AU SMALL FINANCE BANK

A SCHEDULED COMMERCIAL BANK

Saluting



Real Life Heroes

COURAGE | COMPASSION | CHARACTER

AU Small Finance Bank
Integrated Annual Report 2020-21

HopeOnTheHorizon



Courage

of more than a billion bravehearts shines in the darkest hour

11th March 2020 was just like any other day. It was Wednesday, and billions of people in India and other parts of the world went about with their lives just as they did always – going to workplaces, meeting people, travelling, having food and drinks together, shaking hands and hugging each other. Yet on that day, the World Health Organisation, after much deliberation and analysis, declared the virus COVID-19 as a global pandemic. A lethal invisible enemy with power to destroy lives and livelihoods, suddenly emerged on the global consciousness from nowhere.

For India, the challenge was more overwhelming.

The reasons:
Large and dense population which makes social distancing very difficult; stretched healthcare infrastructure and very little time on hand.

However, the citizens of India showed exemplary courage and maturity in dealing with the menace. India's COVID-19 diary of FY 2020-21 is replete with supreme sacrifices of citizens and proactive initiatives of institutions, which complemented each other and rallied together.

Here is a brief account of the major events that led to India's efficient and effective response:

- On 24th March 2020, the Government of India imposed a nationwide lockdown for 21 days, limiting the movement of 1.38 billion Indians, to contain the virus spread
- With coordination among central and state governments, India's healthcare infrastructure was quickly ramped up and doctors, along with frontline healthcare workers, knew that they had a mission to achieve like no other before
- It became incumbent upon the essential services to keep things running and support the people who were unable to step out of their houses. Individuals employed in hospitals, pharmacies, police and security services, civic services, administration, fruits and vegetable selling, grocery stores, dairy, banking and insurance, media, e-commerce etc. along with volunteers from NSS, NCC etc. rose to the occasion and displayed character in fighting this pandemic
- Responding to the Prime Minister's call to show gratitude to frontline workers, citizens across the country clapped and lighted candles on 22nd March and 5th April 2020
- The Government of India's calibrated policy stimulus began with direct support in cash and distributed essentials, and progressively broadened into a comprehensive package (AatmaNirbhar Bharat Abhiyaan) to provide support to the various sectors of the economy, and the most vulnerable sections of society. In FY 2020-21, it cumulated to 15.7% of GDP, including liquidity and other measures taken by the RBI
- Entrepreneurs, actors and philanthropists contributed generously to support the vulnerable sections of society, especially migrant workers who needed help in returning to their homes
- By maintaining national supply chains, Indian Railways ensured critical help in the nation's darkest hour since the Partition. During the last year's lockdown, 60 lakh migrant workers took 4,450 Shramik specials to reach their home states. Railways prepared 4,000 coaches with 64,000 beds as isolation wards for COVID patients. Oxygen Express trains are serving the nation during the second surge of the virus
- As on February 2021, 174 doctors, 116 nurses and 199 healthcare workers laid their lives to save millions of others. A large number of security personnel and civic staff also succumbed to the infection while fulfilling their duty to ensure proper implementation of COVID-related guidelines
- India has always been proactive in supporting the global community in times of dire need. Even as India was organising its vaccine roll-out, the Government of India announced an elaborate 'vaccine diplomacy' strategy for providing vaccines to most of its neighbours (Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, and Sri Lanka), and a sizable number of other developing countries, including those from Africa and South America
- India's scientists showed fine acumen in rolling out an indigenously developed vaccine to inoculate the population, while vaccines imported from other countries were simultaneously rolled out for maximum coverage. On 16th January 2021, India commenced one of the largest vaccination drives in the world. By the end of June 2021, India had administered over 30 crore doses which included both first and second doses

We, at AU Bank, salute the resilient spirit and hard work of the frontline workers, governments and institutions. It is because of their relentless efforts that today we are better prepared to deal with the pandemic. As we, as a nation, stretch our resources and endurance to eradicate the virus, the finest aspects of human character and capability are increasingly coming to the fore.



A global movement expands the circle of compassion











As the second wave of COVID-19 ravaged large swathes of India, hospital beds, oxygen supplies, blood plasma, and medicines became scarce. To provide help, a citizen's movement gained momentum as common people took to social media – posting helplines and responding to requests from unknown people.

Indian corporates joined hands with the Government extending leadership, solidarity and collaboration to deal with the pandemic. It is estimated that private and public sector corporates used their Corporate Social Responsibility (CSR) funds to contribute ~USD 750m to the PM CARES Fund along with various associations, industry bodies and individuals. The Government also leveraged public-private partnership to create applications like 'Arogya Setu' and 'Co-WIN' which helped in registration, tracking, tracing and administration of various COVID-related measures. Numerous corporates came forward and voluntary groups were formed to arrange for critical supplies (medicines and oxygen) and set up hospital-like facilities; Automobile majors committed to using their supply lines to produce ventilators; several non-profit organisations provided food and other essentials to quarantined individuals; and IT companies and various institutions built live dashboards and tracking applications.

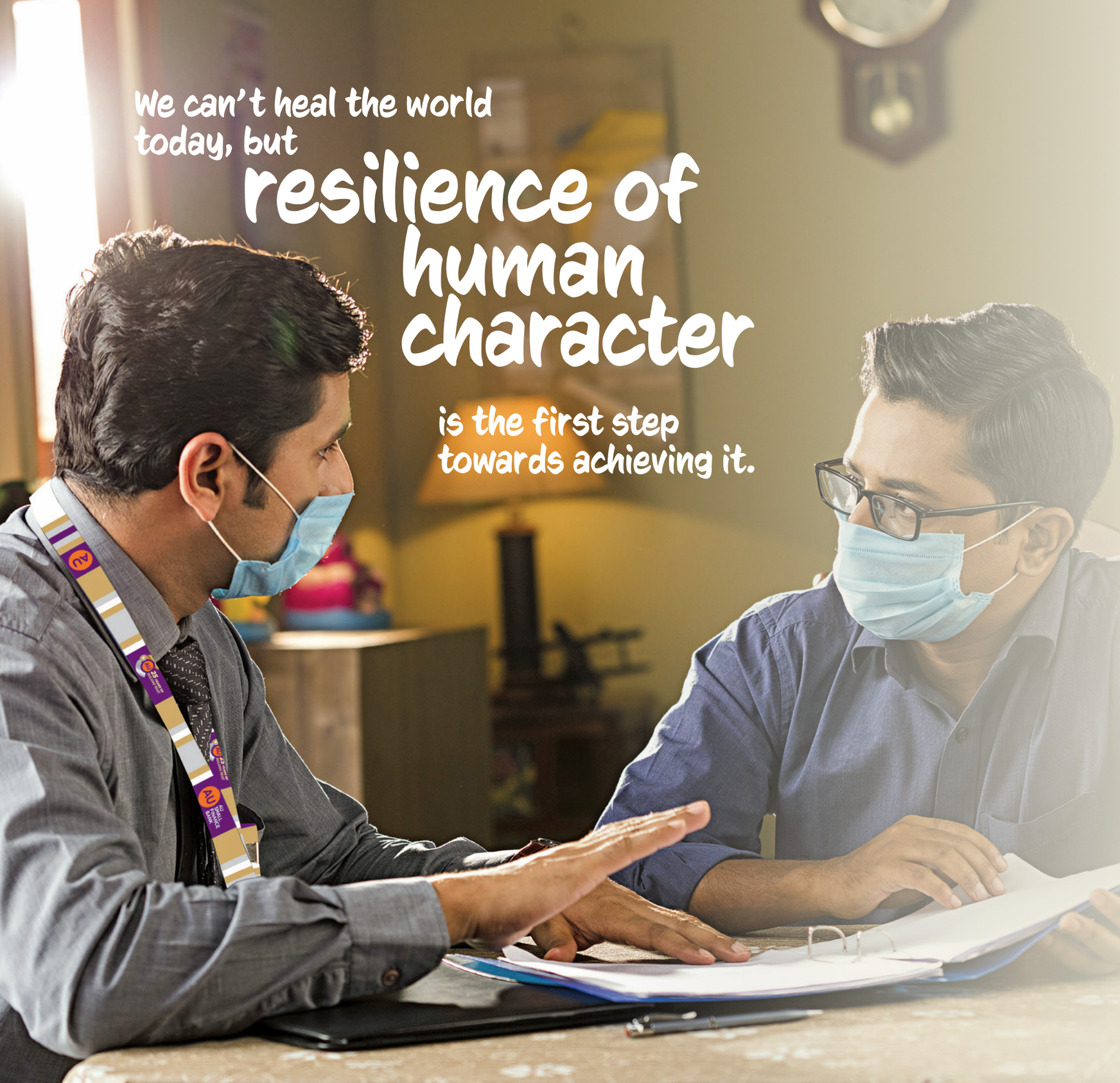
COVID 2.0

As India grapples with a devastating second wave, one aspect of the crisis stood out as a silver lining: the world responded with unparalleled solidarity. Valuable consignments of urgently required medical equipment like liquid oxygen, oxygen generators and concentrators, ventilators and drugs like Remdesivir and Tocilizumab, poured in from across the continents. Over 40 countries committed to providing India with essential supplies that we urgently needed.

The outpouring of solidarity with India was not only at the Government-to-Government level, but we also saw contributions from multinational corporates and the Indian diaspora across the world. As India's External Affairs Minister Shri. S. Jaishankar aptly quoted, "What you describe as aid, we call friendship." The policy of extending friendship and support to developing and developed countries by sending medicines like hydroxychloroquine, paracetamol etc. and vaccines when they were in peril during the first wave was reciprocated when coronavirus cases surged in India during the second wave.

On 30th April 2021, India became the first country to report over 4 lakh new cases in a 24-hour period. Amidst the surge in daily cases, also came the story of a rising force in India, one where every individual stepped up to help the other. Numerous stories of real-life unsung heroes came to the fore – people who showed endless kindness to unknown people just on one call on social media platforms like WhatsApp, Twitter, Instagram and Facebook.

They may not be on the frontline, but these people made large difference by rallying volunteers, building digital tools to disseminate verified leads and information, auctioning their talent to raise awareness and money for charity, setting counselling workshops or simply giving a free ride to people visiting hospitals.



We, at AU Bank, are happy to serve our customers, people and communities to help ease suffering and stand together with all citizens.

As a trusted institution for millions of people for over 25 years, we knew that our responsibility to show resilience in the face of an overwhelming adversity was utmost. We took this challenge as an opportunity to serve our customers, serve the nation and play our role as an essential service provider with compassion and empathy.

Communication became key in this entire period – be it with customers or with employees. Working from their homes, various sales, credit and operations team ensured they reach out to our customers, explain them about the pandemic, check on their well-being and if needed, provide support, wherever possible. For employees, information about the disease, the necessary safety protocols to combat the virus, and the emergency contact details become a key part of communication. We reached out to all our employees via digital platforms, mailers and information pamphlets to detail out what they need to do, how to deal with the pandemic and how to protect themselves while continuing to serve our customers.

Despite operational challenges, the Customer Support team at AU Bank worked hard to provide a seamless banking experience. We kept our branches open, maintained 100% uptime on all our digital channels and provided doorstep banking for the convenience of citizens. We managed this while adhering to all prescribed safety protocols, local lockdown rules and regulatory guidelines.

We initiated various measures to address community priorities, and extended help to healthcare and frontline professionals, among others. We also supported various organisations, including the state governments, in amplifying their initiatives. Overall, our efforts benefitted 5+ lakh people through the year.

The Bank, along with AU Foundation, undertook multiple initiatives to contribute to societal well-being. Apart from committing ₹5 crore towards COVID-19 relief measures (including ₹2 crore to PM CARES Fund and ₹51 lakh each to Delhi and Maharashtra Chief Minister), the team worked tirelessly towards providing hot-cooked meals, dry-ration kits and sanitisation equipments to the vulnerable sections of the society.

The second wave was more severe on us when we lost 13 of our employees compared to loss of one life in the first wave. We deeply mourn the loss of our 14 dear friends and colleagues to COVID. We are taking all necessary steps to combat the pandemic-induced crisis and with every passing day, we are bringing back normalcy and robustness in every aspect of our operations. We are optimistic about witnessing a stronger drive for revival and inclusive growth. We look forward to the continued support of all stakeholders, as we navigate the new normal.

Read more on page **40-44**

Inspired by real life heroes

Amidst the headwinds unleashed by the pandemic, India's frontline heroes have walked the talk – leading by example and demonstrating virtues that inspire us all.

"Unprecedented times need unprecedented effort. Since last year and a half, entire humanity has come together to solve COVID-19. We thought that each one of us must contribute to make things better for our loved ones. We felt every skill in the right direction would help solve this problem faster, may it be a healthcare provider or anyone else. Being a group programmer, we are proud that we contributed in a small way last year with Aarogya Setu and this year on Eka care. So, let's be positive, motivated, optimistic and come out even stronger & more competent than ever before."

Vikalp Sahani
CEO, Eka Care & Volunteer Architect of Arogya Setu



We are grateful to these intrepid warriors, whose efforts and supreme sacrifices are bringing us closer to victory against the virus every single day.

COVID-19 has attempted to rip apart the very fabric of our lives, but human resilience will triumph in the end. It has proved to be far more powerful than any threat to our existence on the planet.

We, at AU Bank, put our faith in the human attributes of courage, compassion and character that have made progress possible for centuries.

As we continue our journey, we are reminded of the Greek philosopher Epictetus' eternal wisdom.

"The greater the difficulty, the more glory in surmounting it."



AU BANK

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GATEWAY TO

DIGITAL LIFE

Inside the Report

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We are building one of India's best-in-class retail banking franchise with the goal to make the banking experience of customers much simpler and sharper. For over 25 years, we have built ourselves and accomplished many milestones, and now, the power and responsibility of the banking platform attained in the last 4 years is helping us evolve significantly. We have made significant strides in our journey of becoming a tech-led, retail-focused Bank with a sustainable business model supported by strong regulatory guidelines. As the world fast-tracks digital adoption, we are reimagining processes, capturing customers' imagination, and building contemporary digital infrastructure to make a more resilient enterprise. We are automating routine operations and making complex decisions simpler by adapting to changing realities and leveraging technology.

We offer 30+ products across 15 states and two Union Territories of India. AU Bank is a Fortune India 500 Company, enjoying the trust and support of millions of customers and stakeholders.

Achievements

20 lakh+
Live customer base as on 31st March 2021 (Asset +Liability)

5.5 lakh+
New customers acquired

1.8 lakh+
Vehicles financed with Wheels Loans

35K+
Businesses transformed with Secured Business Loans (SBL)

FY 2020-21

In our journey towards providing a simpler, smarter, safer and rewarding banking experience to our customers, digital is central in our way forward.

Our constant endeavour is to ensure that our customers across regions benefit from our stability as a well-governed Bank, and our presence in the digital ecosystem. We see ourselves as the bridge that connects the financially underserved and accelerates change in the society – a change that benefits all and includes all. In the span of four years as a tech-led, customer-centric and retail focused bank, we have taken a number of key initiatives, while adding new products and service journeys along the way.

Today, we have almost four lakh Netbanking/ Mobile Banking users, and the number is growing fast. To drive scale, we are constantly innovating to drive end-to-end contactless banking. We are also expanding our branches and other touchpoints across Urban and Core markets. Our approach is differentiated based on the markets we operate in, and the customers we engage with.

The emphasis is always on staying close to the customer, understanding his/her financial requirements, and then providing services that help build trust. Our systems and processes are built to bring method to the madness of retail banking and pursue quality growth that is customer-centric, scalable and sustainable.



Digital banking highlights

3.7 lakh*
Mobile/Internet banking registered customers

61%
Of financial transactions through remote channels (including current account)

75 K
QRs installed

2.2 K
Accounts opened through Video KYC

**excluding closed accounts*
Numbers approximated and rounded off.
Figures of FY 2020-21

About the report

This report is prepared in accordance with the International Integrated Reporting Council's (IIRC) International <IR> Framework. It provides our stakeholders with a concise and fair assessment of our ability to use our experience and expertise to create sustainable value.

Reporting period

The report covers the period between 1st April 2020 and 31st March 2021. This report provides material information relating to our strategy and business model, operating context, material risks, stakeholder interests, performance, prospects and governance.

Reporting boundary

The report covers the Bank's primary activities across all operating geographies, operations, business segments and key support functions.

Financial and non-financial reporting

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

Materiality

Our material issues are most important to us and our stakeholders and have an impact on our ability to create value. These topics are influenced by the economic, social and environmental context in which we operate.

Targeted readers

This report is primarily intended to address the information requirements of long-term investors (existing and prospective). We also present information relevant to the way we create value for other key stakeholders, including our people, clients, regulators and society.

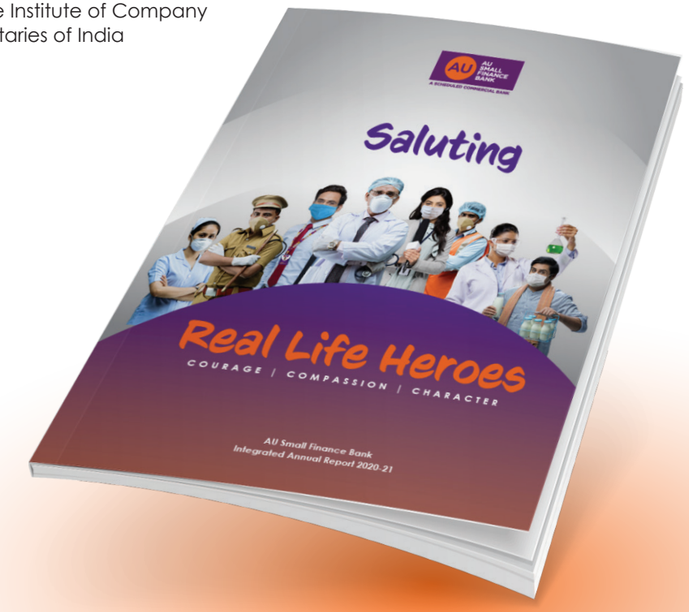
Framework, guidelines and standards

This report has been prepared in accordance with the below principles and guidelines:

- International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)
- The Companies Act, 2013 (and the rules made thereunder)
- Indian Accounting Standards
- Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
- Secretarial Standards issued by the Institute of Company Secretaries of India

Responsibility statement

The management acknowledges the integrity of this integrated report, which in our opinion addresses all the issues that are material to the Bank's ability to create value and fairly presents its integrated performance. The management has applied their mind collectively to the preparation and presentation of this report and confirms that this report has been prepared in accordance with the International <IR> Framework.



Navigation icons

Our capitals

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

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

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

Intellectual capital
Our differentiated digital eco-system across products and services, communication capabilities, applications, data analytics and cyber security.

Human capital
Our professional team with their diverse skills, range of experiences, and motivations to develop, improve and innovate processes, products and services through meritocracy, team-work, leadership and collaboration.

Social and relationship capital
Our key stakeholders and how we engage with them, reflecting our ability to share value and to improve individual and collective well-being.

Natural capital
Our impact on natural resources through our operations and business activities. Steps taken to manage include attempting to remain carbon-neutral and effective usage of energy and waste management.

Our strategic objectives

- Build a credible, trust-worthy and sustainable bank that inspires generations to come
- Act as a responsible catalyst to serve financial needs of the unserved and unreached
- Bring efficiency in intermediation between savers and borrowers
- Unlock human potential

Our key stakeholders

- Customers
- Employees
- Regulators and Governments
- Partners and Associates
- Society
- Environment
- Investors and Shareholders



Corporate identity

A culture of transparency and high performance

On the strength of a culture of transparency and high performance developed over the years, we have earned a leading position in India's Small Finance Bank (SFB) universe. Our expertise in the banking platform is supported by our strong IT backbone, prudent risk management framework and robust human resource processes, policies and systems.

We have completed four years as a Bank and our successful navigation of the challenges in FY 2020-21 was a result of our 25+ years of working on the ground and staying connected with our customers.

With the evolution of technology and adoption of digital channels, traditional definition of 'Trust' is being redefined. Vintage of an institution does not guarantee trust and loyalty of its customers anymore. The new-age customer is ever more demanding and seeks convenience, consistency and reliability. The exponential rise of ecommerce and start-ups is a testimony of this emerging trend. Thus, as a tech-led bank with a focus on retail assets and liabilities, we are well-positioned to earn the 'Trust' of our customers and stakeholders.

At AU Bank, we are optimising the mix of physical infrastructure and digital capability ('Phygital') to expand our network and become a pan-India bank.

As we customise our services in accordance with the personas of our target audience in the Urban markets, we continue to strengthen our offerings for our Core centres.

Our strong presence in rural and semi-urban markets enables us to deliver essential banking services to the last-mile customer and our urban branches act as a catalyst for bringing efficiency in intermediation between savers and borrowers. Our community intervention, propelled by AU Foundation, primarily focuses on livelihood enhancement, sports for development, and financial and digital literacy.

