sufficient if the company passes a special resolution only once in a year for all offer(s) or invitation(s) for issue of such NCDs on a private placement basis, during the period of one year from the date of passing of the special resolution.

Keeping in view the Bank's projections in domestic operations, the Bank may need to raise additional funds in one or more tranches in Indian as well as overseas market to maintain the desired capital to risk weighted assets ratio (CRAR) and to meet the funds requirements by issue of debt securities denominated in Indian rupees or any other permitted foreign currency (including but not limited to long-term bonds, green bonds, non-convertible debentures, perpetual debt instruments and 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, on a private placement basis, during the period of one year from the date of passing of the special resolution.

Considering the above, the Board of Directors of the Bank at its meeting held on 22nd April 2019 has proposed to obtain the consent of the Shareholders of the Bank for borrowing/raising funds in Indian currency/ foreign currency by issue of debt securities in domestic and/ or overseas market, in one or more tranches as per the structure and within the limits permitted by the Reserve Bank of India and other regulatory authorities to eligible investors of an amount not exceeding ₹12,000 crore (Rupees Twelve Thousand Crore), on a private placement basis during a period of one year from the date of passing of the special resolution. The said 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.

None of the Director or and Key Managerial Personnel of the Bank or their relatives are, directly or indirectly, financially or otherwise, concerned or interested in the Resolution set out at Item No. 11.

The Board of Directors recommends the passing of the Special Resolution at Item No. 11 of the Notice to the members of the Bank.

Item No. 12

To comply with the provisions of SEBI circular CIR/IMD/DF-1/67/2017 dated 30th June 2017, the Bank is required to incorporate enabling provisions in its Articles of Association, to carry out any consolidation and re-issuance of debt securities, pursuant to and in terms of the provisions of Regulation 20A of SEBI (Issue and Listing of Debt Securities) Regulations, 2008, as may be amended, from time to time.

The SEBI circular allows corporates a maximum of 17 International Securities Identification Numbers (ISINs) maturing in any financial year - a maximum of 12 ISINs for plain vanilla debt securities and a maximum of 5 ISINs for structured products/ market linked debt securities. If fresh issuances maturing in a financial year need to be made in excess of the 17 ISINs permitted in that year then prior issue(s) under one or more of the existing ISINs need to be reissued. However, to carry out such consolidation and re-issuance of debt securities, clause (a) of Regulation 20A of the SEBI (Issue and Listing of Debt Securities) Regulations, 2008 requires an enabling provision in the Article of Association.

Pursuant to the terms of the provisions of Section 14 of Companies Act, 2013, any alteration in the Articles of Association of the Bank requires shareholders' approval, by way of a Special Resolution.

Accordingly, the approval of Members is being sought by way of a Special Resolution as set out at Item No. 12 of this Notice, authorising for alteration of Articles of Association of the Bank and consequential insertion of new Article no. 6J after the Article No. 6I, in the Articles of Association of the Bank.

A Copy of the Articles of Association with the proposed changes is available at the registered office of the Bank for inspection by the Members all working days during normal business hours from 10 AM to 5 PM, up to the date of AGM.

None of the Director or and Key Managerial Personnel of the Bank or their relatives are, directly or indirectly, financially or otherwise, concerned or interested in the Resolution set out at Item No. 12.

The Board of Directors recommends the passing of the Special Resolution at Item No. 12 of the Notice to the members of the Bank.

Item no. 13

Bank through shareholders' approval on 10th October 2016 approved an Employee Stock Option Scheme, 2016 ("ESOP 2016") for creating a pool of 3,50,000 options at a price of ₹ 840/- per option and post approval of Bonus Issue, the price and nos. of options were revised proportionately, and revised Options were 21,00,000 and revised Exercise Price was ₹ 140/- per option.

The said ESOP Scheme 2016 was subsequently amended on 24th January 2017 pursuant to the approval of the shareholders via postal ballot. The equity shares of the Bank were listed on 10th July 2017, thereafter the ESOP Scheme 2016 was put up to the members for ratification in the Annual General Meeting held on 27th September 2017 which was duly approved.

Further, Members are hereby informed that total number of options under the ESOP Scheme 2016 were 21 Lakhs out of which in different tranches, Bank granted 12.35 Lakhs options including options available for reissue and allotted 1.69 Lakhs equity shares on exercise of options at a price of ₹ 140/- each. The total number of options to be granted under ESOP Scheme 2016 on an accumulated basis are 8.65 Lakhs.

Below is the summary of Options under ESOP Scheme 2016:

Details of ESOP Scheme 2016

Name of Scheme	Total Nos. of Options	Options granted till 31 st March 2019	Balance Options available for Allocation
ESOP 2016	21,00,000	12,35,372	8,64,628

The proposal for amendment in the exercise price of options under ESOP Scheme 2016 is based on the following rationale:

- 1. Availability of 8.65 Lakhs options for Grant:** On approval of amendment of Exercise Price of ESOP Scheme 2016, 8.65 Lakhs options shall be available for grant over the years excluding the Options that will be available for re-issue from total ESOP Pool. Grant in ESOP Pool under ESOP Scheme 2015 – Plan A & B have been carried out. At present Bank can grant options under ESOP Scheme 2016 and 2018.
- 2. Harmonisation of ESOP Scheme 2016 & ESOP Scheme 2018:** Due to dissimilarity in the exercise price of ESOP Scheme 2016 and the ESOP Scheme 2018 which was framed post listing of the Bank, which is governed by Securities and Exchange Board of India (Shared Based Employee Benefits) Regulations, 2014. The pricing of options under ESOP Scheme 2018 is linked with market price, hence there is need to bring harmonisation in ESOP Scheme 2016 and ESOP Scheme 2018 in terms of exercise price.
- 3. Re-Pricing of Exercise Price under ESOP Scheme 2016:** In order to have a uniformity in the pricing for Options in

ESOP schemes and considering the quantum of options that are yet to be granted under ESOP Scheme 2016, it is pertinent to revise the exercise price for options available in ESOP Scheme 2016 as determined by the Nomination

and Remuneration Committee ('NRC') in compliance of Securities and Exchange Board of India (Shared Based Employee Benefits) Regulations, 2014 with per option exercisable into equivalent number of Equity shares.

Disclosures as required under Regulation 6 (2) of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014

S. No.	Particulars	Description
1.	Brief description of the scheme(s)	Total number of options under the ESOP Scheme 2016 was 21 Lakhs out of which Bank granted 12.35 Lakhs options and 8.65 Lakhs options shall be available for grant under ESOP Scheme 2016.
2.	Total number of options, SARs, shares or benefits, as the case may be to be granted	8.65 Lakhs options shall be available for grant under ESOP Scheme 2016 excluding the Options that will be available for re-issue from total ESOP Pool.
3.	Identification of classes of employees entitled to participate and be beneficiaries in the scheme(s)	AU EMPLOYEE STOCK OPTION SCHEME 2016 shall extend to employees of the Bank as determined by the Nomination and Remuneration Committee ("NRC"). The scheme shall also be extended to new recruits of the Bank, as may be determined by NRC from time to time.
4.	Requirements of vesting and period of vesting	The continuity of employee in the services of the Bank shall be the primary requirement of the vesting. Options granted under this scheme would vest after one year but not later than six years from the date of Grant of such options.
5.	Maximum period (subject to regulation 18(1) and 24(1) of the regulations, as the case may be) within which the options / SARs / benefit shall be vested	Options granted under this scheme would vest after one year but not later than six years from the date of Grant of such options.
6.	Exercise price, SAR price, purchase price or pricing formula	Exercise price of options shall be determined as average of weekly high and low of volume weighted average price (VWAP) of AU Small Finance Bank Equity Shares on the stock exchange having higher trading volume during the last twenty-six weeks from the day preceding the date of grant.
7.	Exercise period and process of exercise	The exercise period shall be within 6 years from the date of 1st Vesting date and employees shall be required to submit their exercise notice electronically/physical form to the Bank for exercising their options.
8.	The appraisal process for determining the eligibility of employees for the scheme(s)	The criteria for determining the nos. of Options to be granted to employees decided on the basis of rating, objective assessment of the performance of employees, tenure of service, their contribution and proposed role in the Bank.
9.	Maximum number of options, SARs, shares, as the case may be to be issued per employee and in aggregate	8.65 Lakhs options shall be available for grant under ESOP Scheme 2016, which is to be granted by NRC to employees excluding the Options that will be available for re-issue from total ESOP Pool.
10.	Maximum quantum of benefits to be provided per employee under a scheme(s)	As may be decided by Nomination and Remuneration committee of the Board.
11.	Whether the scheme(s) is to be implemented and administered directly by the company or through a trust	The Scheme is administered through a Trust, except corporate action in this regard including allotment of securities which is to be carried out by the Bank.
12.	Whether the scheme(s) involves new issue of shares by the company or secondary acquisition by the trust or both	Both i.e. New issue of shares by Bank and secondary acquisition by the Trust.
13.	Amount of loan to be provided for implementation of the scheme(s) by the company to the trust, its tenure, utilization, repayment terms, etc.	As may be decided by Nomination and Remuneration committee of the Board.
14.	Maximum percentage of secondary acquisition (subject to limits specified under the regulations) that can be made by the trust for the purposes of the scheme(s);	As may be decided by Nomination and Remuneration committee of the Board.