As we move forward, we will continue to leverage our brand outreach, digital capabilities, local insights, balance sheet strength and pricing power to optimise the risk-return metrics and generate positive outcomes for all our stakeholders.

Bank in numbers

₹51,591 cr 22% Total balance sheet assets	₹37,712 cr 22% Loan assets under management	₹35,979 cr 38% Deposits	₹6,275 cr 43% Net worth
₹1,171 cr 73% PAT	23.4% 545 bps Return on average equity (ROAE)*	23.4% 138 bps Capital adequacy ratio	2.2% 137 bps Net NPA

**ROAE calculated after subtracting ₹625.5 crore raised in March 2021 from Net Worth*

Figures of FY 2020-21
YoY Growth

Our Touchpoints



Note: Core Market Banking and Urban Market Banking is AU Bank's internal terminology.

Our Purpose

EMPOWERING INDIA

Financially | Digitally | Socially

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

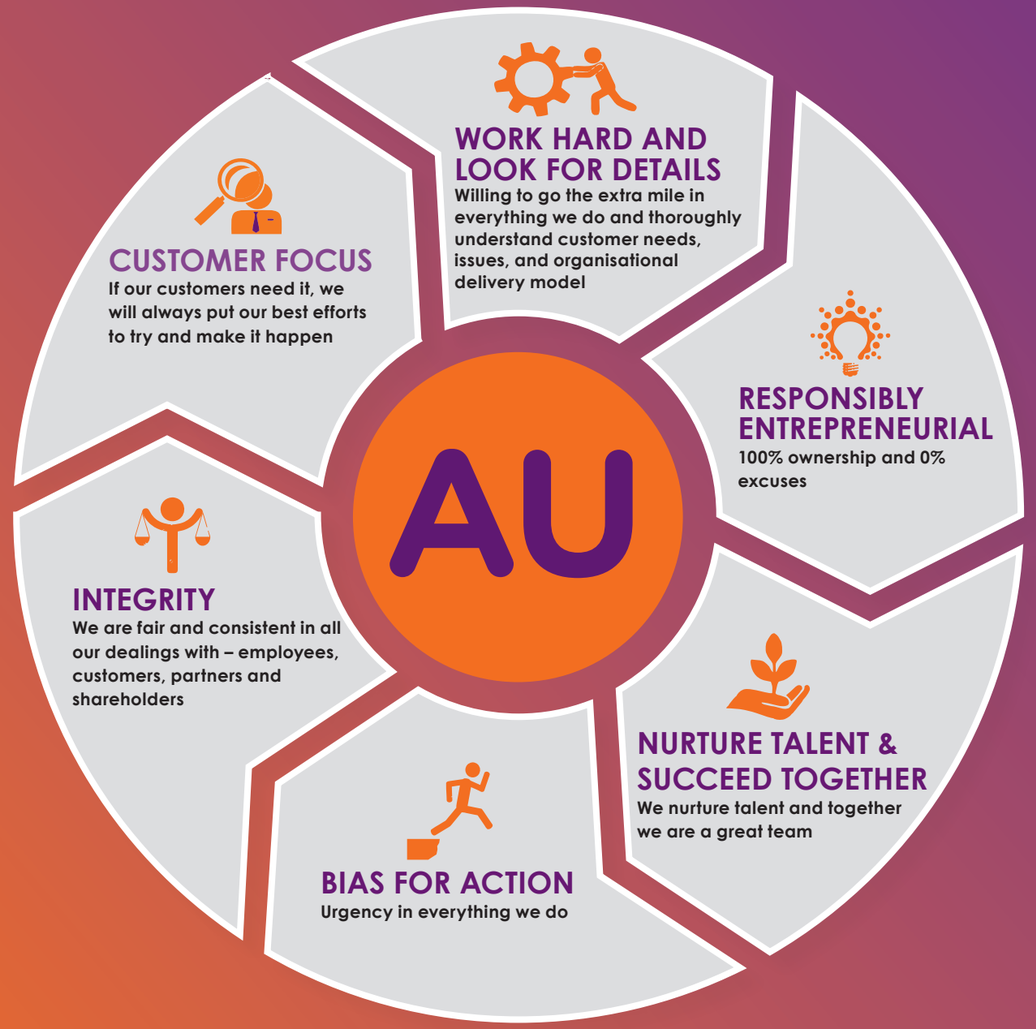
To build one of India's largest retail franchise that is admired for

- 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 delighted client base of 10+ million.

AU Dharma

AU Dharma is the guiding light and a way of life for us at AU Bank. It defines our intrinsic character while fulfilling our duties and responsibilities as responsible bankers. The AU Dharma is codified by the six guiding pillars that provide the foundation and lead our judgement to enable us to consistently do the right thing, in the right way.



Business segments

Comprehensive bouquet for diverse customers



Personal Banking

Branch Banking

- Savings Account
- Term Deposit
- Bank Locker
- Life & Health Insurance
- General & Fire Insurance
- Mutual Fund
- 3 in 1 Trading Account

Loans & Advances

- Vehicle Loan
- Home Loan
- Personal Loan
- Gold Loan
- Credit Card



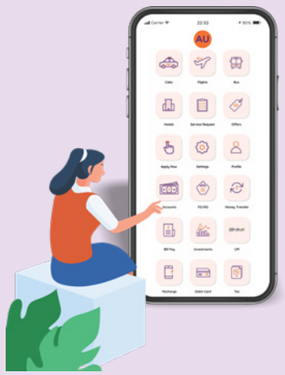
Commercial Banking

Transaction Banking

- Current Account
- Trade & Forex
- Overdraft Facilities
- Cash Management Services (CMS)
- Non-Fund Based Facilities

Loans & Advances

- Secured Business Loan (SBL)
- Business banking – Term Loan, CC/OD
- Agri Banking
- NBFC Lending
- Real Estate and Construction Finance



Digital Banking

Digital Products

- Savings Account
- Fixed Deposit
- Vehicle Loan
- Personal Loan
- Credit Card
- Insurance & Investments

Digital Channels

- Mobile Banking
- Netbanking
- Corporate Internet Banking
- Video Banking
- WhatsApp Banking
- Auro Chatbot

- Missed Call Banking
- AU Biz Pay

Payments & Services

- Merchant Payment (UPI QR & Point of Sale – POS)
- Debit Card
- AEPS
- BHIM UPI
- Bharat Bill Payment Service (BBPS)
- NETC | FASTag
- ASBA
- NACH/e-NACH
- Tax Payment

Bank for everyone

- Children
- Millennials
- Students
- Home-makers
- Salaried
- Senior Citizens/ Pensioners
- Farmers
- Non-Resident Indian (NRI)
- Small Businesses
- MSMEs
- Self Employed Professionals
- Trust/Association/ Societies/Clubs (TASC)
- Corporates
- Govt institutions

Customised solutions for every need

- Family banking
- Direct benefit transfer
- Customised collection and payments solutions using API technology
- Virtual account solutions
- Smart city applications
- Fee collection solutions

LIVE LIMITLESS

WITH AU BANK CREDIT CARDS.

THE LIFE
YOU WISHED FOR,
NOW GRANTED.



Chairman's letter

Leading change responsibly



Dear Stakeholders,

Greetings to all of you.

I sincerely hope all of you are taking care of yourselves and family members and staying safe and protected. These are unprecedented times that bring new challenges every other day, as the world is still discovering the New Normal. The financial year 2020-21, as it turned out, opened on a very low note with the spectre of pandemic staring in the face, with uncertainty looming large on lives, livelihoods, business and the economy. The pandemic also ensured that mankind came together and supported each other in an altruistic manner. People were ready to help each other even on a distress call received from an unknown person on a social media platform. Let me take this opportunity to acknowledge and express our gratitude to all our frontline workers and real-life heroes who showed Courage, Compassion and Character during these trying times.

The year was marked not only by challenges, but the extent to which the world braced itself to meet the challenges. Amidst the scenario of gloom caused by the pandemic at the global level, I am proud to share with you all, that AU Bank remained undeterred in the pursuit of its goals and objectives, ending the year on a strong positive note with substantial progress made during FY 2020-21. The adversity tested our fundamental strengths such as deep engagements with customers, employees and other stakeholders, along with unwavering focus on governance, compliance, risk mitigation and special care for those affected by the pandemic. Based on our close connect with the customers, we adopted a hands-on, pragmatic approach, proactively helping them in times of distress to avail facilities under different schemes announced by the Government and RBI, with care and due diligence.

Throughout this difficult period, we have given priority to the health and well-being of our teams and customers, depositors and borrowers and all other stakeholders. We began

> "Amidst the scenario of gloom caused by the pandemic at the global level, I am proud to share with you all, that AU Bank remained undeterred in pursuit of its Goals and Objectives, ending the year on a strong positive note with substantial progress made during the FY 2020-21. The adversity tested our fundamental strengths such as deep engagements with customers, employees and other stakeholders, along with unwavering focus on governance, compliance, risk mitigation and special care for those affected by the Pandemic"

FY 2020-21 with a lot of concern, as the pandemic challenged global economic growth and the human development index. The Indian economy also contracted for two consecutive quarters. It was only in the third quarter that we started seeing signs of recovery in the economy, with GDP expanding by 0.5% in Q3 FY21 and by 1.6% in Q4 FY21. Although the second COVID variant seen in Q1 FY22 poses the risk of jeopardising India's fragile economic recovery, we remain cautious in our overall growth outlook for FY 2021-22. The RBI expects the pace of economic growth to accelerate in the coming quarters and estimates an overall GDP growth rate of 9.5% for FY 2021-22.

During the year, the Reserve Bank of India (RBI) and the Government of India took some unprecedented steps and introduced several time-critical measures to help the economy tide over the crisis. Other than conventional measures like changing the policy rates and various liquidity ratios (CRR, LCR, SLR ratios, etc.), the RBI introduced long-term repo operations (LTROs) and targeted long-term repo operations (TLTROs) to augment systemic as well as sector-specific liquidity to meet credit requirements in different sectors and reduce stress in vulnerable segments of the economy. Special refinance facilities were provided to select All India Financial Institutions (AIFIs), while a special liquidity facility for mutual funds (SLF-MF) was introduced to ease redemption pressures.

To support Micro Small and Medium Enterprises (MSMEs), which were hit hard by the pandemic, the Emergency Credit Line Guarantee Scheme (ECLGS) and the Credit Guarantee Scheme for Subordinate Debt (CGSSD) were introduced by the Government of India. These have been duly supported by various monetary and regulatory measures by the RBI in the form of interest rate cuts, higher structural and durable liquidity, moratorium on debt servicing, asset classification freeze for 180 days, loan restructuring package and CRR exemptions on credit disbursed to new MSME borrowers.

During the year, Small Finance Banks (SFBs), as a differentiated banking category, faced formidable challenges, being a relatively new entity in the Indian banking universe, with focus on priority sector, last mile credit delivery and financial inclusion. As India's largest SFB by asset size, AU Bank used its deeper geographic presence in semi-urban and rural India to successfully reach out to the unserved and underserved sectors of the society, such as MSMEs, and ensure a constant delivery of credit and essential banking services during these challenging times. Our biggest strength as an SFB is that we act as a reliable bridge between the formal sector of the economy and the semi-formal and the informal sector, spanning Urban centres to semi-

urban and rural parts of India. While the Bank has registered a promising start with significant growth across all major parameters, we constantly continue to innovate across products and solutions, branch network and digital platforms to reach out and serve the customers efficiently and diligently. Our learnings and experience have enabled us to meaningfully serve our customers through better execution capabilities.

Never waste a crisis

At AU Bank, once we assessed that COVID is here to stay for an indefinite period, we quickly reoriented our strategies and repositioned ourselves to meet the challenge and enhance our resilience. We strengthened our digital banking channels by upgrading our infrastructure to reach out to more customers and fulfil their expectations. Despite operational challenges owing to COVID-related safety protocols, our disbursements expanded significantly post Q2 FY21, driven by demand growth across most key segments. Overall, the challenges notwithstanding, the second half of the fiscal was one of the best performing halves since we became a bank.

At the same time, incremental and AUM spreads continued to remain stable owing to the low cost of funds. Post lockdown, our collection efficiencies and activation rates gradually achieved normalcy across most segments. During FY 2020-21, we raised ₹625.5 crore from investors via qualified institutional placement (QIP). We reported an aggregate deposits growth by 38% and AUM growth by 22% with reducing cost of funds and stable asset quality. Despite a challenging environment, we reported stable NIMs with a growth of 73% in Profit After Tax (PAT). We also focused on becoming a pan-India bank with foray into five new states. With growing scale and expansion, we hired over 5,000 new members to further strengthen and fortify our workforce.

Our efficient and strong operational machinery is driven by our dedicated teams, with committed and caring staff members possessing skills and capacity. During the year, we undertook several activities to ensure the health and safety of our team members. From addressing employee queries through COVID helpdesk, educating teams for safer behaviour, collaborating with various hospitals to get additional discounts and benefits for our people, we have always stayed close to those who make us, as well as those affected by the pandemic, through various services and outreach programmes. It is commendable how the MD & CEO of the Bank led from the front as he donated his personal wealth of 25 Lakh shares to fund the COVID related relief and other measures; decided to forgo his one year's salary for the benefit of the employees and personally got involved in many COVID relief initiatives.

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We have been prudent in approving restructuring proposals, basis our internal risk-mitigation models and business viability. The priority for us was to measure and mitigate risks proactively and build up adequate provisioning buffers to absorb potential losses. During the year under review, we formulated a specialised group collaborating on Risk, Control and Governance (RCG) functions to reinforce effective internal controls, a strong risk culture and accountability to stakeholders. The RCG group enhances accountability, strong risk and performance management, transparency and resolves potential conflict of interest.

This journey has brought in its wake rich lessons for us; it helped us hone our skills and improve understanding of situations to shape our future strategies. Educated by the crisis, we believe that the Bank is well poised and has adequate resources and skills to constantly reform, and grow sustainably with time, with sharper focus on customer satisfaction, digitalisation, cost optimisation, and an ethics-driven compliance culture.

We are using our learnings to fast-track our journey towards becoming a full-fledged technology-led bank, with due emphasis on granular deposits and retail loans. This strategy is in line with our overarching mandate to drive financial inclusion. In this journey, we have received the help and support of all our investors and stakeholders, and we express our gratitude to each of them.

Going forward

We are looking far and beyond the current status of the bank in the SFB space; we are propelling the Bank's journey to the next important milestone in the bigger banking space with an aspiration to serve all sectors and segments of the economy under the larger agenda of national development and growth.

We are passionate about service to all our existing and potential customers and winning their trust and confidence and of all our existing and new institutional investors who will continue to be our valued partners throughout the pursuit of all our goals. We are consistently expanding the horizon and scope of our reach to serve larger and diverse segments of customers and stakeholders.

The banking services in India is evolving rapidly and we are focused to serve the interests of both customers and other stakeholders with the Bank's larger capital base, stronger governance, Board and management oversight, and a proven track record of execution and commitment.

Admittedly, downside risks still remain as the second wave of the pandemic may impact economic performance. To remain abreast with the developments and uncertainties around it, we are constantly reviewing the scenario, and the Bank will remain agile and nimble footed to quickly adjust to the new emerging situation and make suitable amends in our strategy and execution. Our integrated risk management system and mitigation mechanism are geared to protect the interests of all depositors, customers and stakeholders.

As the financial year 2020-21 was drawing to a close, the Indian economy was advantageously poised, relative to its peers. Our country was on the verge of a strong recovery, having flattened the infections curve. In a few weeks since then, the situation has altered dramatically. India is now fighting a fierce rise in infections and mortalities with the emergence of new mutant strains. This has caused immense stress on healthcare and medical facilities, vaccine and oxygen supplies, with the entire healthcare infrastructure completely overwhelmed by the scale and nature of the second wave.

Against this backdrop, the RBI has taken further measures in the new financial year 2021-22, such as: Term Liquidity Facility of ₹50,000 crore to ease access to emergency health services; Special Long-Term Repo Operations (SLTRO) of ₹10,000 crore for Small Finance Banks (SFBs) to provide further support to small business units, micro and small industries, and other unorganised sector entities; Lending by Small Finance Banks (SFBs) to MFIs for "on-lending" purposes to be classified as Priority Sector Lending and many other such initiatives. These measures are targeted to further boost liquidity in the stressed sectors of the economy and help save lives and livelihoods of people across the country.
At the execution level, we remain committed to serve our customers with unflinching commitment, care, concern and passion.

I take this opportunity to thank the RBI, SEBI and other industry participants for their support and guidance. I also thank our customers, investors, and teams for keeping their faith in our vision and ability which is always a source of strength and inspiration for the Bank and its entire staff, reflecting in its performance, achievement and results.

We have many more milestones to accomplish, and we are confident that our entire stakeholder fraternity will always remain our partner in this exciting journey.

Regards and Namaskar,

Raj Vikash Verma
Chairman

5,372

Members hired to further strengthen and fortify our workforce

38%

Growth in aggregate deposits

MD & CEO's perspective



Sailing confidently in troubled waters!

Dear Stakeholders,
Namaskar!

"Life's roughest storms prove the strength of our anchors."

The ongoing pandemic situation has affected all of us in some or the other manner and we wish good health for you and all your loved ones. We stand in solidarity with the world for the global loss of lives and livelihoods that it suffered in the last year. As an essential service provider, we are humbled to have served our nation at this critical time anchored on our strengths of execution and agility.

The power and responsibility of the banking platform continues to amaze us. The euphoria of the first year, the stable operations of the second year and an eventful third year led to a resilient fourth year. FY 2020-21 provided us with the opportunity to consolidate our learnings and move forward with greater resilience and determination to sustainably build ourselves forever.

Last year was unimaginable and unseen by our generation as we had only heard of events like the world war, partition, flu etc. This is the first time when we all are witnessing such uncertainty first-hand. The world, as we knew it, was designed around continuity; we had never designed ourselves for the lockdown, neither professionally nor personally. Therefore, this came as a significant shock to us. Although, we still do not have a sense of what the future holds for us, we are getting stronger with every passing moment. We will come out of this with our health in focus like never before, happiness that we have earned through resilience and hopefulness for a better tomorrow.

We demonstrated a robust performance despite various challenges in the operating environment like concerns over Private Banks' stability due to moratorium on deposit withdrawals placed on a Bank, concerns over liquidity, national lockdown for ~2.5 months, challenges in operational mobility, and asset quality amongst others.

I am proud of the way my entire team conducted themselves over the last one year – with commitment and courage, for not only building their own character as Credible Bankers, but also building the bank the way we wanted – solid, scalable, and sustainable in all parameters. We received wholehearted support from the Government and the regulators in terms of relief, reforms, and packages. Finally, we grew our deposits by 38%, reduced our cost by 86 bps, grew our assets by 22% and our asset quality remained strong despite the market volatility.



We, as a Bank, are one of a kind in the industry – we neither deal in micro finance nor corporate assets. In assets, we cater to the underserved and under-reached markets. Our sustainable and profitable customer segment had become more vulnerable in the pandemic. Despite this, the kind of asset quality that we ended up maintaining is an achievement in itself. Even though we have also done a lot of hard work around it, after all, it is the customer who pays the EMI.

This has given us a lot of hope and further strengthened our commitment and zeal to stay in this market segment even in these tough times. I would urge every stakeholder and investor of the Bank to consider that there might be a small blip or a momentary halt or temporary challenges, but the customer base which has supported us in the last 25+ years cannot become bad overnight, just because of a 'one of its kind' event.

We realised early that the pandemic may stretch for a while, and that the best mantra to survive is to stay well-capitalised, maintain a high liquidity buffer and engage closely with customers and all other stakeholders. During the year, we bolstered our Tier 1 capital base through the QIP route, and successfully raised ₹625.5 crore through the issuance of 50 lakh equity shares at an issue price of ₹1,251 per share. The placement witnessed an overwhelming reception from both domestic and international institutional investors, and it was subscribed by sovereign wealth funds, large foreign portfolio investors, and life insurance companies. I thank all our institutional investors for showing faith in our capabilities and vision as a banking franchise.

Despite COVID-induced disruptions, we have maintained a healthy balance sheet, with all systems and processes in place for proactive risk management and mitigation. We have set up a Risk Control & Governance (RCG) Group to continuously monitor the operating scenario and take prudent decisions.

The financial year 2020-21 saw the economy suffer a huge contraction in the first quarter owing to COVID-induced uncertainties, which began to taper off in the subsequent quarters, as economic activity regained pace. Post lockdown high-frequency indicators such as vehicle sales, railway freight traffic, toll collections, and Good & Services Tax (GST) revenues suggest that gains in manufacturing and services activity in Q3 FY21 extended into Q4 FY21. The rural economy also remained resilient during the year, and credit demand in semi-urban and rural areas was above expectations. In Q3 FY21, India's GDP trajectory entered positive territory, supported by counter-cyclical measures taken by the Government and the RBI. However, the much-anticipated boost to economic activity from the vaccination rollouts is being somewhat held back by new mutations of COVID-19 across India.