Disclosures as required under Regulation 6 (2) of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014

S. No.	Particulars	Description
15.	Company shall confirm to the accounting policies specified in regulation 15	The Bank shall confirm to the applicable Accounting Standards, Companies Act, 2013 and SEBI guidelines as may be applicable including the disclosure and accounting policies as specified in the SEBI guidelines and such other guidelines applicable from time to time shall be complied by the Bank.
16.	Method which the company shall use to value its options or SARs	The Bank to use one of the applicable methods to value its options and difference in value of shares and grant price if any shall be amortized and it shall be disclosed in the Board's Report. Also the impact of this difference on profits and on Earnings Per Share (EPS) of the Bank shall be disclosed in the Board's Report.
17.	In case the company opts for expensing of share based employee benefits using the intrinsic value, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value, shall be disclosed in the Directors' report and the impact of this difference on profits and on earnings per share ("EPS") of the company shall also be disclosed in the Directors' report.'	It is hereby confirmed that the details as required herein will be disclosed in the Board's Report.
18.	Reference of 'AU Financiers (India) Limited' where ever used in the said scheme has been replaced with 'AU Small Finance Bank Limited' (" Bank") pursuant to obtaining of banking license and becoming Scheduled Commercial Bank.	
19.	Exercise form for exercising option has been revised in accordance with format available in online software.	

As per Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, the necessary amendments and variations to the ESOP Scheme 2016 need to be approved by the shareholders of the Bank by way of a special resolution and accordingly the same is being placed before the shareholders for their approval.

None of the Director or any of the Key Managerial Personnel (KMPs) of the Bank or their relatives are, directly or indirectly, concerned or interested in the Resolution as set out in Item No. 13 except to the extent of ESOP granted to KMPs, if any and to the extent of their shareholding in the Bank.

The Board of Directors recommends the passing of special resolution set out in Item No. 13 of the Notice to the members of the Bank.

**BY THE ORDER OF THE BOARD OF DIRECTORS
FOR AU SMALL FINANCE BANK LIMITED**

Sd/-
MANMOHAN PARNAMI
COMPANY SECRETARY
Membership No. F9999

PLACE: JAIPUR
DATE: 22nd April 2019
Registered Office: 19-A, Dhuleshwar Garden, Ajmer Road,
Jaipur - 302001, Rajasthan
Website: www.aubank.in
Tel: +91 0141 4110060/6660666
Fax: +91 0141 4110090
E-mail: investorrelations@aubank.in

BRIEF PROFILE AND OTHER INFORMATION OF DIRECTORS BEING APPOINTED / RE-APPOINTED / WHOSE REMUNERATION IS BEING REVISED, AS SET OUT IN THIS NOTICE, IN TERMS OF THE REGULATION 36(3) OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 AND THE SECRETARIAL STANDARD ON GENERAL MEETINGS (SS-2) ISSUED BY THE INSTITUTE OF THE COMPANY SECRETARIES OF INDIA.

**Annexure to item number 5
Mr. Narendra Ostawal**

Age	41 Years
Date of first appointment on Board	30 th January 2018
Qualification	Mr. Narendra Ostawal is qualified & experienced professional and possesses a postgraduate diploma in Business Management from Indian Institute of Management, Bangalore, Chartered Accountant from ICAI and a Commerce graduate.
Brief Resume including experience	<p>Mr. Narendra Ostawal is the Additional Director (Non-Executive) of the Bank.</p> <p>He is Managing Director of Warburg Pincus India Private Limited (WPIPL) from 1st January 2015 till date. He has 19 years post Chartered Accountancy experience and 16 years post MBA which includes more than 3 years in management consulting and 13 years in Investment management.</p> <p>Prior to his appointment as Additional Director (Non-Executive) on the Board, he was acting as Nominee Director on behalf of Redwood Investment Limited from 30th January 2018 to 16th January 2019.</p>
Nature of his expertise in specific functional areas	Mr. Ostawal has vast experience in the investment evaluation in the financial services sector, financial accounting & fund management.
Other Directorship	<ul style="list-style-type: none"> • Warburg Pincus India Private Limited • Laurus Labs Limited • D B Power Limited • DB Power (Madhya Pradesh) Limited • Diligent Power Private Limited • Decore Thermal Power Private Limited • Computer Age Management Services Private Limited • Sterling Software Private Limited • Fusion Micro Finance Private Limited • Indiafirst Life Insurance Company Limited • Carmel Point Investment India Private Limited
Chairmanship/Membership of Committees in other listed entities in which position of Director is held	<p>Laurus Labs Limited</p> <p>Chairman - Stakeholder Committee</p> <p>Member - Risk Management Committee</p> <p>Member - Corporate Social Responsibility Committee</p> <p>Member - Nomination and Remuneration Committee</p>
Relationship with other Directors, Managers and other Key Managerial Personnel of the Company	None
No. of equity shares held in the Bank	Nil
No. of Board meetings attended during the year	3
Terms and conditions of appointment or re-appointment	Proposed Non-Executive Director, liable to retire by rotation and post approval at AGM, he shall be director for a period of four (4) years from date of appointment, i.e. 17 th January 2019.
Compensation sought to be paid	<p>Compensation sought to be paid: Nil</p> <p>Compensation last drawn: Nil</p>

Annexure to item number 7

Mr. Mannil Venugopalan

Age	74 Years
Date of first appointment on Board	27 th August 2011
Qualification	Mr. Mannil Venugopalan holds Bachelor's degree in Commerce and Certified Associate of the Indian Institute of Bankers (CAIIB).
Brief Resume including experience	<p>Mr. Mannil Venugopalan is the Independent Director (Part-Time) Chairman of the Bank. He was appointed w.e.f 27th August 2011 as an Additional Director and was appointed as Non-Executive Director on 26th September 2012. Subsequently, he was designated as an Independent Director on 30th May 2013 and reappointed as an Independent Director on 30th March 2015. Pursuant to the RBI approval dated 13th April 2017, his designation was approved as Independent Director (Part-Time) Chairman of the Bank.</p> <p>Prior to joining us, he was Managing Director & CEO of Federal Bank, Chairman & Managing Director of Bank of India, Executive Director of Union Bank of India and held other leadership positions.</p> <p>He has over 49 years of experience in the field of Finance and Banking industry.</p>
Nature of his expertise in specific functional areas	Mr. Venugopalan has experience and expertise in banking and financial services.
Other Directorship	<ul style="list-style-type: none"> • LICHFL Asset Management Company Limited • Shreyas Shipping And Logistics Limited • Shaolin Trusteeship Private Limited • Shri Kailash Logistics (Chennai) Limited • Shivalik Agro Poly Products Limited • IL&FS Environmental Infrastructure and Services Limited
Chairmanship/Membership of Committees in other listed entities in which position of Director is held	<p>Shreyas Shipping and Logistics Limited</p> <p>Member- Audit Committee</p>
Relationship with other Directors, Managers and other Key Managerial Personnel of the Company	None
No. of equity shares held in the Bank	Nil
No. of Board meetings attended during the year	7
Terms and conditions of appointment or re-appointment	Independent Director (Part-Time) Chairman, not liable to retire by rotation.
Compensation sought to be paid	<p>Compensation Sought to be Paid: Profit linked commission of ₹ 25,00,000/- (Rupees Twenty Five Lakh only) subject to approval of RBI and sitting fees for attending the Board & Committee Meetings.</p> <p>Compensation Last Drawn: Compensation (Profit linked commission of ₹ 17,00,000/- (Rupees Seventeen lakh only) as approved by RBI and sitting fees for attending the Board & Committee Meetings.</p>