The RBI is monitoring the evolving scenario and providing need-based guidance to the banking and financial services sector to tide over the crisis. Recently, it reopened the COVID-19 Restructuring Scheme for Retail, Small Business Borrowers. In times of stress, the power and responsibility of the banking platform has increased manifold. I think, the elevated uncertainty has presented an opportunity for the Indian banking sector to reimagine their business models, provide robust and cohesive security to their customers and their teams, and redefine their relationships with the communities they serve.

Being patient in low winds

The first two quarters of FY 2020-21 were completely washed out and the remaining two were slightly better in terms of business. With the onset of the second wave of COVID in India, Q1 FY22 is quite comparable with Q1 FY21. This time the number of fatalities were more and so was the panic and fear. Yet again, we witnessed slowdown of the economy, with businesses affected, some sectors more than others. However, the situation seems to be getting better with the flattening of curve towards mid-June.

Against the backdrop of this environment, we performed well on all the three elements of the triple bottom line – financial, social, and environmental in FY 2020-21. We worked towards deepening customer engagement across banking channels with key focus on digital banking, resulting in steady improvement across several key underlying metrics. I am pleased to report that during FY 2020-21, we registered 17% growth in total income to ₹5,750 crore as against ₹4,906 crore in FY 2019-20. Our Net Interest Income (NII) rose by 24% to ₹2,365 crore in FY 2020-21 compared to ₹1,909 crore in the previous financial year. We reported a Net Interest Margin (NIM) of 5.3% in FY 2020-21(vs 5.4% in FY 2019-20).

Profit After Tax (PAT) for FY 2020-21 grew by 1% to ₹600 crore, as against ₹596 crore in FY 2019-20. Including profit on sale of our equity investments in Aavas Financiers, PAT grew by 73% to ₹1,171 crore, from ₹675 crore, Return on Average Assets (ROAA) was 2.5% and Return on Average Equity (ROAE) was 23.4% for the year under review. We maintained new loan disbursements, resulting in a 22% growth in our Assets Under Management (AUM) to ₹37,712 crore as on 31st March 2021 as compared to ₹30,893 crore on 31st March 2020.

Over the last year, our asset quality came under pressure due to the unprecedented lockdown. That said, we believe that considering the profile of our customers and loan products, as well as the markets we operate in, our asset quality performance has been very satisfactory. Our Gross and Net NPAs were 4.3% and 2.2%, respectively, while our 90+ dpd gross advances stood at 2.7%.

Last year we had limited options for recovery due to the moratorium followed by the Hon'ble Supreme Court's order directing the banks to not tag those accounts as NPA which were subject to COVID-19 regulatory package. Despite that the numbers that we were able to achieve demonstrates the resilience of the borrowers and our business model. Our collection efficiencies and recoveries picked up well from Q3 FY21. We have made adequate provisions and even though the challenge continues due to the advent of the second wave of COVID, we are managing well.

"Safety of our employees is of paramount importance to us. We are encouraging team AU to get fully vaccinated and making all suitable arrangements to ensure their speedy vaccination under the 'Vaccine Lagao Jeevan Bachao' programme."

We reinforced our deposits franchise with around two million customer accounts and our total deposits rose 38% in FY 2020-21, closing at ₹35,979 crore. Around 55% of our deposits are retail in nature. The overall cost of funds reduced to 6.8% in FY 2020-21 from 7.7% in FY 2019-20. We maintained healthy liquidity throughout the last year and our ALM position was also managed prudently across all buckets. Besides, the treasury team generated profits of ₹233 crore from their operations. We maintained strong total capital adequacy of 23.4% and our Tier 1 capital adequacy ratio was 21.5% as on 31st March 2021. After 10 years of our (erstwhile) Home Loan business, we executed a complete stake sale in Aavas Financiers in Q3 FY21. We would like to compliment their entire team for building a great company.

Inclusive Growth

Our low-cost CASA deposit base is 23% of our total deposits, which helped drive down our cost of funds from 7.7% in FY 2019-20 to 6.8% in FY 2020-21 and bring in our fold many customers who we can lend to. As a leading SFB of India, our commitment to financial inclusion remains unwavering and goes beyond the regulatory requirement. Continuing our legacy, we exceeded the requirements of key licensing guidelines with ~87% loans to the priority sector, 65% loans with ticket size less than ₹25 lakh and ~31% of branches / touchpoints present at Unbanked rural centres.

The pandemic has caused such dire circumstances that can potentially push millions into poverty but we strongly believe that the aftermath can be substantially contained through collective action based on quality and inclusiveness of response. In that spirit, we disbursed ₹560+ crore in 12,500+ accounts under the Emergency Credit Line Guarantee Scheme (ECLGS) and backed stressed customers by restructuring loans in 7,700+ accounts of ~₹641 crore in FY 2020-21. To support micro-entrepreneurs in the pandemic, we went Live with PM SVANidhi – a micro-credit facility that provides street vendors collateral-free loan. Since the launch of PM SVANidhi last October, the Bank has disbursed 422 loans of which 33% are to women customers.

Our Customers, our Nautical charts

We are happy to serve ~20 lakh customers, with our diverse, tech-enabled products and services. Playing the role of an efficient intermediary, we are garnering deposits from Urban markets (74% of our Liabilities book comes from the Urban market) and disbursing in Core markets (66% of our Assets book is lent to the Core market). We have gone a step ahead of the regulatory mandate of Know Your Customer (KYC) by focusing on Understand Your Customer (UYC) as that is the key to customer acquisition and retention.

While we are evolving into a pan-India Bank expanding our presence to 15 states and 2 UTs with 97 new touchpoints in FY 2020-21 taking the total to 744 banking touchpoints as on 31st March 2021, we continue to pursue different strategies for different geographies in terms of product launches, engagement, and communication. Our branches across states operated under stringent COVID guidelines and followed the instructions issued from the highest level of management.

All hands on deck

In an environment of overwhelming uncertainty and challenges, we took many critical decisions. We maintained continuity in banking operations and took our decisions after weighing all options and based on available data. Our Head Office at Jaipur and the Corporate Office at Mumbai functioned efficiently throughout the year. The senior leadership supervised every aspect of operations responsibly and ensured the safety and well-being of all members of their teams.

Health of our people

Being in the service industry, employees are our most valuable assets. Around 17% of our total employees were infected by the virus. Though the overall recovery rate was very high, unfortunately we lost fourteen colleagues to COVID. To support our employees with the medical expenses related to COVID, an Employee Welfare Fund was constituted last year. It provided for medical care worth ~₹36 lakh till 30th June 2021.

We have taken several initiatives under the umbrella of Prevention Cure and Security (PCS) scheme for all employees and their families like COVID-related insurance, no lay-offs and timely disbursal of bonuses and increments to ensure employees well-being in these trying times.

Safety of our employees is of paramount importance to us. We are encouraging team AU to get fully vaccinated and making all suitable arrangements to ensure their speedy vaccination under the 'Vaccine Lagao Jeevan Bachao' programme.

A quick response team of senior leaders has been formed to address any emergency and provide help on immediate requirement basis. They support the employees and their families by providing information and coordinating for hospital beds, oxygen, medicine, and food services.

Note : *Core Markets are smaller centers in rural/semi-urban which typically have a local economy built around agriculture and small businesses, and which have been our traditional markets for lending. Larger centers which have more advanced infrastructure such as airports, malls etc. are defined as Urban Markets.*

Growing the right way

Build

We were joined by over 5,300 Credible Bankers during the year. We also strengthened the leadership team with key members joining us in various verticals – Technology, Risk, Audit, Branch Banking, Business, Credit, HR, Credit Cards, UPI QR amongst others. Together we shall always serve as the custodians of our customers' trust.

Connect

While so much was done on the ground, we made sure our employees remained in high spirit and personally connected with them regularly through virtual Town Halls. We adopted Microsoft Teams solution company-wide to conduct work meetings online, while a host of physical and mental well-being initiatives for our people were executed as it remains a key priority for us. We have been sincerely working towards maintaining and improving it.

Reimagine

We have taken strategic initiatives to set up high level committees like Management Committee, Committee of Key Managerial Personnel (KMP) and Senior Management Personnel (SMP) which meets periodically to calibrate our strategy based on monitoring the dynamic on-ground situation and thereby taking swift actions.

Winds of Change

Leading Tech-led Banking Evolution

Among the learnings from the pandemic, one that emerged on the top is the importance of technology. From keeping us all safe by identifying potentially contagious surroundings and tracing the patients using GPS-based application to vaccinating the population based on digital supply chain management of the vaccines, technology has been enormously helpful in fighting the pandemic.

At AU Bank, we have always focused on investing in technology and have made significant strides towards becoming a tech-led bank. Through initiatives like opening more than 90% of all our accounts digitally, offering paperless two-wheeler loans for the last few years etc. We have always shown strong inclination and action towards tech adoption and innovation.

Our strategy around technology is founded on pillars of Digital, Digitisation, Digital Marketing, Data & Analytics and Infra & Security.

This year, we digitised a lot of our internal processes starting with assisted end-to-end digital journeys for key asset verticals and strengthened our referral app to automate lead management. To boost Current Account onboarding and analytics-based lending, we launched our merchant solutions with QR ecosystem this year. Superior features of the offering have witnessed an enthusiastic welcome from small merchants with more than 75k merchants onboarded within months of its launch.

This year also saw the launch of our Credit Card and we became the first and so far the only Small Finance Bank to offer a Credit Card of its own. Launched first for the employees and subsequently for the existing customers of the Bank as a pre-approved offer, AU Bank Credit Card offers best-in-class rewards and cashbacks.

To offer contactless and safe banking to our customers, we have launched video banking – a banking channel capable of doing almost anything that could be done at a branch, except transactions in cash. Our 100+ member video banking team brings sparkle in the eyes of the users as they experience branch like services, which are limited not just to VKYC but extend to money transfers, service requests, video assisted account or FD opening to resolution of their queries – all over a secured video call without any additional app download.

Today, almost every aspect of our life is affected by digital transformation. Be it food ordering or entertainment, online shopping or digital payments, the shift of preference of Indian consumers towards digital media is clearly visible and as banking stays at the core of almost everything, it becomes imperative for banking to be digital as well. To capitalise on the opportunities presented by digital, we launched our digital bank - AU 0101, a super app created to match the high expectations from a new-age bank. As a tribute to its power-packed features, we are calling AU 0101 a super app. One super app for everything! This app offers solution around savings and fixed deposits, credit cards, loans, investments, insurance, bill payments, and other lifestyle solutions like cab and flight bookings, recharge and tax payments.

AU 0101 is a digital bank offering multiple channels of digital and contactless banking like Video Banking, WhatsApp banking, Chatbot banking which enable our customers fulfil their banking requirements from the comfort of their living rooms. Not keeping the digital banking experience limited only to the customers of the Bank, we rolled out multiple features like video banking, ticket bookings, bill payments etc to those who do not have an AU Bank account as well. The launch of our super app has driven significant uptick in digital adoption. With 4.4 lakh+ customers now on mobile/ internet banking platforms we have been progressing steadily towards adoption of our digital offerings.

> At AU Bank, we have always focused on investing in technology and have made significant strides towards becoming a tech-led bank.



As banking is getting digital by the day and emerging technologies find more use cases, AU Bank is well placed to deploy tech-based solutions at scale and leverage technology as an enabler of growth.

> "To capitalise on the opportunities presented by digital, we launched our digital bank - AU 0101, a super app created to match the high expectations from a new-age bank. As a tribute to its power-packed features, we are calling AU 0101 a super app."

AU 0101

"We thought that we were making the bank only to realise that this bank is making us. It is shaping us as Credible Bankers and Responsible Citizens of the world. We have started to recognise the Banking platform as a means to public good and as an efficient intermediary between Savers & Borrowers."

We cannot control the wind, but we can adjust the sail

Learnings of 2020

Hope is one thing that can help us get through the darkest of times. The future will be re-built on hope. In the journey of building a forever institution, learning will be a lifelong/ process. Here is our share of learnings from the year gone by.

"The single biggest problem in communication is the illusion that it happened."
- *George Bernard Shaw*

Effective Communication

A recent incidence regarding the change of hands in the position of Head of Internal Audit this year, reiterated the importance of effective communication. We have learnt a lot from that incident and are working to go beyond the illusion. My sincere submission to all the shareholders is that although we were legally compliant, governed and maintained all the protocols in place, lack of prompt communication is what we regret and are committed to working upon. This acknowledgement marks the beginning of it.

Mobile First, Digital Always

With Aadhaar cards issued to more than 1.2 billion people and an estimated 750 million smartphone users in India, the necessary infrastructure to create a digital revolution is already built. Eyeing the huge opportunity that it offers, we launched our digital bank - AU 0101. Our digital banking strategy anchors around 3As – Awareness, Adoption and Acquisition. We first intend to make all our customers aware about the offerings that we have, followed by a segmented approach to increase the usage of the app to make our customers digital and finally leading to acquiring new tech savvy customers for the bank.

Being a digital bank will help scale our capabilities exponentially and specifically, video banking capabilities will help us expand our reach digitally to regions where we are not present through physical branches. Backed by data and analytics, we will take our digital banking services to the width and breadth of this nation, offering seamless and convenient banking to every Indian.

Unlocking Human Potential

We think that the banking sector in India is one of the most exciting sectors to be in because the potential of the banking platform is immense. We thought that we were making the bank only to realise that this bank is making us. It is shaping us as Credible Bankers and Responsible Citizens of the world. We have started to recognise the Banking platform as a means to public good and as an efficient intermediary between Savers and Borrowers.

The world stands at a juncture where, through its commitment to the sustainable development agenda it can completely converse this human development challenge into a once-in-a-century opportunity. As we recover from the COVID-19 crisis, our conscious choices could be the starting point of a monumental transformation of our society and our whole planet. And in these better times, we will play a pivotal role as a Bank.

The Pandemic: Still rocking the boat

With the onset of the second wave of COVID, the economic slowdown and its subsequent impact on businesses continue to be a challenge for us. We are functioning on heavy opex and our asset quality remains under pressure. There have been delays in projects due to lack of continuity in working at our partner's end.

We find ourselves burning the midnight oil with increasing responsibilities as the essential services provider; perpetual mental pressure of surviving a pandemic and blurred lines of work-life balance in the times of remote working. We are equipping ourselves for the disruptions due to digital and working towards handling eventualities by intensifying focus on cyber security. With the key members of our teams divided between the Head Office at Jaipur and Corporate Office at Mumbai, at times seamless communication was a challenge in these times of social distancing.

Enjoying the journey

As I sit down to write this towards the end of June 2021, the second wave of COVID is coming down, while at the same time we hear noises about the third wave. With the vaccination drive in full swing, we hope for better times ahead. Our country, a strong democracy, will become the world's fastest growing economy with the largest youth population. The banking sector, the fulcrum of Indian economy, will navigate the way to sustainable growth and development in the post-pandemic era. Your Bank is well positioned to make the best use of the opportunities this country and the banking platform has to offer.

Social Commitment

As an organisation, we have always consciously worked towards contributing to the well-being of our community. In these challenging times, we went a step ahead and addressed some of the critical needs of our frontline workers. We supplied them with medical essentials and safety gears to ensure their safety. We stood by their side in their activities from raising awareness to supporting them in conducting mass vaccination survey. When the nation was facing oxygen shortage, we supplied oxygen concentrators to various government institutions and needy community members. Our teams on ground regularly conducted blood donation camps and health check-up camps while at rural locations we spread positivity through outdoor social messages. Pedal dispensers for sanitisers were put-up across multiple housing societies, clubs, corporate and government offices, hospitals, and schools. Overall, we contributed ₹3 crore+ by distributing food and ration kits; creating awareness on COVID through mobile vans; and multiple other social initiatives.

Board of Directors

AU Bank, led by the Board of Directors, is committed to ensuring sound corporate governance practices to always keep your trust intact. Time and again, we have received guidance and support from our Board of Directors, and I would express my sincere thanks to all the present and past Board members for their immense contributions in our journey. I would especially like to thank Mr. Narendra Ostawal, the outgoing Board member, for his valuable guidance and support over the years. We will miss him.

During these tough times, we conducted 11 Board meetings and in all met various members virtually 65 times during the year including Board committee meetings. Throughout, there was a lot of involvement and commitment from all the members. We are grateful to be led by a responsible Board in these unprecedented times.

When all this will be behind us, I strongly believe that there will be a new world waiting with way more opportunities and we will be ready to act on them. As of now, patience is key.

Acknowledgement

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

It has been a privilege for me to steer this young Bank driven by an action-oriented team, whose average age is 30 years. I express my humble gratitude to SEBI, MCA, NSE, BSE, IRDAI, UIDAI, CERSAI, credit information companies, depositories, and other regulatory authorities for creating an enabling environment for orderly development and regulation of financial services sector in India. I am grateful to all our shareholders, bankers, vendors, technology service providers, partners, and Team AU for partnering in our growth and strategies. Lastly, I would like to sincerely thank all the unsung heroes. They have been an integral part of our journey.

A deeply cherished privilege

In the span of four years, we have made significant strides in our journey towards becoming a tech-led and retail-focused bank, providing a simpler and rewarding banking experience to our customers, and supporting our teams and communities in their critical hour of need. It has been a privilege and honour for me to steer this agile and future-ready Bank, with the wholehearted encouragement and guidance of our customers, partners, investors, employees, regulators, and other stakeholders.

On this note, the captain of your ship is signing off with the following timeless lines:

We'll walk hand in hand,
some day,
We shall live in peace, someday,
We are not afraid, TODAY,
We shall overcome, some day.

Oh, deep in my heart,
I do believe,
We shall overcome, someday.

Regards,

Sanjay Agarwal
MD & CEO

Whole Time Director's message

Transformational banking with a strong digital backbone



Dear Stakeholders,

Namaskar!

I hope you and your loved ones are keeping safe.

FY 2020-21 brought an overwhelming challenge to lives and livelihoods. As the world battled the unprecedented circumstances, we, as a Bank, realised our responsibility in a whole new light. We are proud to have supported our customers and stakeholders in this critical hour of need as an essential service provider. We salute our fellow frontline warriors who showed Courage, Compassion and Character in these trying times and went beyond their call of duty.

I would also like to congratulate all my colleagues at AU Bank for being credible bankers in these uncertain times. As banking is considered an essential service, our branches remained open throughout the lockdown. Following all COVID-related protocols, we continued to serve our customers with smiles on our faces along with a lot of pride and a deep sense of responsibility. I am deeply humbled by the commitment of the on-ground team and would take this opportunity to thank their families for their understanding and support.

As the crisis continues to unfold, we remain agile in carefully calibrating our strategies, applying our learnings from last year, operating more effectively in the new reality and playing a positive role in the economy and society at large.

Performance for the fiscal

Despite a challenging operating environment, we, as a Bank, stood strong and delivered a resilient performance on all key metrics. During the nationwide lockdown in Q1 FY21 and gradual reopening in Q2 FY21, we were present on the ground, continuously engaged with our customers which, in turn, helped us in capturing the demand during the second half once economic activity resumed with the onset of the festive season.

> ''We continuously engaged with our customers in their hour of need and judiciously used various Govt. of India and RBI schemes to support them – be it Moratorium, ECLGS or Restructuring.''

During the year under review, our overall fund-based disbursements were at ₹17,590 crore as against last year's ₹17,717 crore – a significant achievement, given that economic activities came to a halt in Q1 FY21. We saw broad-based demand in all our key segments – Wheels, SBL, Home Loans and Business Banking. Accordingly, our Assets Under Management (AUM) increased by 22% to ₹37,712 crore and our Bank's balance sheet size stood at ₹51,591 crore – an increase of 5.3x in four years, driven by the power of the banking platform.

Assets – Portfolio resilience increased our confidence further

In our two main businesses – Wheels and SBL – we have built necessary credit systems to support self-employed customers who have little or no access to formal banking credit. They have the necessary aspirations, skill sets, and intentions, but lack the much-needed resources to realise them. Credit availability to this segment has always been scarce and mostly informal – primary reasons being high cost of operations and lack of behavioral data on credit. The current pandemic was a litmus test not only for our chosen customer segment but also for our unique underwriting model.

Despite this pandemic being extremely harsh on marginal borrowers and micro-businesses operating in mostly unorganised and informal segments, the performance of our borrowers has been resilient with our 90+ day overdue borrowers only being at 2.7% of our overall portfolio. Similarly, our Gross NPA remained well in control at 4.3% as of 31st March 2021 (our GNPA includes 1.5% of customers who were below 90 DPD but tagged as NPA).