Annexure to item number 8

Mr. Sanjay Agarwal

Age	48 Years
Date of first appointment on Board	22 nd January, 2003
Qualification	Mr. Sanjay Agarwal is Chartered Accountant and holds Bachelor's degree in Commerce from the Government College, Ajmer.
Brief Resume including experience	Mr. Sanjay Agarwal is the Managing Director & CEO of the Bank. He is Chartered Accountant and holds Bachelor's degree in Commerce from the Government College, Ajmer. He has been associated with the organization since 10 th January, 1996 and was first appointed as Managing Director on 14 th February 2008. Subsequently, he was re-appointed as Managing Director on 14 th February 2013. Pursuant to the RBI approval dated 13 th April 2017, his designation was approved as a Managing Director & CEO with effect from 19 th April 2017. He has over 23 years of experience in the Banking and Finance industry.
Nature of his expertise in specific functional areas	Mr. Agarwal has vast experience in field of Accounting, Financial Services, Credit Risk Management, Treasury Management and Strategic planning.
Other Directorship	Nil
Chairmanship/Membership of Committees in other listed entities in which position of Director is held	Nil
Relationship with other Directors, Managers and other Key Managerial Personnel of the Company	None
No. of equity shares held in the Bank	5,67,66,359 equity shares i.e. 19.42% of Paid up Share Capital.
No. of Board meetings attended during the year	7
Terms and conditions of appointment or re-appointment	Executive Director liable to retire by rotation
Remuneration sought to be paid	Remuneration details sought to be paid: Covered in Item No.8 of the Notice of AGM and is subject to approval of Reserve Bank of India and members of the Bank. Remuneration last Drawn: Basis Salary, allowances & other benefits were ₹ 1.725 Crore p.a. and other perquisites as approved by RBI vide its letter dated 21 st February 2019.

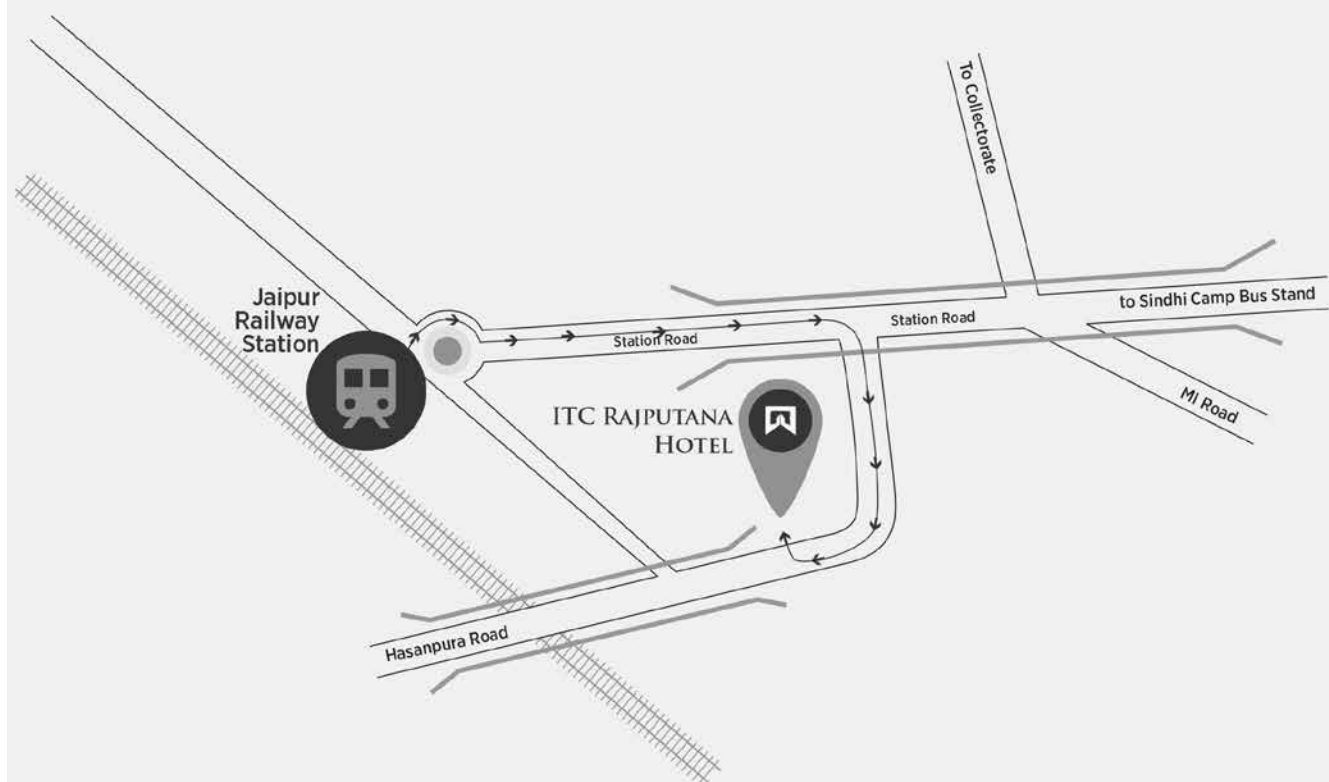
Annexure to item number 9

Mr. Uttam Tibrewal - Whole-Time Director

Age	48 Years
Date of first appointment on Board	22 nd January, 2005
Qualification	Mr. Uttam Tibrewal holds a Bachelor's degree in Commerce from Delhi University.
Brief Resume including experience	Mr. Uttam Tibrewal is the Whole-Time Director of the Bank. He has been associated with the organization since the year 2003 as Head of Business Operations and was appointed as Whole-Time Director on 14 th February 2008. Subsequently, he was reappointed as Whole-Time Director on 14 th February 2013. Pursuant to the RBI approval dated 13 th April 2017, his designation was approved as a Whole-Time Director of the Bank with effect from 19 th April 2017. He has over 22 years of experience in the financial services & retail.
Nature of his expertise in specific functional areas	Mr. Uttam Tibrewal has vast experience in the field financial services, including Financing to Small Business covering MSMEs and retail loans.
Other Directorship	Nil
Chairmanship/Membership of Committees in other listed entities in which position of Director is held	Nil
Relationship with other Directors, Managers and other Key Managerial Personnel of the Company	None
No. of equity shares held in the Bank	35,44,673 equity shares i.e. 1.21% of Paid up Share Capital.
No. of Board meetings attended during the year	7
Terms and conditions of appointment or re-appointment	Executive Director liable to retire by rotation
Remuneration sought to be paid	Remuneration details sought to be paid: Covered in Item No.9 of the Notice of AGM and is subject to approval of Reserve Bank of India and members of the Bank. Remuneration Last Drawn: Basis Salary, allowances & other benefits were ₹ 1.495 Crore p.a. and other perquisites as approved by RBI vide its letter dated 21 st February 2019.

**Route Map of the Venue for Annual General Meeting to be held on
Friday, 26th July 2019 at 04:00 p.m.**

Venue:
ITC Rajputana - Suryavanshi Mahal,
Palace Road, Gopalbari, Jaipur, 302006
Rajasthan



ATTENDANCE SLIP

AU SMALL FINANCE BANK LIMITED

CIN: L36911RJ1996PLC011381

Registered Office: 19 - A, Dhuleshwar Garden, Ajmer Road, Jaipur - 302001, Rajasthan

I hereby record my presence at the 24th ANNUAL GENERAL MEETING ("AGM") of AU SMALL FINANCE BANK LIMITED on Friday, 26th July 2019 at the Suryavanshi Mahal – Ground, Floor, ITC Rajputana, Palace Road, Jaipur - 302006, Rajasthan, India at 04:00 p.m.