We continuously engaged with our customers in their hour of need and judiciously used various Govt. of India and RBI schemes to support these borrowers – be it moratorium, ECLGS or restructuring. Our collection efficiencies returned to normalcy in Q3 FY21 at 97% and increased to 107% in Q4 FY21 signifying the resilience and sustainability of our borrowers, their underlying businesses and our collection infrastructure.

This pandemic has given us a lot of confidence and has reinforced our belief in our strong underwriting models. As we move forward, we will continue driving growth from these two businesses where we provide secured loans to retail borrowers for income-generating assets with low ticket size.

Affordable Housing Finance was the first business to return to normalcy. It gained momentum in FY 2020-21 after being in set-up mode for the last 2 years. Supported by various subsidy schemes, the demand for affordable housing was further bolstered by people looking for owned houses in a COVID induced 'social distancing' world. By the end of Q4 FY21, our monthly disbursement was ~₹150 crore.

Given our prior experience of establishing and successfully growing a Housing Finance Company, growth in this business is a natural progression achieved with our deep understanding of customer behaviour, the business model and various local nuances including the relationship with the market participant. We currently offer this product only at 135 locations while our existing presence is at ~600 locations.

Redefining Branch Banking – AU Way

On the Liability side, we continued to focus on granular and retail deposits and have started chasing 'quality over quantity' with a special focus on growing our CASA book. During the year under review, our total deposits grew by 38% supported by a 148% and 47% increase in Savings Account and Current Account balances respectively. Our CASA ratio increased from 14% at the end of March 2020 to 23% at the end of March 2021.

Our Liability focus has shifted from a one-size-fits-all approach to a more segment-based approach. Specific teams are now looking at NRI Banking, Enterprise salary, Govt. banking, Current Account and TASC relationships to complement other segments. Products like 'AU Platinum Family Banking' allowed us to target premium customers across geographies.

At AU, we believe in UYC which is 'Understand Your Customers' instead of just KYC or 'Know your Customer'. Clubbed with Data Analytics, it helped us in improving customer experience, deepening engagement and generating better cross-sell and up-sell opportunities. Data Analytics has allowed us to adopt a 'sniper approach' by dissecting our customer base into various funnels to take advantage of the often de-prioritised demographics such as Senior Citizens, Pensioners and Housewives by providing them with personalised offerings.

"A lack of transparency results in deep distrust and a deep sense of insecurity"- Dalai Lama

Transparency and accountability are ingrained in our DNA and our account statements are a reflection of the same. Apart from monthly interest credit, all our Savings Account customers receive a very comprehensive and consolidated monthly account statement containing all their 360-degree banking relationship in a single document with a separate table each for UPI transactions and Debit card spends. We are also one of the few banks to incorporate C-KYC number in our account statements.

~75,000+

UPI QR rolled out in 9 months of its launch

Employee engagement: Apart from product and customer, a relentless focus was also put on the development of sales channels, sales management and upskilling of the sales team with a special emphasis on unlocking every employee's potential. Equipping the sales team with the right set of tools and training, developing and driving adoption of employee-facing tech solutions/mobile applications, and gamification of rewards and recognition programme helped us in driving better retention and superior employee engagement.

Pan-India Bank: In a bid to become a pan-India Bank, we have started expanding in states and regions where AU was not present before. During the year, we added 37 branches across 15 states and 2 Union Territories with West Bengal, Uttar Pradesh, Telangana, Odisha and J&K being the newest additions to our rapidly expanding presence. Our focus on digital banking will be well complemented by the expansion of our physical footprint and by March 2022, we plan to be present in all the major capital cities in the country.

Building a robust digital ecosystem

The pandemic has fast-forwarded digital adoption across the country. By some estimates, the world has seen at least two years of digital acceleration in the first 2-3 months of onset of the pandemic. This offers a great opportunity for a new-age bank like AU to use technology to grow its distribution and acquire as well as service customers in a cost-efficient manner. We are heavily investing in our digital products and experiences and are of the firm belief that technological capabilities will act as a strong enabler in reinforcing customer trust and further growing our brand equity.

Video Banking: We wholeheartedly welcome the RBI's landmark move to allow video-KYC that replaces the requirement of a customer having to physically verify his/her identity by visiting the bank branch. We took this one step further by reimagining the entire banking process. Customers can get a seamless and secure experience (similar to the one they get in a branch) over a video call at their convenience. We believe that a successful video banking channel can allow us to scale our distribution at a faster pace and in a cost-effective manner.

New Internet and Mobile Banking: We rolled out our new internet and mobile banking platform in Q3 FY21. It eventually transformed into our 'super app' loaded with 130+ new functionalities which allow users to not only have the complete suite of banking services at their fingertips but also access to lifestyle services like cab, flight and hotel booking. We are constantly innovating and adding features.

Payments: We went live across all the payment channels like UPI, UPI QR, 24x7 NEFT, IMPS, AEPS, FASTag, BBPS bill payment, Debit card, ASBA, among others. We have rolled out ~75k+ UPI QR in the preceding 9 months since its launch.

Digital Media: Our customer engagement remained strong across all touchpoints with special emphasis on digital platforms. One of our key focus areas is to have quality engagement with digitally native/digitally active users and strive to become their bank of choice. In that regard, we introduced lucrative merchant offers with large e-commerce partners that led to higher customer engagement. The mantra being – the higher the engagement, the better the stickiness leading to deeper relationships with our customers.

Adding more to digital onboarding: We continue to innovate and use technology to gain operational efficiency by adding more and more products to our paperless onboarding strategy. We have added Savings Account opening through WhatsApp, self-onboarding on Savings and Current Account, Tab-based onboarding for all liability customers and digital lending (two-wheelers, wheels, consumer durable) to our existing products. We are now testing similar journeys for our asset segment – SBL, Wheels etc.

Credit Cards: After testing the credit card systems for ~6 months with our employees, we launched the credit cards for our customers in Q1 FY22. The entire product was developed, tested and operationalised in less than twelve months during the pandemic. It is amazing how the entire team was built from ground-up, with vendors finalised, systems integrated and certifications received – a big congratulations to the entire team and our partners for their support.

Nurturing leaders of tomorrow

At AU, we win only when we deliver quality services seamlessly to our customers and bring a smile to their faces. Our consistent performance even during these testing times is a result of our team's commitment, character and conviction. Right from Day Zero, the entire senior leadership was on the ground, in the branches with our frontline staff displaying true leadership. Throughout this period, the team was united to provide support to the customers and stayed in touch with them which helped us in winning our customers' confidence and leveraging opportunities when things turned for the better during the second half.

130+

Functionalities in our new mobile banking application

" Our journey has been about creating value for the society at large with a strong focus on sustainable inclusive banking, economic empowerment at the grassroots and serving the under-banked and unbanked."

In sharp contrast to what the world saw, AU Bank strengthened its team by hiring new people across levels adding more than 5,000 employees along the way. We will continue to invest in various learning and development initiatives to ensure that our employees remain engaged as we strive to unlock their true potential.

Creating value through sustainable Environment Social and Governance (ESG) Practices

Our commitment is underpinned by over 25+ years of consistent efforts in reaching out to the last-mile customers and bringing them to the economic mainstream. Our journey has been about creating value for the society at large with a strong focus on sustainable inclusive banking, economic empowerment at the grassroots and serving the under-banked and unbanked. For instance, our paperless onboarding initiative through TAB-banking ensured that we were able to save millions of sheets of paper. Similarly, our entire business model is based on social lending whereby 87% of our loans are directed towards the priority sector and 91% of our loans are retail in nature. We are committed to promoting financial and digital literacy in Tier 2 to Tier 6 towns. We conducted 2900+ financial and digital literacy camps during the year.

As a leading small finance bank, we see a larger role for us in this land of possibilities and this year's annual report further highlights our performance on key ESG parameters. During the year, our efforts were very well recognised by Pension Fund Regulatory and Development Authority, ET BFSI and India Bank's Association as makers of social change.

Looking forward

The world around us is changing faster than ever. While FY 2020-21 ended on a brighter note, Q1 FY22 has been a grim reminder of the same time last year with COVID-19 surging, health infrastructure getting stretched and states announcing lockdowns in a bid to contain the virus.

While April and the first fortnight of May 2021 were difficult, the slowdown in active cases towards May end and rapidly expanding vaccination coverage give one hope. At AU Bank, the learnings from last year are helping us adapt better, mitigate our risks, and seize relevant opportunities.

The Government of India has presented an expansionary budget for FY 2021-22 and in its June 2021 policy review, the RBI expects GDP to grow at 9.5% for FY 2021-22. As a well-capitalised retail bank, we remain agile to take advantage of these opportunities and focus on fulfilling demand recovery expected in the medium to long-term. Banking continues to be an exciting platform and we are well on our way towards becoming a digital-led, tech-enabled Bank with an expanding granular deposits franchise, consistent focus on retail loans and sustainable profitability.

We will continue to show resolve, tenacity and perseverance in these testing times and be the beacon of hope and courage.

Wishing you the best of health, hope and happiness.

Warm regards,

Uttam Tibrewal
Whole Time Director

Operating highlights

Standing the test of time

The financial year 2020-21 was an exceptionally challenging year for humanity – a year where the entire world was threatened by an invisible enemy and had to find ways to adapt and survive. It was an unprecedented situation in our lifetime where the entire world was affected simultaneously, and the old ways of existence did not work anymore. We had to adapt and respond swiftly to unprecedented changes that tested us in every way possible both at the personal and professional level.



It was also a crisis that brought the entire world together to collaborate on vaccine development and sharing of resources and information which greatly benefitted the fight against the pandemic.

GOING INTO THE PANDEMIC, INDIAN BANKING SECTOR HAD ITS OWN CHALLENGES

As for banking in India, even before the year started, restriction on deposit withdrawal from a large private bank shook depositors' confidence, especially in smaller private banks. Memories of similar restrictions placed by the RBI on a large co-operative bank sometime back were fresh and there was a clamour to shift deposits from smaller private banks to PSU banks. While your Bank didn't really face any such challenges, prudence demanded that we increase our liquidity reserves to ward off any such pressures.

The onset of the pandemic and the consequent nationwide lockdown brought all economic activities to a standstill and created uncertainty all around. The banking sector, being an essential services provider, was required to remain open throughout the lockdown and continue its operations in an undisrupted manner.

OPPORTUNITY TO SERVE THE NATION – WITH PRIDE AND EMPATHY

There was no playbook, no set protocols or blueprints as the whole situation was unprecedented. However, as an essential services provider, we used this opportunity to play our part in sustaining the nation and took this crisis head-on. We served the nation, our customers, and the wider community with pride and empathy while following all safety protocols.

We focused on staying engaged with customers, employees and community

We faced this pandemic with a systematic approach supported by our 'go-to market' business model and a contemporary technology platform. The senior leadership took early warning signs in February and March 2020 very seriously and initiated pre-emptive measures to set up protocols and processes (like BCP testing, access to VPN etc.) to ensure business continuity. To estimate the impact of the pandemic on our portfolio, especially if it prolonged beyond certain months, the risk team also carried out stress testing and scenario analysis on our loan portfolio.

Further, to deal with all concerns and uncertainties arising during this time, we worked on a stakeholder focused strategy covering three key stakeholders – Customers, Employees and Community.

Customers

A large segment of our customers come from informal and unorganised sectors and prefer interacting in-person especially when it comes to dealing with money. Understanding their need, we put a lot of focus on communication and engagement.

From mid-March 2020, all teams – Sales, Credit, Collections, Operations, Branch staff – started reaching out to customers by calling and enquiring about their health, raising awareness about the ongoing crisis and extending a helping hand wherever possible. The constant communication and engagement with our customers during the difficult period of the lockdown was appreciated by them and allowed us to enhance their trust and confidence. The connect established during this period really helped our engagement when things started improving and businesses resumed in the second half.

Ensuring Zero Downtime

Not only did we keep all our branches open during the lockdown (subject to local rules) but our operations and IT teams also ensured that all our channels like call centre, Netbanking, Mobile Banking, ATMs etc. were functional and manned throughout. This gave our customers comfort and confidence during this difficult period, and also ensured continuity in operations.

Senior Citizen outreach programme

A special outreach programme was run by the Bank throughout the pandemic to connect with senior citizens and assist them in all ways possible. We delivered various essential items to their homes like medicines, grocery, sanitisers, masks etc., while also extending medical help wherever required like arranging for hospitalisation in few cases.

Doorstep Banking

Our employees on the ground served uninterruptedly and extended banking services at customers' doorsteps wherever needed. We also organised for delivery of various essential items to customers who were in dire need.

Extending support through products and services

We focused on specific products which would help the impacted customers deal with emergencies effectively:

Vyapar OD – We made overdraft facility available to existing Current Account customers for meeting their short-term gap in working capital. This overdraft is provided basis transactions in existing Current Account.

Government schemes facilitation – Various Government schemes like moratorium, ECLGS, restrucuring etc. were explained and extended to all eligible customers in a timely manner.

COVID-Shield FD programme – We launched a contingency deposit programme for our customers whereby we encouraged them to build an emergency corpus for unprecedented times like COVID-19. Complimentary life insurance made this scheme more comprehensive.

Employees

Our people are key to our progress; Their health, well-being and safety are of paramount importance to us, especially in this current scenario. The senior management of the Bank led from the front to develop protocols, rosters and support infrastructure in order to play our role as an essential services provider while also taking care of our employees' well-being.

Throughout FY 2020-21, the whole team came together to work selflessly and tirelessly to serve the nation and execute management strategies. Some key aspects of our employee strategy were:

3-tiered approach to continuity

We had to adapt our operations to the emerging reality and ensure continuity whilst providing an environment where our employees felt safe and secure while serving the customers. Key components of our 3-tiered approach were:

- Roster plan was put in place for branches and other key verticals like IT, Treasury etc.
- Senior management and some key employees at corporate and regional offices continued being physically available – motivating the front-line employees and boosting their confidence
- Work from home option was extended for all other employees who could work remotely

Communication

- Organisation wide adoption of MS Teams – Moved our entire communication to MS Teams in a short span of time with the senior management of the Bank using this digital channel for meetings, trainings, townhalls and other engagements
- Continuous communication was maintained throughout with employees and their families using webcasts and MD townhalls. Various product and behavioural training sessions were also organised for all employees

Prevention. Cure. Security. (PCS)

Our employees showed great character during this tough time and maintained high morale. COVID 2.0 has been more severe than COVID 1.0 and while we lost one colleague in the first wave to COVID-19, we have lost 13 colleagues since April 2021. As we deeply mourn the loss of 14 dear friends and colleagues to COVID-19, the entire AU family is standing with their families at this time. The Bank has launched an employee-focused **Prevention**, **Cure**, **Security (PCS)** programme and few highlights of the programme are outlined in the following table.

PCS PROGRAM

PREVENTION is better than cure	CURE in the times of COVID	SECURITY Financial & Educational Assistance To Employees' Family
• Work from anywhere • Vaccination drives – 80% of all employees have been vaccinated with atleast one dose as on 30th June 2021 • Complete 100% vaccination in near future • All employees switched from biometric punch-in system to RFID card system within one month • Facilitated family coverage under group mediclaim • Special mid-year drive to cover employee's parents under mediclaim • Various sessions on employee well-being were conducted including yoga, meditation, awareness talks on mental well-being and many more	• Centralised COVID-19 helpdesk • Provided financial support by 100% reimbursement of COVID-related medical expenses in relevant cases • Unlimited paid leaves for COVID-19 recovery • Regional taskforce for support in medical assistance and hospitalisation – collaborated with hospitals across states • Separate team formed for employee well-being, safety and happiness, with the intent to support employees and their families and to ensure proper isolation, medication, hospitalisation and any other support required	• Financial assistance through monthly livelihood allowance deceased employee's family; 50% of fixed salary, subject to maximum cap of 5 lakh for a period of 2 years. Applicable to COVID related death cases effective from 1st April 2021 • Education support to deceased employees children (up to 2 kids) till graduation; – Pre-Graduation: ₹5,000 per month/ per child – During Graduation: ₹10,000 per month/ per child • 100% vested and unvested ESOP rights passed on to the bereaved legal heir/ nominee of the deceased employee • Fund first year annual premium under PMJJBY and PMSBY for associates who are not covered under any schemes, including security guards, office boys etc.



Community

We proactively initiated measures to address community priorities directly and through AU Foundation. Besides helping the healthcare and frontline professionals, we worked in amplifying and complementing their efforts and spread awareness. Overall, our efforts benefitted 5+ lakh people over the entire year. Some of our key activities included:

Monetary contribution to various causes

AU Bank cumulatively committed ₹5 crore towards COVID-19 relief work. This included contributions of ₹2 crore to PM CARES Fund and ₹51 lakh each to Delhi and Maharashtra Chief Minister relief funds.

Provision of medical equipment and protective items

- Facilitated the supply of essential medical equipment such as masks, PPE kits, sanitisers to frontline workers and established handwashing stations and sanitiser pedal dispensers in communities
- Provided portable ventilators (MRI compatible) and non-invasive BIPAP ventilators benefiting 2,100+ patients
- Donated a fully functional RT PCR lab for COVID-19 testing to the government medical college, Bhilwara

Reaching out to the underprivileged

- Worked tirelessly towards providing hot-cooked meals, sanitisation kits, ration kits and so on to the vulnerable sections of society
- Organised free meal camps and served 250,000+ hot meals to the underprivileged
- Ensured food security for 21,000 families through distribution of ration packets
- Initiated project 'Humsafar' to help migrant workers reach home to their families – 6,500 workers got benefitted

Spreading Awareness

- Generated awareness around precautionary measures of COVID-19 by deploying 25+ vehicles
- Reached and informed 2.15 lakh+ people about COVID-19 across 10 cities covering Rajasthan, Gujarat, Maharashtra and Madhya Pradesh
- Faciliated Rajasthan Government for conducting surveys of 26,000+ households, helping more than 20,000 healthcare workers

Vaccine Lagao, Jeevan Bachao

The Bank has been running various initiatives around addressing vaccine hesitancy and facilitating vaccination, especially targeting the urban poor.

So far, the Bank has conducted 30+ vaccination camps for employees, office staff, their families and community at large.





Strategies to combat the Pandemic

By the end of the financial year, we had managed to navigate the once-in a century pandemic in a much better manner than earlier envisaged. We came out much stronger, and our confidence around our customer segments, our product offerings and underwriting, and our business strategy has increased significantly due to the performance in FY 2020-21.

Some key initiatives which helped us fight this pandemic better are listed in this section:

Business Continuity Planning (BCP)

We activated our BCP plans even before the lockdown was announced and our employees started working remotely from 22nd March 2020. As a new-age tech-led Bank, it was relatively easy for us to shift to the new model and our periodic BCP reviews and drills helped us immensely.

As a part of our IT BCP, we had developed alternate lean operational structures and processes. We provisioned for additional secured VPN infrastructure to avoid any breakdown due to load as well as any breach in data and security. We reviewed these VPNs on a fortnightly basis. We fixed-up our existing redundancy built on the network level. Our Data Centre at Mumbai and Data Recovery Site at Bangalore worked as Active-Active setup all the time. This empowered us to deliver sustenance in our customer offerings and a high degree of uptime in our digital channels.

We are making sure that the lessons learnt from the pandemic are not lost and are evolving our BCP learnings on the go.

Accounting and Operational challenges

It was a difficult year for the operations and accounting team with regulatory interventions getting introduced one after the other. Various regulations like moratorium extension, waiver of Interest on Interest, non-tagging of NPA cases, and backdating of NPA tagging based on a later announcement, etc. led to significant adjustments at the operational level and consequently required manpower and system calibration.

While the system was stretched, our accounting and operation teams worked round the clock to calibrate all systems and processes which ensured that we were able to pass on all the benefits to our customers in a timely and efficient manner.

Treasury Operations – High Liquidity at a cost

The overall operating environment was challenging even before the pandemic related national lockdown started in India. The complete national lockdown further intensified the situation as mobility got restrained and economic activities came to a grinding halt. Gauging the rising uncertainty in the macro-economic environment, we swiftly decided to increase liquidity cushion by ₹1,500-2,000 crore over normal levels. The LCR as on 31st March 2020 was at 133% as against the regulatory requirement of 90%.

By the end of Q1 FY21, the RBI had initiated various policy measures focused on ensuring system-wide surplus liquidity. These measures also helped us maintain additional liquidity cushion in uncertain scenario with our LCR levels at ~150% on 30th June 2020 and maintained ~140% as on 30th September 2020. However, this surplus liquidity also had a negative impact on our NIM as the deployment returns in H1 FY21 were sub-optimal.

Proactive measures by regulator

We are thankful to the RBI for recognising the challenges faced by the banking system due to the pandemic outbreak and introducing several measures proactively to support the banking system liquidity.