Folio No..... DP ID..... Client ID.....

Name of Member.....

Name of Proxy Holder.....

Number of Shares Held.....

Signature of Member/Proxy

Notes: Members/Proxy holders are requested to produce the attendance slip duly signed for admission to the Meeting hall.



Proxy Form

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies
(Management and Administration) Rules, 2014]

CIN: L36911RJ1996PLC011381

Name of the Bank: AU SMALL FINANCE BANK LIMITED

Registered office: 19 – A, Dhuleshwar Garden, Ajmer Road, Jaipur - 302001, Rajasthan

Website: www.aubank.in | E-mail: investorrelations@aubank.in

Name of the member(s):.....

Registered Address:.....

E-mail Id:.....

Folio No/Client Id:.....

DP ID:.....

I/We _____, being the member(s) of AU SMALL FINANCE BANK LIMITED, holding _____ shares of the above-named Bank, hereby appoint

1. Name:.....Address:.....

E-mail ID:Signature.....or failing him

2. Name:.....Address:.....

E-mail ID:Signature.....or failing him

3. Name:.....Address:.....

E-mail ID:Signature.....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 24th AGM of the Bank, to be held on Friday, 26th July 2019 at 04:00 p.m. at Suryavanshi Mahal – Ground, Floor, ITC Rajputana, Palace Road, Jaipur - 302006, Rajasthan, India and/or at any adjournment thereof in respect of such resolutions as indicated below: -

S. No.	Resolution	For	Against
1.	To consider and adopt the Audited Financial Statements of the Bank for the Financial Year ended 31 st March 2019 and the reports of the Board of Directors and the Auditors thereon		
2.	To declare dividend of ₹ 0.75 per equity share of ₹ 10 each for the Financial Year 2018-19.		
3.	To appoint a Director in place of Mr. Uttam Tibrewal (DIN: 01024940), who retires by rotation and being eligible, has offered himself for re-appointment		
4.	To ratify the appointment of M/S S.R. BATLIBOI & ASSOCIATES LLP, Chartered Accountants (Registration No. 101049W/E300004) as the Statutory Auditors of the Bank		
5.	To appoint Mr. Narendra Ostawal (DIN: 06530414) as a Director (Non-Executive)		
6.	To approve fees or compensation (profit linked commission) payable to Non-Executive Directors, including Independent Directors		
7.	To revise the compensation (Profit Linked Commission) payable to Mr. Mannil Venugopalan (DIN:00255575), as the Independent Director (Part-Time) Chairman		
8.	To revise the remuneration payable to Mr. Sanjay Agarwal (DIN 00009526), as the Managing Director & CEO		
9.	To revise the remuneration payable to Mr. Uttam Tibrewal (DIN: 01024940), as the Whole-time Director		
10.	To authorise Board of Directors to borrow money in excess of paid up capital, free reserves and securities premium of Bank u/s 180 (1) (c) of the Companies Act, 2013		
11.	To issue of securities/bonds/other permissible instruments, in one or more tranches		
12.	To alter Article of Association of the Bank		
13.	To approve amendments in Employee Stock Option Scheme 2016		

Signed this _____ day of _____ 2019

Signature of shareholder

Signature of Proxy Holder(s)

Affix
₹ 1/-
Revenue
Stamp

Notes:

- This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Bank addressed to the 'Company Secretary', not later than 48 hours before the commencement of the Meeting.
- A person can act as proxy on behalf of Members up to and not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Bank carrying voting rights. Further, a Member holding more than ten percent of the total share capital of the Bank carrying voting rights, may appoint a single person as proxy and such person shall not act as proxy for any other person or Member.