- Targeted Long Term Repo Operations (TLTRO) of ₹1 lakh crore to facilitate banks to deploy liquidity in investment grade Non-SLR instruments to ease cash flow pressures of corporates and NBFCs
- TLTRO 2.0 of ₹50,000 crore with at least 50% of the total amount availed going to small and mid-sized NBFCs and MFIs
- Special refinance facilities for a total amount of ₹50,000 crore to NABARD, SIDBI and NHB to enable them to meet sectoral credit needs
- Reduction in CRR by 100 bps from 4% to 3% and increase in Marginal Standing Facility from 2% to 3% to provide liquidity comfort to the banking system of approx. ₹2.74 lakh crore
- The LCR requirement for Scheduled Commercial Banks was brought down from 100% to 80% (for SFBs LCR reduced from 90% to 80%)
- Reduced Repo rate by 115 bps to 4% and Reverse Repo rate by 115 bps to 3.35% signalling softening bias on interest rates and effective transmission of lower rates to borrowers

Asset Quality

We entered the pandemic in March 2020 following a strong performance in FY 2019-20 with GNPA ratio declining to 1.7% as on March 2020 versus 2.0% in March 2019. This was on the back of both low slippages and strong recoveries in FY 2019-20.

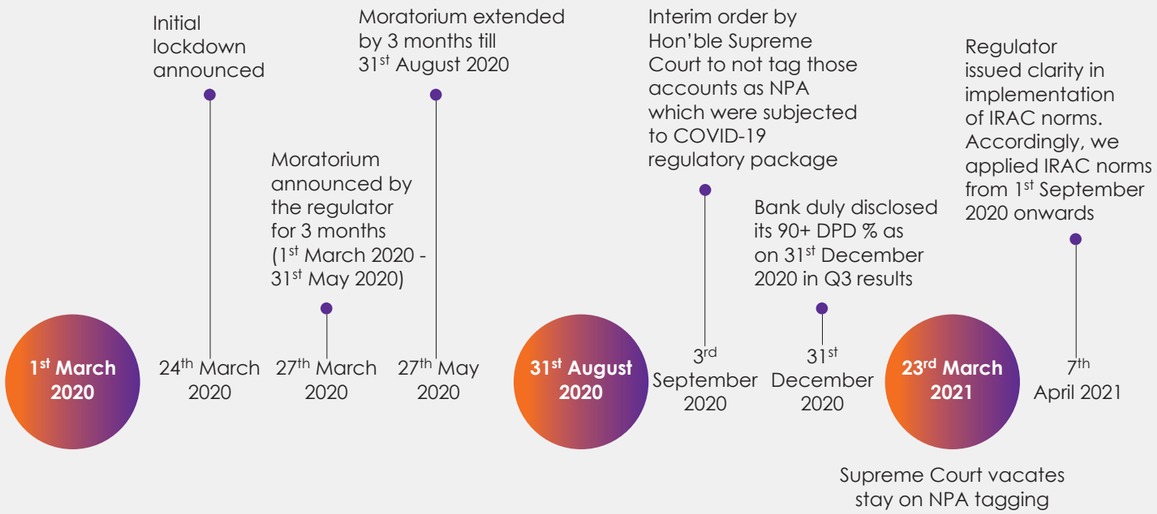
However, FY 2020-21 was by far the most challenging year not just for AU in its history but probably for the overall environment in the past two decades at least. The pandemic dealt an unprecedented blow to the economy especially during the initial national lockdown period.

Few businesses viz. schools and businesses around schools (school buses, physical coaching centres), commercial taxis, hospitality were even more severely impacted in terms of opening up and/or cashflows.

In this section, we discuss some key aspects related to our asset quality performance.

01 Brief review of the Bank's approach amid the operating and regulatory context

Primary focus of the entire environment in FY 2020-21 was on enabling borrowers to recover instead of recoveries from borrowers: Regulators and authorities took several measures to aid the borrowers and lenders to tide through this unprecedented crisis. Some key highlights in terms of regulatory actions are detailed below.



AU remained proactively in sync with borrower's situation and systemic intent in helping the borrowers recover
80% of AU's borrower base by POS is predominantly in the unorganised segment (refer to exhibit 02 on page 48). This segment tends to be self-employed and susceptible to greater income volatility which, together with typically low level of savings, results in them taking longer to recover from any crisis. However, historically we have seen that this segment is also the first to repay once the situation improves (see 04 on page 49).

Impact of stay on NPA tagging and ensuing regulatory steps on our approach and disclosures
Notably, soon after the end of the moratorium period in August 2020, the Supreme Court (SC) published an interim order that asked banks/ NBFCs not to tag those accounts as NPA which were subjected to COVID-19 regulatory package. Following this:

- **Bank ceased NPA tagging**
  In the period of approximately 7 months (1st September 2020 until 23rd March 2021 when the stay was vacated), the Bank ceased NPA tagging for all such accounts

- **Focusing on borrower recovery rather than recoveries from borrowers**
  While the Bank had been following daily tagging of NPA even prior to the pandemic, during the 7-month period of stay on NPA, we could not tag an account as NPA due to the stay. More importantly, our focus during this period around repayment on the exact due date was much lower than usual as these borrowers were gradually recovering from the crisis and our aim was primarily on collecting as and when their situation improved

- **Significantly limited legal recourse for NPA management**
  Notably, the legal recourse available to the Bank to prevent slippages and improve recoveries were also significantly limited (versus normal times) due to the stay on NPA tagging

- **Q3 FY21 disclosures**
  In our Q3 FY21 results we disclosed our proforma 90+ DPD of 3.3% of advances as on 31st December 2020. In the absence of NPA tagging, the reported GNPA was 1.0%

- **Regulatory clarity in March/April 2021**
  The stay on NPA tagging was vacated on 23rd March 2021 after a period of 7 months by the Supreme court. Subsequently, the regulator vide its notification dated April 7th 2021 issued further clarifications. Accordingly, NPAs were tagged based on applying IRAC norms from 1st September 2020. In this process, we had to also tag borrowers (amounting to ₹541 crore) who had crossed 90+ DPD between 1st September 2020 and 23rd March 2021 (i.e. the period of stay on NPA tagging), and were below 90+ DPD as on 31st March 2021 as they repaid once their cash flows improved. We were tracking this pool of ₹541 crore of loans tagged internally as Once NPA Always NPA (ONAN). Notably, 88% of the borrowers by principal outstanding in this pool were paying us in March 2021

- **Q4 FY21 disclosures**
  Accordingly, in our Q4 FY21 results we disclosed the NPA by applying the regulatory norms retrospectively from 1st September 2020 which resulted in our gross NPA being 4.25% as on 31st March 2021. Consequently, the corresponding proforma GNPA for Q3 FY21 was 3.7% as against the earlier reported proforma 90+ dpd of 3.3% as on 31st December 2020

- Our 90+ day past due gross advances (which was the number we were tracking closely during this period in the absence of tagging and also given the nature of our borrower base) declined to ₹962 crore (2.7%) as on 31st March 2021 from ₹1,017 crore (3.3%) as on 31st December 2020

- The above sequence of events in terms of regulatory clarity was quite difficult to predict in terms of timing and details. Nevertheless, in hindsight, we learnt valuable lessons around calibrating our communications

Overall, we believe that our performance was quite satisfactory in a very challenging year.



02 We think that looking at our portfolio in two parts gives a clearer picture of asset quality performance

As on March 2021 (unless otherwise specified)	Overall loan book	Part 1 – Loans to mainly unorganised segment	Part 2 – Loans to organised segment*
Gross Advances (₹ crore)	35,356	28,288	6,632
% of overall book	100%*	80%	19%
Remarks		Constituted primarily of Wheels, SBL, Home Loans	Business Banking, Agri Banking, NBFCs, REG, Others
Yields	13.9%	14.8%	10.0%
Peers		Primarily NBFCs – Large vehicle financiers, Affordable housing financiers	Mainstream large and mid-sized Banks
Avg ticket size of disbursements (₹ lakh) – FY 2020-21	5.4	4.5	21.4
90+ dpd % - March 2021	2.7%	2.9%	1.1%
90+ dpd % - March 2020	1.6%	1.6%	0.7%
GNPA % - March 2021	4.3%	4.7%	1.4%
GNPA % - March 2020	1.7%	1.7%	0.7%

**SME book in rundown (₹436 crore) has been excluded from this analysis; including SME numbers, GNPA would be 2.6% and 1.5% respectively.*

As seen in the table above, our book is effectively comprised of 2 distinct segments which differ widely in terms of yields, peer set and ticket sizes. Looking more closely in each of these books gives a clearer picture of our asset quality.

- **Closer look into Part 1 (loans to mainly unorganised segment customers)**
  As seen in the table above, 80% of our loan book (Wheels, SBL, HL) relates mainly to rural/low-income Urban, self-employed customer segment which has been the key focus area on the asset side since our beginning

  If we look at asset quality performance for this part basis 90+ dpd % (which is the commonly used metric to measure peer NBFCs' asset quality), the increase has been 130bps YoY which is quite remarkable given that the pandemic has probably impacted this segment the hardest

  We believe that our asset quality performance (net stress formation in FY 2020-21 i.e. net slippages + restructuring + write-offs) could be comparable to best-in-class peers

- **Closer look into Part 2 (loans to organised segment)**
  GNPA here stood at 1.4% vs. 0.7% YoY (excluding the SME book in rundown) which is quite comparable to our peer performance of this segment mainstream large and mid-sized banks

130 bps

YoY increase in 90+ DPD on lending to unorganised segment

03 Collection management systems were able to adapt effectively to the uncertain environment

Strategies around customer repayments and recoveries are designed for normal times. Unfortunately, ~2.5 months of lockdown and associated moratorium puts a lot of pressure on any collection infrastructure.

Notwithstanding the challenges, our team rose to the occasion and our asset quality is partly a reflection of our robust collection management system. Our customer outreach and solutions-based approach helped us earn the customer's acceptance which resulted in better collections when the cash flows improved. Some key strategies that we adopted during this period are:

- **Increased customer connect**
  Our customer outreach programme during the initial months including phone calls to inquire on their well-being, awareness drives and delivery of essential goods like medicine, really helped us establish a stronger connect with our customers

- **Track, connect and engage**
  Being a new-age bank, our collection systems and platforms are quite robust. Use of these digital platforms helped us in a big way to track, connect and engage with our employees and customers in the initial months when travel was restricted

- **Segmented operational area**
  We adopted a differentiated collection strategy by segmenting operating areas into Red-Amber-Green zones based on containment type in that region

- **Solution oriented approach**
  Once things started getting better, we approached our customers – listening to their challenges around liquidity and providing tailored solutions. We facilitated Government schemes like moratorium, ECLGS and restructuring etc. with diligence and basis requirement of the customer

- **All hands ondeck**
  Throughout the lockdown, sales and credit teams were engaged along with the collections team to manage the high volume and ensure adequate reach

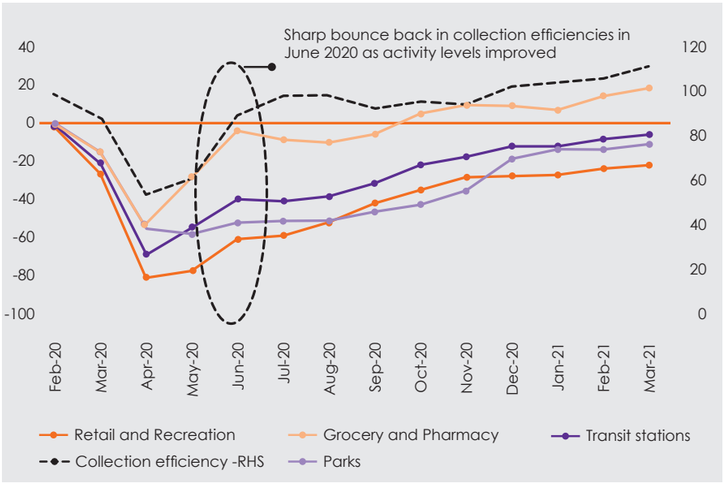
04 Sharp bounce back in collections efficiencies soon after economic activity resumed

The majority of our borrower base is self-employed running small businesses in the earn-and-pay segment, and was significantly impacted following the national lockdown in April-May 2020 as economic activity came to a grinding halt.

Consequently, collection efficiencies dipped in April 2020 and May 2020 following a nation-wide lockdown. However, as businesses started opening up, we saw collection efficiencies bouncing back sharply as borrowers' cash flow situation improved, and we saw continued improvement in our collections from thereon. We believe this also reflects the strength of our underwriting model where we provide small-ticket, secured loans for income generating assets which provide for customers' livelihood.

The below chart maps our collection efficiencies in FY 2020-21 against mobility indicators and illustrates the correlation between our collections and resumption in activity levels.

This demonstrates the resilience, as well as repayment intention of our borrower segment as their cashflow improves.



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

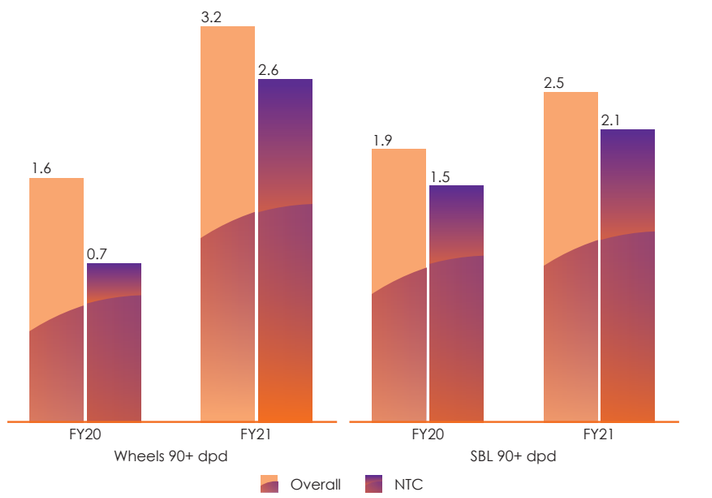
05 Resilience of NTC (new to credit) customers in our book further boosts our confidence in our underwriting capabilities

The new to (formal) credit (NTC) customers have been a significant segment in both our Wheels and SBL book and typically is the most difficult to underwrite due to lack of any track record of formal borrowing and credit bureau data.

Our belief in our borrower segment has been reinforced time and again in our over 25-year journey. Even during the unprecedented situation, performance of NTC customers within our Wheels and SBL portfolio has been better than overall portfolio in FY 2019-20.

Overall, even in a difficult year, the yields in these segments have been able to compensate for the credit losses due to the pandemic. This outcome has further boosted our confidence in the quality of underwriting and vindicated our belief in our ability to understand and underwrite this customer segment. Focus on this segment remains a key part of our growth strategy.

90+ DPD as on 31st March 2021 (%)



06 Accelerated provisioning

At the start of FY 2020-21, we were carrying 1.8% of gross advances in overall provisioning. During the year, we became cautious in estimating the impact of the pandemic and increased provisioning levels in every quarter.

Additionally, we utilised the gains from our stake sale in Aavas Financiers in Q3 FY21 to make accelerated provisioning to cover potential losses that could arise in the future from the identified stress book.

We accelerated provisioning again in Q4 FY22 to take overall provisioning to 2.9% of gross advances. Overall, PCR on 90+ DPD accounts was at ~60% which we believe provides more than adequate provision cover as ~98% of our loan book is secured and the historical losses on repossession and settlement have been <40% for Wheels and <30% for SBL – our two main businesses.



07 What the source of slippages in FY 2020-21 tells us

- **41% of loans as on end-March 2021 were originated in FY 2020-21 – stable performance so far**

  The GNPA for this pool as on end-FY 2020-21 stood at 0.1% and there was negligible ECLGS or restructuring in this pool till 31st March 2021. This partly reflects the tighter underwriting in FY 2020-21 wherein we exercised greater caution in customer and product profiles selection

- **14% of loans (as on end-March 2021) were source of bulk of the slippages in FY 2020-21**

  Loans which took moratorium for 4 months or more stood at 14% of total loans as on end-March 2021(these were originated before - 31st March 2020).

  - These were the loans which were more impacted due to the COVID-19 pandemic and mainly comprised of segments like commercial passenger vehicles, schools, and discretionary businesses like public/social events related, readymade garment shops, and hospitality
  - This pool contributed to ~77% of incremental GNPA in FY 2020-21
  - Of the 14% of **loans which took moratorium for 4 months or more, 11% were non-NPA as on 31st March 2021**
  - Within this 11% non-NPA pool of customers, 44% of loans were current as on 31st March 2021
  - Average ticket size of the non-NPA pool stood at ₹4.1 lakh as on 31st March 2021 and was entirely secured, with ~90% of loans in either SBL or Wheels

Fortifying our Balance Sheet

Uncertainties induced by the pandemic warranted that we secure the balance sheet against any unforeseen consequences, and we used mix of equity raising and liquidation of investments to grow our net worth by 43% YoY despite making accelerated provisioning.

- Divested our investment in Aavas Financiers to realise a gain of ₹651 crore pre-tax which was used for accelerated provisioning and boost capitalisation
- **Qualified Institutional Placement (QIP) –** We raised ₹625.5 crore primary equity via the QIP route in March 2021. The issue was for 50 lakh equity shares and received strong reception from both domestic and international institutional investors. Allottees who were issued more than 5% of the total equity shares offered in the QIP are:

Capital Group	40%
Govt. of Singapore – GIC	27%
HDFC Life	24%
Monetary Authority of Singapore	6%

Opportunity amidst the crisis

From a business standpoint, we had a relatively quiet H1 FY21 with limited demand and customer activity. We used this time to sharpen our strategy of building a granular, retail liabilities franchise as well as further progress as a tech-enabled Bank. We worked further on our digital strategy, improved our CASA ratio, reduced our cost of funds, strengthened middle management and took advantage of the demand as and when it returned in a calibrated manner.

DIGITAL BANKING STRATEGY

The pandemic has significantly accelerated customer adoption of digital technology. There are around 750 million smartphone users in India and use cases around e-commerce, Edutech, Foodtech, etc have witnessed very strong growth.

E-commerce

Amazon **Flipkart**

20 crore online shoppers

Edu Tech

Byju's **Unacademy**

15 crore users of Edu Tech Platforms

Food Tech

Zomato **Swiggy**

30 lakh food order deliveries per day

We believe pace of digital adoption in banking will accelerate further. All the building blocks are in place with supportive Government and regulatory policies and the India technology Stack.

Aadhar

~3 crore AADHAR authentications per day

UPI

₹15,000 crore UPI transactions value per day

AU has always leveraged the latest technology since becoming a Small Finance Bank. During FY 2020-21, we made a lot of progress towards getting ready for a digital-first world where banking, like other services, is largely accessed by customers through their smartphones.

We launched our mobile banking 'super app' with a complete suite of payment and lifestyle services. We started innovative new offerings like Video Banking and Merchant Solutions with UPI QR and expanded functionality in self-serve digital channels (Chatbot and WhatsApp Banking). This led to a significant uptick in digital adoption and growth in number of customers registered on mobile/internet banking.

3.7 lakh
Mobile/Internet banking registered customers

2.2 K
Accounts opened with VKYC

~75 K
UPI QRs installed

We also digitised a lot of our internal processes starting with assisted end-to-end digital journeys for key asset verticals and launching a referral app to automate lead management.

More recently, in June 2021 we significantly expanded the functionality of our 'super app' and launched AU 0101, our mobile first digital bank. We had a complete rethink on how trust would be defined in this new age of digital banking. Not by their vintage rather by being convenient, speedy, secure, flexible, available and customer obsessed would now lead banks to be trustworthy.

We are excited to launch this beautifully imagined product to everyone and will continue building on this further.

Savings: Savings account and Fixed Deposit	**Credit Card**	**Investments:** Stocks, MF, IPOs
Insurance: Life, Health, Motor	**Loans:** Car and Personal	
Money transfers: UPI, NEFT, IMPS, RTGS	**Bill Payments**	**Pre-approved offers**
Gift cards	**Bookings:** Cab, Flight, Bus, Hotels	**Account Management**

With robust inbuilt capabilities and smart integrations, AU 0101 offers solutions around:

Seamless journeys

AU 0101 offers integrated account opening experience with application and video KYC completed in a single journey.

App for Non-AU customers

We have loaded AU 0101 with features like Video banking, mobile recharge, booking of lifetstyle services (like Flights, Hotels etc.), gift cards etc., which do not require an AU Bank account at all. This makes AU 0101 a super app for everyone!

Digital Banking channels

AU 0101 offers multiple channels of digital and contactless banking. Apart from the mobile 'super app', a customer can access the bank digitally through Video Banking, WhatsApp banking and Chatbot banking.

Pre-approved offers

We have extended pre-approved Credit Card, Personal Loan and Vehicle Loan offers to our customers on AU 0101. To further enhance our capability to understand our customers' requirements and offer personalised products, we are in a phase of building advanced data analytics capabilities.

AU 0101



BUILDING A RETAIL-LED LIABILITY FRANCHISE

Our Liability franchise has been growing at a robust pace with our total deposits growing to ₹35,979 crore in last 4 years since we commenced our banking operations. As we grow our franchise, we aim to build a retail-led, granular and sustainable liabilities franchise.

We utilised the pandemic year to calibrate and execute our Liability strategy and focused on retiring wholesale deposits while expanding our retail franchise. Key pivots of our liability strategy are expanding our physical and digital presence to source and service customers more widely and efficiently, using technology to deepen engagement with our customers, and building an empowered and capable team with the aim of becoming the primary bank for our customers.

Key elements of our Liability strategy

- **Market based differentiation:** Our retail customer base was segregated into two distinct markets – 'Core' and 'Urban'; 'Core' markets cover semi-urban and rural markets where the Bank can capitalise on its asset vintage of 25+ years, while 'Urban' markets are metropolitan and well-developed regions where we see huge potential to grow along with cross-selling opportunities
- **Geographic expansion:** Despite being a pandemic year, we opened 37 new branches in the last fiscal and entered cities like Agra, Bhubaneshwar, Bengaluru, Hyderabad, Jammu, Kanpur, Kolkata and Lucknow. To serve our customers better, we aim to become a pan-India bank and are focusing on growing our presence in larger Urban centres including capital cities which historically have accounted for higher Liability base for banks
- **Engagement with customers:** We are focused on building an engagement with our digitally native customers using digital channels and campaigns. Our campaign Bharosa Apno Jaisa helped us in deepening our engagement and generating trust with our customers. Similarly, we partnered with major brands such as Amazon, Myntra, BigBasket, Zomato, Swiggy etc. to increase our brand awareness and deepen our customer engagement. These offers reaped rewards as our visibility increased exponentially and our number of transactions per transacting customer doubled in the last fiscal
- **KYC to UYC:** Transition from 'Know Your Customer' (KYC) to 'Understand Your Customer' (UYC) has been a key focus within Liability team. UYC allows us to have a more bespoke approach to our customers and helps us in our quest to become a primary bank to our customers
- **Customer-centric Digital channels:** Apart from launching our revamped Mobile Banking and Netbanking application in Q3 FY21, during the year, we went live on various payment channels like UPI, UPI QR, BBPS, AePS, FASTag, ASBA etc. Similarly, we also automated various aspects of customer life cycle management through products like WhatsApp Banking, Chatbot, Video Banking, Virtual RMs etc.
- **Contribution from all verticals:** One notable feature of the last fiscal was that during H1 FY21, our key area of focus was on granularity and high-quality CASA deposits and our entire staff (be it assets or operations) came together to contribute towards building the deposits franchise. This concerted approach resulted in our non-branch employees garnering close to ₹400 crore of deposits in Q1 FY21

These efforts helped us achieve a 38% YoY growth in deposits with our CASA ratio growing from 14% to 23% and our retail deposits now contributing 55% of our overall deposits.

DEMAND AND DISBURSEMENT

Disbursements in the first half of the year were muted as India went into a 75-day national lockdown. However, while there was restraint on physical movement, our assets team constantly engaged with the customers enquiring about their well-being and generating awareness. Later, when the unlocking started, engagement moved to meeting customers physically and explaining facilities like moratorium and ECLGS.

This proactiveness helped in H2 FY21 which witnessed a moderate recovery in the economy on account of gradual relaxation of lockdown, a slew of Government measures and the onset of the Indian festive season. Besides, rural sentiments also picked-up thanks to the above-average monsoon and record Kharif sowing. Further, social distancing norms induced a preference towards personal vehicles which also provided impetus to new car business.

The conducive environment along with the efforts of our team helped us eventually clock ₹17,590 crore (excluding non fund based facilities of ₹1,033 crore) in disbursements which was a commendable feat considering the challenges.

Our AUM grew by 22% YoY to ₹37,712 crore.

ROTATED AND STRENGTHENED OUR MANAGEMENT CAPABILITY

We welcomed 12,076 additional employees to the AU family in FY 2020-21. While most of the hiring was at entry level, internal movement of some senior employees to different responsibilities and addition/ creation of some newer roles required the Bank to hire additional senior managerial talent.

We bolstered our management capability by carrying out more than 65 new and critical hiring at the senior and middle management levels like Chief Risk Officer, Chief Technology Officer, Chief of Human Resource, Head - Enterprise Architecture, Head of Internal Audit etc.

This is also a reflection of our ability to attract talent from across the spectrum and being seen as an employer of choice for professionals with aspirations.

COVID 2.0 and Outlook

Calendar year 2021 started with a renewed hope as we edged towards normalcy. Restrictions were starting to ease, the number of active COVID cases was reducing, and India started exporting vaccines to other countries. When it seemed like we were finally on our way to recovery, the onset of COVID 2.0 caught most of us off-guard.

FY 2021-22 began on a sombre note as the second wave swept almost every pocket of India and daily cases consistently breached the six-figure mark for weeks together, which had not happened in the first wave. The increased test positivity rate and higher case fatality ratio put immense pressure on the country's health and medical infrastructure with medical centres reporting severe shortage of essential supplies and medicines.

Outlook

FY 2020-21 was an exceptionally challenging year with an unprecedented level of uncertainty in the business environment. Our mettle as a Bank both in terms of our deposits and assets franchise was severely tested and we believe we have emerged stronger. Further, we gained significant ground in our journey as a tech-led Bank. Looking ahead, we believe that India's strong growth potential and our positioning as a bank gives us strong confidence in our future.

In the near term, our endeavour is towards Hope, Health & Happiness for all our stakeholders. We have initiated the 'Vaccine Lagao Jeevan Bachao' campaign where we are encouraging and helping our employees and all key stakeholders get vaccinated.

In the medium to long-term, the fundamental drivers for India's growth remain intact – large and young population (40% below 20, 85% below 50), a functional democratic structure, low GDP/ capita, and a rising middle class (high and middle income segments expected to reach 50% of households in 2030 versus 25% currently as per an industry report).

With regards to banking specifically, low penetration level of financial services (credit to GDP ratio at 56% which is half the G20 average) and ongoing consolidation in PSU banks provides significant runway for growth. Additionally, the rapid proliferation of digital ecosystems and digital adoption has opened up several new possibilities and paradigms for banks in terms of acquiring, servicing, engaging, and underwriting customers.

On the whole, we believe that near-term weakness in the economy due to the pandemic will eventually pass and focus will shift to bringing back growth as India emerges from the pandemic. World Bank projects India's GDP to grow at 8.3% in FY 2021-22 and 7.5% in FY 2022-23. Banks will play a crucial part in kickstarting the growth cycle as they remain a critical part of the financial system. They operate the payments system, efficiently channelise public savings into loans for productive purposes, and serve as agents and enablers for a wide range of other financial transactions.

In this context, we are well positioned to take advantage of the growth opportunities. Overall, as a relatively young Bank focused on financial inclusion, with a strong digital outlook and with contemporary tech architecture, we believe we are in a sweet spot to take advantage of the opportunities that lie ahead for India and play our part in nation building.

BANKING

WITHOUT THE BANK!

Introducing AU Video Call Banking

Hop on a video call now and get an exclusive sneak peek into the future of banking.

AU BANK

0101

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Business model

Embedding a sound value-creation approach

Our value creation model enables us to leverage resource and relationships to produce long-term sustainable value for our stakeholders.

Inputs

Financial capital
- Equity
- Assets
- Deposits

Read more on page 68

Intellectual capital
- Digital
- Digitisation
- Strong data & cyber security framework
- Robust IT infrastructure
- Collaboration with fintechs and start-ups

Read more on page 72

Manufactured capital
- Branches
- ATMs
- Corporate and regional offices
- Data centres

Read more on page 78

Human capital
- Employees
- Learning & Development
- Employee engagement

Read more on page 82

Natural capital
- Energy consumption
- Waste Management
- Building a green portfolio
- Embracing environment

Read more on page 98

Social and Relationship capital
- Livelihood Creation
- Financial Inclusion
- Digital Inclusion
- AU Foundation

Read more on page 102

Value-creation approach

Vision | Mission | AU Dharma

Read more on page 18-19

Comprehensive product suite

Read more on page 20-21

External environment

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

Strategic objectives

- Build a credible, trust-worthy and sustainable bank that inspires generations to come
- Act as a responsible catalyst to serve financial needs of the unserved and unreached
- Bring efficiency in intermediation between savers and borrowers
- Unlock human potential

Read more on page64

Value enablers

- Strong culture – responsibly entrepreneurial, integrity and governance
- Strong execution capability
- Empowered Team
- Deep knowledge and understanding – segments, customers and markets



- Extensive direct distribution in Core markets
- Growing Deposit franchise
- Comprehensive digital solutions
- Access to growth Capital

Outcomes | SDGs

Customers
- Customer base: **20 lakh+**
- Customer complaints resolved: **98%**
- Presence in Core market: **78%**

Employees
- People recruited in FY 2020-21: **12,076**
- Employee with varied background (Non-Banking): **4,127**
- Employee training hours: **2.8 lakh+**

Regulators and Government
- Priority Sector Lending: **87%**
- Loans below ₹25 lakh: **65%**
- Branches in unbanked locations: **31%**

Partners and Associates
- Fintech: **62+**
- Vendors: **2,000+**

Society
- Beneficiaries of CSR projects: **13 lakh+**
- Beneficiaries of financial literacy camps: **5 lakh+**

Environment
- E-waste management: **9.4 tonnes**
- Green portfolio in Wheels business: **~8%**
- Digital visiting cards: **21,000+**

Investors and Shareholders
- EPS: **₹38.2**
- Return on Assets (ROA): **2.5%**
- Return on Equity (ROE): **23.4%**

Stakeholder engagement

Bringing together people and ideas

Continuous dialogue with our stakeholders allows us to analyse market developments, challenges and expectations, helping us to correct course, identify opportunities and manage potential risks. Meaningful conversations also throw-up new ideas to refine our operating mechanics and evolve refreshing solutions.

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

Stakeholders	Expected outcomes	Communication platforms
Customers We cater to a wide cross section of customers through our diverse offerings delivered via 360-degree phygital ecosystem	• Access to safe, non-discriminatory and responsible banking services with transparent pricing • Products and services that meet customer needs • Seamless transactions across different platforms • Convenient access to banking (channel of choice), increasingly through digital channels	• Over the counter- Branch & Offices, ATMs, BOs and BCs • Tele Banking- Phone Banking, IVR, Customer care • Digital Channels- Mobile Banking, Netbanking, WhatsApp, Social media platform, Auro chatbot and Video Banking • Customer satisfaction surveys and feedback • Written and Verbal communication
Employees Our employees are our biggest asset. We aim to nurture and develop their potential to drive innovation, productivity and promote a sense of ownership	• Employee health, safety and well-being • Create a culture that encourages ethical practices, promotes meritocracy and rewards high performance • Professional development of our employees through nurturing and providing growth opportunities • Diverse and inclusive workplace where all employees are treated equally	• Internal meetings and town halls • Performance discussions and periodic reviews • Training and development workshops • Learning initiatives like AU Excellence Academy and knowledge series • Workplace safety, health and engagement initiatives • Employee connect initiatives like AU Idol, Rang Takshri etc. • Feedback and Surveys
Regulators and Government We engage with national and local Governments and regulators to understand their priorities and align our focus areas and strategies	• Facilitating financial and digital inclusion • Implementation of various social security schemes • Compliance with all relevant laws and regulations • Responsiveness towards regulatory changes • Customer privacy and data security • Contribution to Government development plans and national priorities	• Regular meetings - onsite and offsites • Policy updates, circulars, guidelines and directives • Mandatory filings of information – regulatory and Ad hoc • Various Government schemes and policies
Partners and Associates Our success requires us to collaborate with various business partners, vendors, suppliers and associates across the value chain	• Ensure effective communication for quality and efficient service • High governance standards with policies around corruption, child labour, human rights etc. • Maintain transparency in all the disclosures and interactions • Resolution mechanisms and frameworks for handling of differences and disputes	• Regular online and offline meetings • Phone calls, surveys • Workshops, conferences
Society We embrace our role in society as an active contributor to build a thriving society with engaged communities that have aligned values	• Contribution towards various causes/ programmes for skill development, financial and digital literacy, safe and drinking water, education, healthcare etc. • Responsible approach to employment and tax • Responsible banking that impact economy and society positively through lending and transactional products • The financial assistance and support, Bank is providing to customers, clients and communities during COVID-19 • Proactive involvement in community development and upliftment of unbanked rural regions	• CSR initiatives at multiple locations direct or through implementing agencies • Social activities through AU Foundation • Social media communication • Regular meetings and interventions • Financial Literacy Programme • Project monitoring and reviews
Environment Our environmental footprint has a direct impact on our future well-being and has the ability to impact our business outcomes	• Integration of Environment, Social and Governance (ESG) factors into business decisions • To use our resources to promote social and environmental issues as well as other common agendas to build a thriving society • Build an operating ecosystem to track and measure energy consumption • Ensure end use of products offered by bank is in consonance of environment policies	• Social media • Internal and townhall meetings • Campaigns and promotions • Reports and publications • National and International forums
Investors and Shareholders We strive to maintain strong credit quality, good governance, transparency and timely communication so we can generate long-term value for our investors	• Sound risk management and compliance • Sustainable shareholder value • Strong governance and transparency • Responsible business practices • Effective and timely communication	• Quarterly financial updates • Investor meetings and presentation • Public disclosures • Annual General Meetings • Analyst Meets • Annual Report

Materiality

Identifying and addressing key material factors

The materiality process focuses on identifying those issues, opportunities and challenges that can or may impact the organisation's ability to create value in the short, medium or long-term and consistently deliver value to its stakeholders.

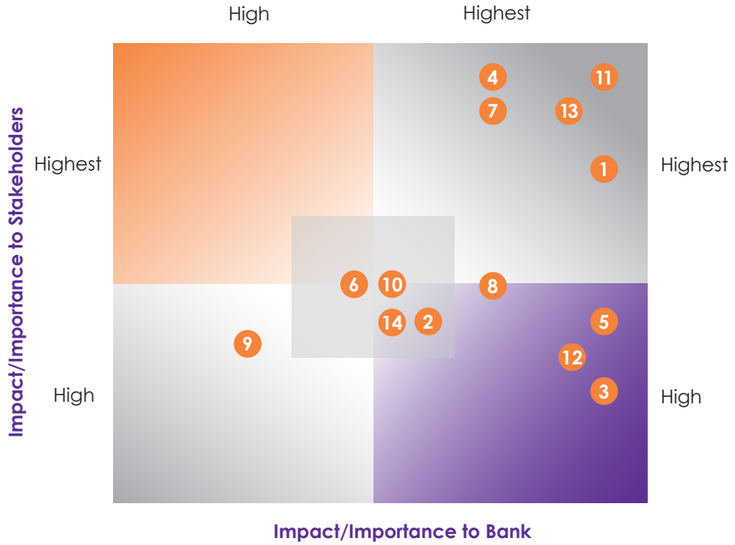
Materiality matrix

To identify the materiality aspects, the Bank constantly engages in open and detailed discussions with various stakeholders to understand their specific issues, concerns and expectations. The identified issues are thereafter discussed with Senior Management and various committees of the Bank. After this, they are classified based on their degree of importance to stakeholders and for the Bank and their ability to impact value-creation.

In materiality matrix we have mapped various factors to their level of importance for the Bank (horizontal axis) and the level of importance for the Stakeholders (vertical axis). The bank has prioritised Five (5) factors as portrayed in top right quadrant on the basis of their criticality towards sustainability areas.

Accordingly, we arrive at a materiality matrix and rate the issues on their criticality viz. high to highest.

Further, the insights derived from this exercise also go as an input in our strategic planning process to define our strategic objectives and priorities.



1.	Economic Performance
2.	Product Innovation
3.	Digitisation
4.	Customer-centricity
5.	Community Development and Social Responsibility
6.	Empathy
7.	Financial and Digital Inclusion
8.	Human Capital Management
9.	Government initiatives and agendas
10.	Stakeholder Engagement
11.	Governance, Compliance and Ethics
12.	Responsible Lending
13.	Cyber Security and Data Privacy
14.	Environment

We have idenitified 5 key topics that are material to our value-creation journey

Why this is material | What we have done

Economic performance

- As a small finance bank, we serve the unbanked and underserved regions. A stable and a sustainable economic performance allows us to attract investors and best talent which amplifies our efforts to serve these segments. It also helps us build credibility, trust and generate confidence in our offerings.
- In a bid to deliver stable and sustainable growth, we are constantly innovating and adapting at every level of the organisation. We have not focused on unsecured products and, so far, focus has been offering secured products with verifiable end-use. We have invested ahead of time in our people, infrastructure and technology giving us an edge over competition.

Customer-centricity

- Customer focus is one of the six pillars of AU Dharma - the core philosophy of AU as an institution. We serve a wide spectrum of customers ranging from the Urban millennial to the residents in the hinterlands of India – Tier 5 and Tier 6 cities. Customers are at the centre of everything we do. We aim to provide convenience to our customers by providing them with simple and affordable offerings.
- We have created a complete phygital ecosystem catering to a wide variety of customers with different needs. Key area of focus is creating simplified and customised processes for customers by going the extra mile, and creating a best in class omni channel experience keeping convenience at the centre.

Governance, compliance and ethics

- A sound corporate governance and compliance culture provides the necessary oversight and accountability, strengthens internal and external relationships, builds trust and promotes long-term sustainability of the institution. Banks operate in a highly regulated. Therefore, secure environment and self-compliance and self-governance are a matter of great importance to us.
- We have a robust governance structure whilst compliance is part of our DNA. Control groups and business units are the first layer of defence supplemented by Risk and Compliance function as the second layer, Internal Audit is the third layer of defence providing independent review and objective assurance on the quality and effectiveness of the Bank's internal control systems. Along with these layers we have an independent Board of Directors that keeps a check on functioning of the Bank via various Board committees and Board delegated committees.

Cyber security and data privacy

- Technology has enabled us to quash physical limitations and drive financial access to the unbanked and unserved regions of India via mobile devices. With COVID-19 we have further witnessed an accelerated adoption of technology. Our customer segment is still getting used to transacting via digital channels and remain susceptible to various security breaches. It has become very critical that we ensure protection of customer's privacy and data security. A strong and secure technological infrastructure enables us to build customer trust and loyalty.
- We have continuously strengthened our cyber security and data privacy policies, systems and processes. We have a cyber security operation centre which monitors real time cyber security threats. We are accredited with ISO 27001:2013 certification for our robust cyber security capabilities.

Financial and digital inclusion

- Financial and Digital Inclusion is not just a material issue for us but an integral part of our business model. We have been making formal financing available to hundreds of thousands of households over the last 2 decades. Post conversion into a Bank, we have enhanced our product offering to add savings and investment solutions as well as implementation of various upliftment schemes of the Government. We are now adding digital inclusion to our business model and making customers digitally activated.
- As a small finance bank, we have been working, by design, at the grass-root level to generate financial and digital awareness and inclusion. We aim to intervene through various vernacular digital and financial literacy camps across various states along with our CSR activities. We are also delivering Government interventions at these regions such as Pradhan Mantri Jeevan Jyoti Bima Yojana, Atal Pension Yojna etc.

Strategic objectives and priorities

Activating all levers to fast-track growth

Our strategic objectives are our long-term goals that we want to achieve as a Bank to fulfill our purpose and create value for all our stakeholders. Our strategic priorities are designed to help us achieve these objectives. In response to the rapidly changing operating environment and needs and expectations of our stakeholders, we have defined Four strategic objectives and Six strategic priorities/ focus areas that drive our value-creation journey.



Long-term objective

Build a credible, trust-worthy and sustainable bank that inspires generations to come

We have an opportunity to build one of India's most trusted and well-governed retail banking institution.

A strong compliance culture, empathy, integrity and responsible banking are some key values which can help us become a credible bank.

Our ability to challenge the status quo, ethical and dynamic approach are our key enablers which, combined with our demonstrated execution capability, will ensure that we build a Bank that will last forever.

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

We operate in deep geographies where financial inclusion and awareness is still relatively low. The customer is dependent upon the financial institution for fairness as his options of availing formal credit are limited.

As a credible Bank, we aim to play our role very responsibly in an ethical, fair and transparent manner with a sustainable and consistent value proposition for our customers. We aim to provide right product at right pricing in an easy to approach and convenient manner.

Bring efficiency in intermediation between savers and borrowers

We aim to empower every Indian with financial freedom and digital literacy and the most effective way to achieve this is by bridging the gap between the cosmopolitan India and the emerging India.

We are bringing efficiency in intermediation between the two markets and customer segments to ensure that the surplus money is efficiently invested to best-in-class returns whereas the deficient has access to capital at the right cost, seamlessly.