It is optional to put a (✓) in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your proxy will be entitled to vote in the manner as he/she thinks appropriate.

AU SMALL FINANCE BANK LIMITED

Updation Form for Shareholders

UPDATION OF EMAIL ID & BANK ACCOUNT DETAILS

* **Updation of contact details:** Kindly update your email id and contact details in the below mentioned block.

Email ID:	
Tel.No./ Mobile No.	

Updation of Bank Details

Name of First/Sole shareholder	
Name of the Bank in Full & Branch	
Bank A/C No. as appearing on the Cheque leaf	
IFSC Code	
MICR Code	
PAN	

I/We hereby declare that the particulars given above are correct and complete. If the transaction is delayed because of incomplete or incorrect information, I/we would not hold the Registrars and Transfer Agents responsible. I/We undertake to inform any subsequent changes in the above particulars before the relevant Book closure /Record Date(s).

Place:

Date:

Signature of Sole/First Holder

Please attach the photocopy of a Cheque or a blank cancelled Cheque issued by your Bank relating to your above bank account for verifying the accuracy of the 9 Digit MICR code number/IFSC Code.

Shareholders holding shares in Physical Mode, please send these details to:	Shareholders holding shares in Dematerialised form, please send these details to:
Link Intime India Pvt. Ltd. C-101, 247 Parks, L.B.S. Marg, Vikhroli (west) Mumbai 400083	The Depository Participant with whom your Demat Account is maintained

Enclosures:

1. Self-attested copy of PAN Card
2. Self-attested copy of Residence Proof (Any one – Voter ID/Passport/Driving License/ AADHAAR Card)
3. Cancelled Blank Cheque leaf.
4. Signature attestation by Manager of Scheduled Commercial Bank/ AU Small Finance Bank Limited

FOR YOU YOUR WORK COMES FIRST. FOR US IT IS YOU.



**Get connected to AU Bank &
experience a new world of banking.**



CUSTOMER CONVENIENCE

- No Deposit/Withdrawal Slip.
- Paperless Cash Transactions.
- Extended Banking Hours.
- True Anywhere Banking.

CUSTOMER CENTRIC PRODUCTS

- Monthly Interest Payouts.
Higher Interest Rates.
- Avail each and every product
& facility across all branches.
No Hidden Charges. Hassle Free
Banking.
- Regular upgrades of benefits

EASY DIGITAL BANKING

- Aadhar Enabled Paperless
Account Opening
- Cash Recycles
- Internet and Mobile Banking



QR Code

Shareholder's Satisfaction Survey

We at AU Small Finance Bank Limited have always strived to provide the best services to our investors and customers while maintaining the highest level of Corporate Governance in the practices followed by the Bank. As a part of our constant endeavour to improve shareholder service standards, we seek your valuable feedback by filling the questionnaire by scanning the QR code or by clicking on this link <https://bit.ly/2I9FxGp>.

Safe Harbor

This Annual Report contains forward looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements – written and oral – that we periodically make contain forward looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

Disclaimer

It must be distinctly understood, that the Reserve Bank of India does not undertake any responsibility for the financial soundness of the Bank or for the correctness of any of the statements made or opinion expressed in this connection.



24 साल का भरोसा हुआ और मजबूत AU Bank turns 2!



Standing strong on our deep roots of wisdom, we are making a doorway to the new world of banking. We have the legacy of 24 years, vigour of 2 years and a journey of lifetime... Bank on AU

Today. Tomorrow. Forever.



AU SMALL FINANCE BANK LIMITED

REGISTERED OFFICE

19-A, Dhuleshwar Garden, Ajmer Road,
Jaipur - 302 001, Rajasthan, India

CORPORATE OFFICE

5th Floor, E-Wing, Kanakia Zillion,
Junction of CST and L.B.S. Road, Kurla West,
Mumbai - 400070, Maharashtra, India

HEAD OFFICE

Bank House, Mile 0, Ajmer Road,
Jaipur - 302001, Rajasthan, India

Website: www.aubank.in | Email id: investorrelations@aubank.in | Phone: 0141 4110060/61/6660666
CIN: L36911RJ1996PLC011381