While borrowers and savers might switch roles at various points in their life cycle, the Bank's responsibility to act as a mobiliser of resources is paramount. Currently, most of the banking system deposits comes from cities and we are expanding our geographic footprint to take the reach further.

Unlock human potential

We aim to provide the right tools, opportunities and environment for individuals to realise their true potential – be it employees or the customers.

Financial freedom leads to a secure lifestyle and a confident individual. This has a ripple effect on the society with people being able to take advantage of the available economic opportunities and help the nation prosper economically.

To achieve this objective, we have built a culture of trust and transparency and are leveraging talent and fostering entrepreneurship so that each individual can attain his/her maximum potential.

Six strategic priorities

On the basis of our purpose, our strategic long-term objectives and the operating environment, we have established Six near-term priorities.

- Drive sustainable growth from existing products and segments
- Scale retail - focused, sustainable Liability franchise
- Build a tech-led ecosystem
- Create strong brand awareness
- Develop a highly empowered and capable team
- Strengthen our Environmental, Social and Governance (ESG) commitments

Strategic priorities

Drive Sustainable growth from existing products and segments

- Our historical approach to Assets – small ticket size, for income generation purpose and secured and risk based pricing – have helped us to emerge much stronger from this once in a century pandemic
- Our performance and our customers' behaviour during these challenging times have given us the confidence to continue driving our asset growth by focusing on existing products – Wheels, SBL, Home Loan and Business Banking – and deepening penetration in our identified customer segments and markets

Scale retail focused, sustainable Liability franchise

- We believe that in order to build a Bank which is able to grow sustainably for generations to come, it is crucial that we are able to build a Liability franchise which is granular in nature and is driven by retail – individuals and small businesses

Build a tech-led ecosystem

- The penetration of smartphones and internet in India presents a vast opportunity to deliver banking services in a convenient and cost-effective manner for new age banks like AU
- We aspire to capture this opportunity by building ourselves as a tech-led Bank and imparting financial and digital literacy to bring our rural/semi-Urban customers in the folds of the digital ecosystem

Create strong brand awareness

- A strong brand equity can be a significant enabler for the Bank to achieve its long-term objectives as it will enhance the awareness of the Bank, its visibility, increase customer loyalty, and help in attracting and retaining talent

Develop a highly empowered and capable team

- The Bank has always believed in empowering and nurturing its employees and providing them with opportunities and tools to express their entrepreneurial spirits. Two key Dharmas of the Bank are 'Responsibly entrepreneurial' and 'Nurture talent and Succeed together'
- We believe in meritocracy and continue to empower our employees through training, talent management and fast-tracking growth for high performers. We also aim to strengthen our gender diversity and inclusion proposition at workplace

Strengthen our Environmental, Social and Governance (ESG) commitments

- AU has been a socially inclusive organisation by design – our business model has been focused on lending to the underserved segments in rural and semi-urban/low-income Urban geographies thereby creating employment, empowerment and developing financially inclusive clusters
- Strong governance has been the backbone of our growth since the start of our journey and has helped us scale to our current size, attract global investors and receive continuous validation from market, regulators and rating agencies
- Environment has been identified as a key stakeholder for AU Bank and as we move forward, we will track our ESG impact more closely and ensure increased monitoring and improvement in this framework

Financial capital

Progressing with prudence

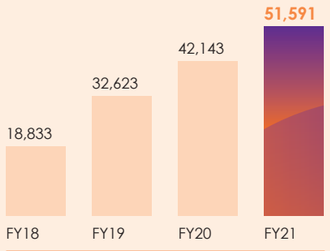
We optimise capital allocation by focusing on the risk-reward matrix to generate industry-leading returns for all our stakeholders. Over the years, we have focused on maintaining a strong and healthy balance sheet with robust liquidity buffers to ensure business continuity even during the most testing times such as the year gone by. We continue to invest in our phygital franchise and enhance operational efficiency to drive our business expansion initiatives.



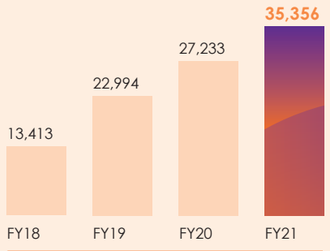
Healthy balance sheet

- Despite the front-loading of costs related to converting into a bank, we have delivered healthy Return on Assets (RoA) and Return on Equity (RoE) consistently. Over the years, we have focused on maintaining a healthy capital adequacy ratio, which is well above the regulatory requirement, allowing us to capitalise on opportunities as they present themselves
- During the year, we raised fresh equity to bolster our net-worth and further strengthen our balance sheet. Besides allowing us to take advantage of growth opportunities, healthy capital adequacy ratios give us room to continue making investments today for benefits to be reaped in the future. In March 2021, we successfully completed our first Qualified Institutional Placement (QIP) to raise ₹625.50 crore by issuing 50 lakh fresh equity shares resulting in our net worth crossing ₹6,000 crore
- In December 2020, we also liquidated our complete investments (except ~3,000 shares) in Aavas Financiers Limited and utilised part of the gains to increase provision coverage, while the remaining helped to further increase our Tier 1 ratio

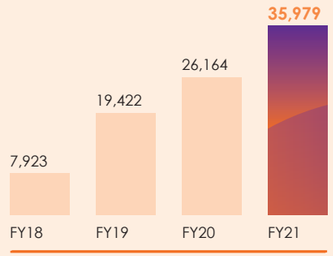
Total Balance sheet size
(₹ in crore)



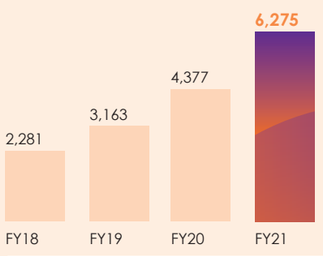
Gross Advances
(₹ in crore)



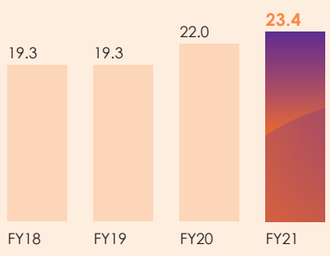
Deposits
(₹ in crore)



Net worth
(₹ in crore)

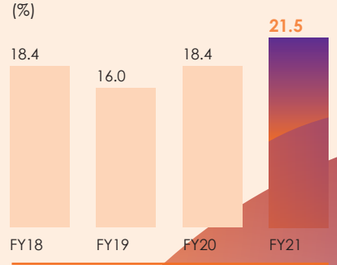


Capital adequacy ratio
(%)



Against regulatory requirement of 15%.

Capital adequacy ratio – Tier 1
(%)

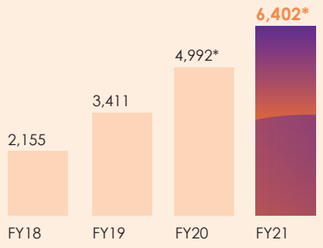


Against regulatory requirement of 7.5%.

Delivering consistent returns

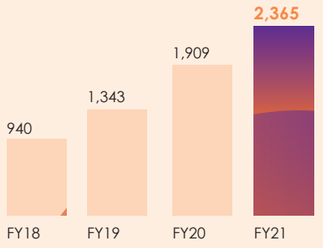
Our profitability in the last 4 years has been consistently growing supported by growth in our Net Interest Income (NII) and decline in our cost of funds. Our other income is constituted primarily of loan processing fee, branch banking fees, Treasury income and PSLC income. We have taken further initiatives this year to increase our cross-sell fee from third party insurance products and added new Bancassurance partners – ICICI-Prudential Life insurance and Care Health Insurance.

Total income
(₹ in crore)

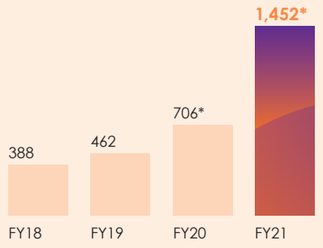


**Includes profit of ₹86 crore and ₹651 crore in FY 2019-20 and FY 2020-21 respectively from sale of shares of Aavas Financiers Limited.*

Net Interest Income (NII)
(₹ in crore)

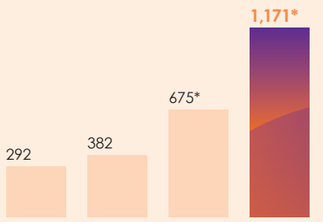


Other Income
(₹ in crore)



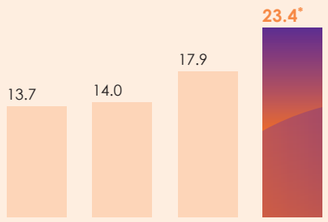
**Includes profit of ₹86 crore and ₹651 crore in FY 2019-20 and FY 2020-21 respectively from sale of shares of Aavas Financiers Limited.*

Profit after tax (PAT)
(₹ in crore)



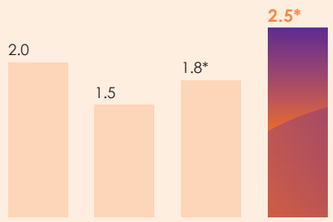
** includes profit earned (net of tax) on sale of investment in Aavas Financiers Limited of ₹79 crore for FY 2019-20 and ₹570 crore for FY 2020-21*

Return on equity (ROE)
(%)



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

Return on assets (ROA)
(%)

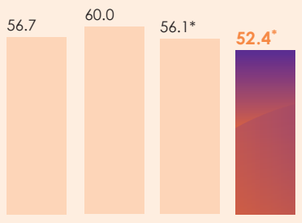


**Including profit from sale of shares of Aavas Financiers Limited*

Enhancing efficiency

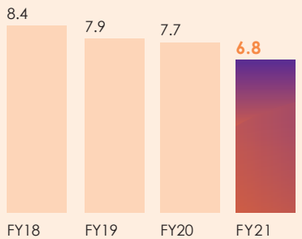
In FY 2020-21, the focus was on making investments in Infra, people and technology as part of our endeavor to build a best-in-class tech-led Bank with a pan-India presence. Our Cost to Income ratio has been aided by a consistent decline in our cost of funds with improvement in our Liability mix and growth in our CASA book.

Cost to income ratio
(%)



**excluding Profit on sale of investment in Aavas Financiers Limited*

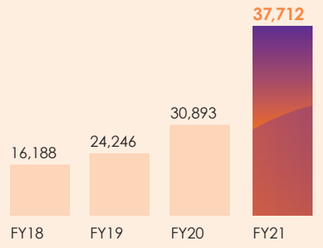
Average cost of funds
(%)



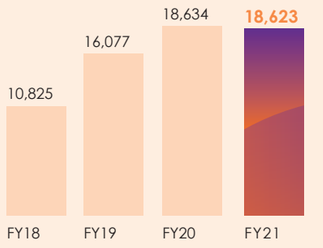
Steady growth

Despite the first two quarters of FY 2020-21 being muted, we witnessed strong demand in the second half of the year, and was able to deliver 22% AUM growth on a YoY basis. Asset quality in our two largest businesses - Wheels and Secured Business Loan (SBL) portfolio has remained resilient during the last decade and our 90+ days overdue portfolio was only at 2.7% as on March 2021. We utilised the sale proceeds from our equity investment in Aavas Financiers Limited to make accelerated provisioning during the year.

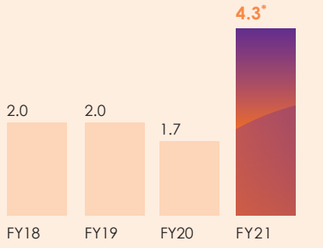
Gross AUM (on and off book)
(₹ in crore)



Disbursements
(₹ in crore)

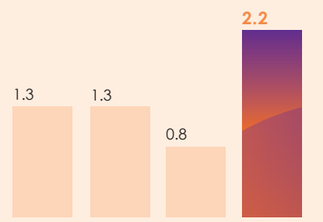


Gross NPA
(%)

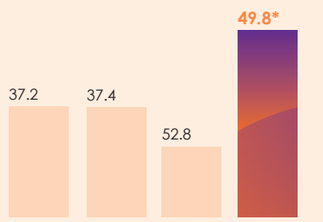


**Our gross NPA of ₹1,503 crore (4.3%), of which >90 DPD portfolio is ₹961 crore (2.7%) and <90 DPD portfolio is ₹541 crore (1.5%).*

Net NPA
(%)

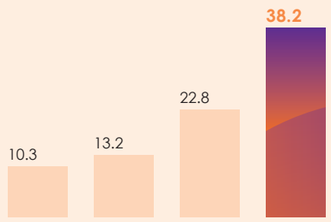


Provision coverage ratio
(%)



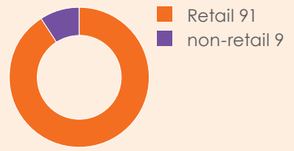
**Provision coverage ratio on >90 dpd loan is 59.1%*

Earnings per share (EPS)
(₹)



Business composition in 2020-21

Asset (%)



Liability (%)



Intellectual capital

Simplified banking with AU digital bank



India is witnessing a vibrant digital revolution. With ~750 million* internet subscribers, India is the second largest and one of the fastest-growing markets for digital consumers. The Government's push towards digitising the Indian economy has led to the development of India Stack which offers a public platform to power the digital economy.

An average of more than 90 million UPI transactions a day observed in March 2021 (compare to an average of 30 million in March 2020) is a testimony of the growing adoption of digital economy among the consumers.

Data sources: Statista | NPCI | NITI Aayog

Still, a large part of our economy is underserved and underbanked. Even pre-COVID-19, 92% of small businesses in India lacked access to formal credit and the MSMEs of the country face a credit gap of ₹2-2.5 trillion. With increasing access to mobile devices and the internet, the digital economy promises to be a key differentiator to unlock the potential that lies within the untapped market in these sections of the economy.

By providing a regulatory environment which encourages digitisation of banking services, the RBI has also been giving impetus to the growth of a digital ecosystem. Allowing Video KYC (VKYC) for the banks is one among many digital initiatives that the regulator has introduced. All these recent developments around building an open digital infrastructure have enabled private innovators to thrive.

AU Bank has always been committed to building distinctive technological capabilities and since the beginning of our banking operations in 2017, we have been leveraging technology to grow our business. This journey of using technology as an enabler for growth had begun by building innovative solutions like Tab Banking, Paperless 2-Wheeler Loans, WhatsApp and Chatbot Banking and the developments in FY 2020-21 have happened with the same spirit of innovation that characterises AU Bank.

The 5 key pillars which form the building blocks of our tech strategy

Digital
Increasing digital offerings and building compelling customer experience across touchpoints

Digitisation
Focus on digitisation and automation of internal processes to increase productivity

Data and analytics
Using analytics to understand and serve customers better

Infra and security
Focus on building a future-ready and secure architecture

Digital marketing and partnerships
Driving engagement and building our brand as a digital bank

Under each of these pillars, we have made significant strides in FY 2020-21.

The most notable initiatives being:

Digital

AU Super app: AU 0101

SIMPLE
SMART
SECURE

AU 0101: Our digital bank

In Q3 FY21, we launched our super app with a range of banking and lifestyle services on offer for the customers. Subsequently, to serve the growing digital community, we have launched our digital bank – AU 0101 and significantly upgraded the super app. AU 0101 is our mobile first digital bank built with a customer centered mindset and intuitive design. AU 0101 offers the entire suite of banking products and services digitally to the customers and provides convenient lifestyle solutions.

Using AU 0101, our customers can:

- Enjoy seamless onboarding journeys
- Get personalised pre-approved offers
- Access multiple ways to connect with the digital bank

Driven by our new super app and customer engagement strategy, we have seen significant uptick in digital adoption with ~40% of the new deposit customers registered on mobile banking or netbanking in Q4 FY21 of this year.

Video Banking

We launched Video Banking in Q3 FY21 with a vision of offering almost everything that a customer can typically do in a branch. Here a customer will be able to enjoy face to face banking services without any need to visit the branch. Launched initially as an acquisition channel, the scope of Video Banking has now expanded to a wide range of banking services, including transactions, service requests and customer engagement.



To operationalise this channel, we have set up a state-of-the art video banking centre in Sanpada, Navi Mumbai and have developed highly robust and completely secure software for this purpose.

With increasing internet penetration across the country and 5G rollout slated to begin in the medium-term, Video Banking has the potential of becoming an important alternative to branch banking and can help scale our distribution more efficiently.

Additional self-serve channels

With AU 0101, we have expanded functionalities of Chatbot and WhatsApp banking services. These AI powered self-served channels complement our digital banking offerings and provide convenient ways for the customers to connect with the bank. Ranging from getting statement of the account or the loan to locating the nearest ATM, these channels have a wide array of services available.

Being available 24/7, chatbot and WhatsApp banking channels can instantly cater to the service requests that the customers may have.

Merchant solutions

We are working on an integrated offering for MSME merchants with UPI QR as an entry point. The bouquet of offering would include Current Account, POS and Unsecured lending, among other products.

Owing to the impressive features like same day settlement, payments acceptable from all banks, no transaction charges and secure payment options, we have received encouraging response on this product and have onboarded 75,000+ merchants on UPI QR platform as on 31st March 2021.

Driving digital banking

We have adopted a strategy anchored around 3A to drive digital banking – Awareness, Adoption, and Acquisition.

We are popularising the exciting products and services AU 0101 has to offer and the convenience it creates around lifestyle solutions. Besides, every team of the bank has been aligned with the vision of digital banking to promote its adoption among the customers. We plan to focus acquisition of tech savvy customers who are comfortable with the digital platforms and can be served entirely through our digital banking platforms.

Digitisation

In addition to investing in customer facing technologies, we have been focusing on digitisation of various organisational processes to improve our operational efficiency. During FY 2020-21, we enhanced following processes:

Integration of asset journeys on Tab banking

Over 90% of our deposit accounts are opened through digital platforms. Expanding the capabilities, we are launching end-to-end digital journeys for key Asset verticals as well. We have rolled out end-to-end SBL lending journey and are developing tab based lending platforms for wheels, home loans, credit card, insurance and corporate lending products.

Referral app

We launched an in-house referral app for employees to automate lead management and ~2,500 referrals were generated across products in Q4 FY21.

Sales and customer service

We developed a mobile app based end-to-end sales management tool for 6,000+ employees to manage customer relationship including service requests and complaints.

Building a strong team

To realise our full potential in digital, we are building a strong team as well as changing ways of working in the bank. We have an experienced team of 350+ members and we intend to scale it to 500+ by FY 2021-22. We are developing a team focused on technology and products by sourcing the right mix of talent and experience from premium institutions and leading organisations. Across technology functions, we have made a number of hires in leadership roles as well.

Upskilling existing employees

We have always been focused on learning and development of our existing employees to ensure they are adequately skilled with the latest tech. To help the employees across the Bank be tech savvy and knowledgeable of all the digital products that the bank offers, we have also designed an in-house e-learning programme with interactive modules on UPI, FASTag, BBPS etc.

Data and Analytics

Given the digital nature of majority interactions these days, being able to collect and analyse the data generated from all the touchpoints and actions of the customers becomes imperative to deliver personalised banking services. At the Bank, we have been using analytics for gaining insights into our customers' preferences.

We have made data based decisioning to deliver personalised solutions and rolled out risk-based scorecards for personal loans, credit cards and vehicle loans. Using these models, we have generated pre-approved offers for our customers across all of these products.

For intelligent engagement with our customers, we are using alternate data along with traditional and sharpening our understanding of the customers preferences and requirements. Currently in a phase of strengthening our data and analytics capabilities, we plan to leverage advanced techniques to derive insights from the data that we have.



Digital marketing and partnerships

With a focus on segmental approach and an omni-channel strategy, we have been driving deeper customer engagement and widening our distribution capabilities.

Defining sharp and differentiated target segments, we are on a path to engage with our customers through interactive marketing. To establish the efficacy of our communication strategy and to manage the various campaigns effectively, we have onboarded Adobe Martech stack at the bank. With the launch of AU 0101, we aim to build our brand identity as a new-age digital bank which is always available for its customers.

To widen our distribution capabilities, we are actively engaged in mutually beneficial partnerships across various domains. We have engaged with industry-leading e-commerce players through our capabilities in API banking. Besides, our digital lending journey integrates 48 Application Programming Interfaces (APIs) for personal loan and consumer finance.

Partnering leading e-commerce players to drive engagement and visibility

Swiggy	Amazon	Grofers	Lenskart.com
Coolwinks	Apollo Pharmacy	1mg	Domino's
ganna	Lakme Salon	Make my trip	Kalyan Jewellers
Medlife	Zee5	Bigbasket	Flipkart



Infra and security

Strengthening cyber security

The Bank has a robust information and cyber security framework for securing IT infrastructure and systems, wherein internal controls have been established for monitoring real-time cyber security issues. Cyber security management framework (a combination of technologies, processes and practices) is designed to protect networks, computers, programmes and data from cyber-attacks, damage or unauthorised access thereby ensuring data privacy.

During FY 2020-21, we received ISO 27001:2013 certification for our robust cyber security capabilities.



Road ahead

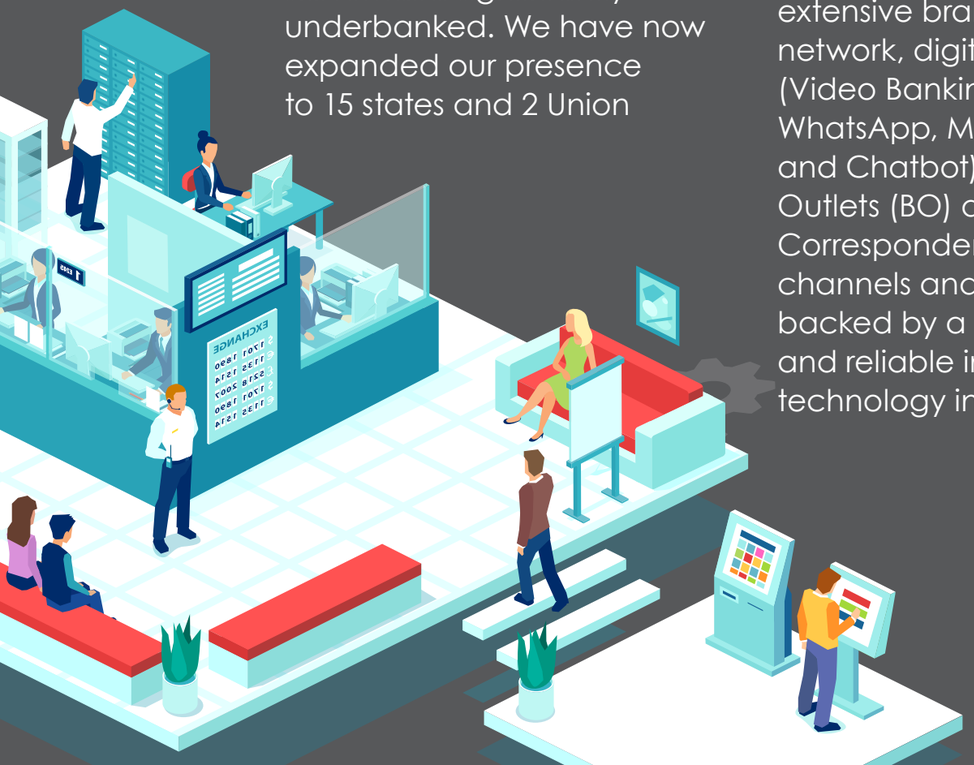
The last few months leading up to the launch of our digital bank have accelerated our journey of being a tech-led bank where we have seen significant milestones in both customer facing technologies and internal digitisation. We have also started realising the benefits of our earlier investments into technology in terms of increased customer engagement and higher digital adoption. Progressing on that path, we will continue our investments in cutting-edge technology and will build advanced data and analytics programme. As we prepare for a digital first world where banking, as almost every other aspect of life, would largely be digital, we are confident that our technological capabilities will propel the next phase of our growth in the coming years.

Manufactured capital

Delivering on our mandate relentlessly

Our commitment is to make innovative and customer-centric banking solutions accessible to the last-mile citizen in a country which still remains significantly underbanked. We have now expanded our presence to 15 states and 2 Union Territories, and are focusing on further expansion.

Concurrently, we are ramping up our infrastructure to serve our customers through an extensive branch and ATM network, digital channels (Video Banking, Netbanking, WhatsApp, Mobile Banking and Chatbot), Banking Outlets (BO) and Business Correspondents. These channels and operations are backed by a contemporary and reliable information technology infrastructure.



Deepening and widening our presence

We have successfully adopted a strategy of contiguous expansion across regions, through 552 bank branches, 177 Business Correspondent Banking Outlets, 15 Business Correspondents and 343 ATMs. Our branches are well equipped in terms of personnel, infrastructure and offerings, and we consistently strive to offer customers a uniform and rewarding experience across all branches. Besides, we have established nine offices at multiple locations that serve as management and administration centres. Our central processing unit provides support to all operations related matters.

We are leveraging our cost-efficient branch infrastructure model to expand our banking operations and become a pan-India bank.

Our Business Correspondent partners help us reach out to unbanked locations and facilitiate financial and digitial inclusion.

Physical network

744

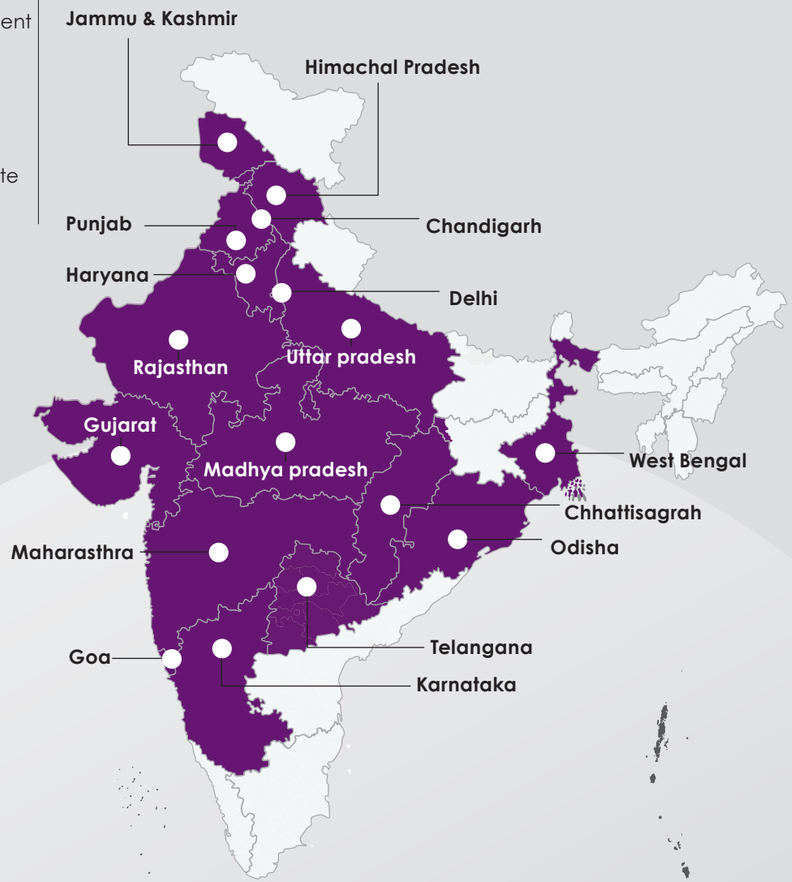
Touchpoints
(552 Bank Branches, 177 Business Correspondent Banking Outlets and 15 Business Correspondents)

343

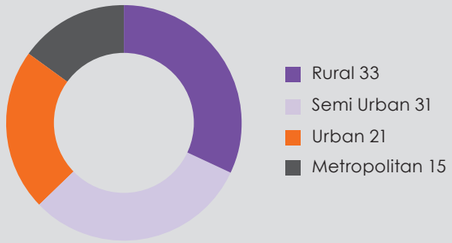
ATMs & Cash Deposit Recyclers

~64%

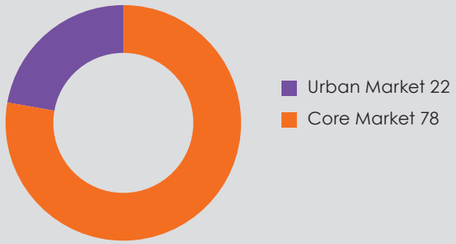
Touchpoints in rural and semi-urban areas (Tier 2 to Tier 6)



Region-wise touchpoints (%)



Market-wise touchpoints (%)



Our local know-how and presence of our sales, credit and collections team in underbanked markets has helped us penetrate these markets and serve them as per their needs. Our wide branch network allows us to service our existing customers and attract potential customers as a result of personal relationships cultivated through proximity and frequent interactions.

Market-wise calibration

We evolved our business approach in 'Urban Market Banking' and 'Core Market Banking' with a differentiated approach. Core Market Banking covers predominantly semi-urban and rural markets, where the bank capitalises on its asset lending vintage of 25+ years. Urban Market Banking refers to metropolitan areas, where we see significant potential to grow our deposits base, along with cross-sell opportunities, and requires profile-based segmentation of customers and employees. We are essentially garnering deposits from Urban markets and disbursing across semi-urban and rural markets.

Call centre

We have set up a team of ~500 tele-callers to primarily generate new business, while also focusing on customer service and collections. These call centres disseminate information to our customers in Hindi and English and select regional languages. Our call centre team is supported by Interactive Voice Response (IVR) systems, integrated with the CRM systems. We have also set up IVR systems in select regional languages to cater to our extensive customer base. We have separate tele-calling teams for our vehicle finance and MSME loans business, which enables us to have a more focused approach towards each customer segment.

97%

Customer service requests resolved in FY 2020-21



IT infrastructure

AU Bank has made significant IT investments to provide quality services at lower cost. The two primary types of IT infrastructure are traditional and cloud infrastructure.

Our IT infrastructure comprises the following key elements:

High-performance storage systems that stores and backs up data and includes a data recovery system in case of disasters.

Low-latency networks use enterprise-level infrastructure components to reduce data flow delay.

Secure infrastructures include systems that control information access and data availability. It can also safeguard a business against breaches and cyberattacks, enhancing customers' trust.

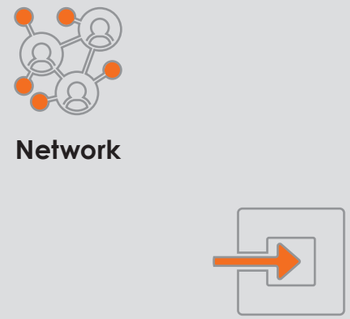
Wide Area Networks (WAN) prioritise traffic and give certain applications more or less bandwidth as needed.

Virtualisation provides faster server provisioning, increases uptime, improves disaster recovery and saves energy.

Zero downtime aims to reduce disruptions to business operations and eliminates system downtime to keep costs down and profits up.

Cyber Security Framework

We have designed a Cyber Security Framework which enables us to evaluate, prioritise, manage, and control cyber risks. We have deployed defence-in-depth architecture, which ensures that the Bank's data is protected at all layers:



During FY 2020-21, we received ISO 27001:2013 certification for our robust cyber security capabilities.

Governance and IT security

The Bank's information security governance ensures that the Bank has the right information infrastructure, leadership, and guidance available to conduct its day-to-day IT operations. We have deployed the following actions to ensure that IT security takes highest precedence:

- Established pan-organisation Information Security Management System
- Ensured compliance with regulatory guidelines on an ongoing basis
- Set-up a positive IT security framework within the Bank
- Implementation of appropriate methodologies

Going forward, cyber security risks are ever evolving and need to be constantly reviewed. Our initiatives comprise: conducting infrastructure resilience check against emerging attacks, identifying and addressing gaps in infrastructure, and deploying solutions that can reduce the risk to acceptable levels.

Human capital

Building an exciting place for accelerated growth

At AU Bank, we are committed to empowering our people to act quickly, giving each employee an oppotunity to continously learn and grow, promote meritorocracy and build a culture where even an ordinary person can do extraordinary things, every day.

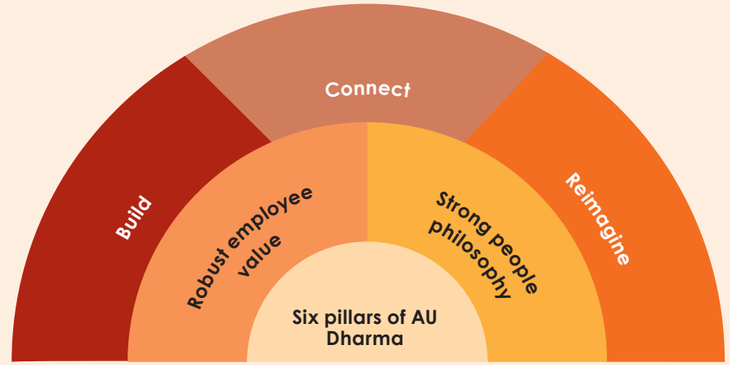


The hard work and ideas of every employee go a long way in realising the dreams and aspirations of everyone who is connected with us at AU Bank; be it the unbanked populace joining the formal financing or the communities that grow with us. We believe that we are not just doing a job, but transforming the nation one act at a time. Our philosophy is that there is no greater joy than creating a wealth of opportunities for all.

Our approach has always been to emerge as a catalyst in the banking universe. That is why we continuously focus on building a workforce that believes in challenging the status quo. They are young livewires who challenge iron-cast paradigms to provide customers and stakeholders a differentiated experience.

Our teams are encouraged to seek new ideas or find ways to constantly identify areas of improvement, even if that entails making several attempts to succeed, before coming up with a pragmatic solution and executing it in a time bound manner. The Bank has been at the forefront in adopting and imbibing latest technology to provide a superior and new-age experience to its employees throughout their life cycle of employment.

Employee value proposition



Young and agile AUites

- Focused on high-speed execution
- Have deep local insight
- Responsible and prudent with high level of integrity
- Digitally empowered

Age diversity

Under 30 years
11,953 (53.2%)

30-40 years
9,018 (40.1%)

40-50 years
1,451 (6.5%)

> 50 years
62 (0.3%)



Great Place To Work (GPTW)

AU stands tall as a GPTW Certified Bank. We are proud achiever of this prestigious certification for the period October 2020 till September 2021. This indeed is a very significant achievement for AU towards the journey of scaling new heights. The categories where AU scored the highest were credibility, pride, respect, and fairness.
This undoubtedly reinforces our endeavour to build one of most employee centric organisations consistently enriching employee experience leading to sustainable financial performance.

GPTW certification is the most definitive 'Employer of Choice' recognition, which is considered the world over as the gold standard in identifying and recognising great workplace cultures.



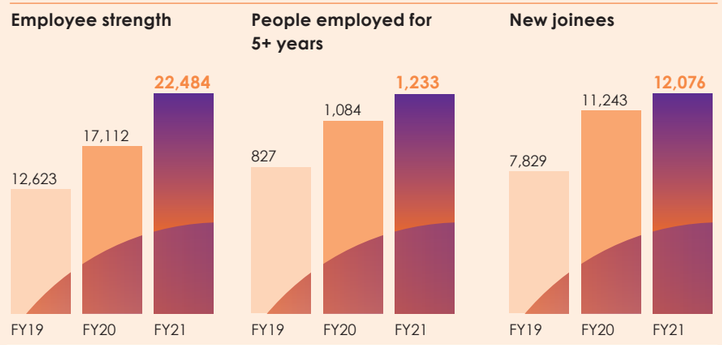
We are proud of creating a spirit of enthusiasm, operational excellence, and motivation amongst all our employees while challenging them to contribute beyond limits.

Building a larger talent pool

During the year, we on-boarded 12,076 new employees, strengthening our teams across functions and across locations. We have a well-structured recruitment process to hire finest talent from the market, who can help us leapfrog to the next orbit of growth.

People mix

(Number)



Local talent

We offer equal opportunities to all employees, irrespective of gender, caste, creed, religion or social background. As a culturally diverse organisation, we recruit employees from different backgrounds to ensure there is an appropriate mix of talent and continuous flow of new ideas and initiatives within the teams.

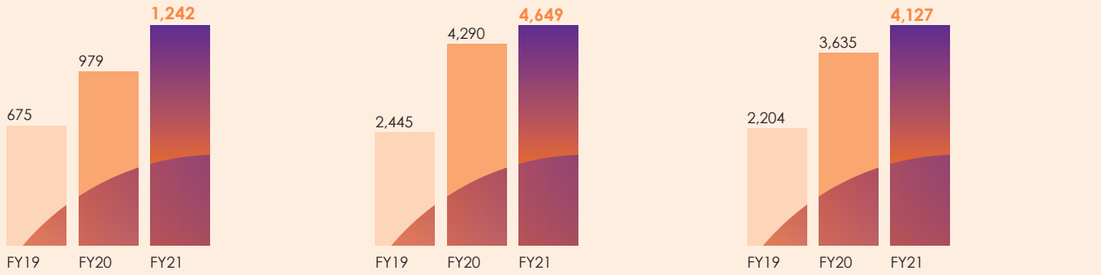
Deepening gender diversity

At AU Bank we have a go-to-market approach whereby our employees are encouraged to go in the field for sourcing and servicing the customers at their location or business premises. With rural and semi-urban markets as our Core business locations, availability of women employees for sales profiles has always been a challenge. This has always kept the gender diversity ratio lopsided.

However, our conversion to Small Finance Bank, opened up various roles for women in non-sales functions at our Head Office, Corporate Office, Regional Offices and branches. This allowed us to hire more women which is reflective in 16% of our employees in non-sales functions being women as compared to 5.5% at the overall Bank level.

People diversity

(Number)



Key initiatives that encourage the participation of more women in our workforce:

- Apart from a 26-week paid maternity leave, we encourage women to return to work post-pregnancy and allow them flexible work timings and time-off to check on their infants. We also offer favourable opportunities to ensure they have a long-term association with us
- We urge our women colleagues to choose post-marriage relocation options to ensure that our women employees continue to be a part of the Bank; and resume their resposibilities as an important part of the workforce comfortably without any hiccups
- Strong grievance mechanism is in place so that women employees can raise their voice against any kind of workplace harassment



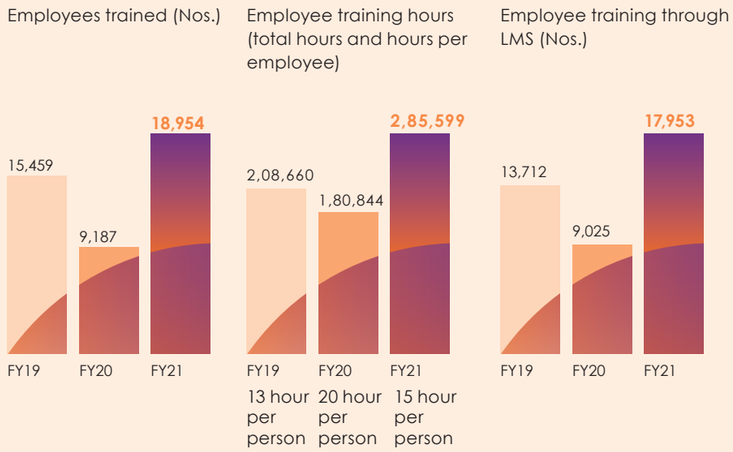
New-age learning and development

Our employees are our brand ambassadors, who have contributed immensely to our success. One of our key Dharmas (values) is 'Nurturing talent and succeed together' whereby we believe in nurturing talent and synthesising our employees' efforts for long-term success. Our evolved learning and development programmes help enhance the efficiency of people to help them perform their roles better and make them future- ready for larger roles.

We at AU continuously nurture talent through various blended learning programmes. Some of the soft skills addressed through virual medium were influential skills, customer-centricity, etiquettes and grooming. For Senior Leadership team 'Executive Coaching' was undertaken with a focus on experiential and individualised leader development process that builds individuals capabilities to achieve short- and long-term organisational goals. It is conducted through one-on-one interactions, driven by data from multiple perspectives, and based on mutual trust and respect.

An apt example is our accelerated career progression programme 'Fast Track' for our front-line Sales Team in Branch Banking. Under this programme, a well-defined road map is established with clearly defined parameters for employees who have demonstrated consistent performance and proven themselves in achieving and exceeding targets assigned to them. We have good success stories here. During the year under review, 147 officers in branch banking received fast-track promotions and 2,274 employees received grade elevation as part of the Bank's continuous initiatives to recognise the efforts of people.

Training and development (Number)



AU Excellence Academy

The AU Excellence Academy was established with the primary objective of providing a constant source of manpower to AU Bank.

Under the AU Excellence Academy, we follow the 'Hire, Train, Deploy' model, bridging the training gap between the hired resource and AU Bank. We launched this initiative in February 2021 in collaboration with the Institute of Technology and Management (ITM). The programme involves a 12-day training period co-funded by participants and us. Through this pilot programme, we deployed 30 employees in different branches.

Knowledge series and learning and development programmes

AU Bank has a sharp focus on products, processes, and soft-skill trainings. An interesting initiative for enhancing the product knowledge is the 'knowledge series', which helps employees enhance their understanding on how to converse with the Bank's customers about their needs and how to collaborate for solutions. The training covers aspects such as branch banking processes, products, quality of sourcing, team management and personal effectiveness. The training programme focusses on communication and interpersonal skills of new hires.

The Learning and Development team has taken a range of initiatives to reinforce right behaviours at the workplace. Some of these are story-based model, daily knowledge dossier, online quizzes and trainings on the LMS platform. There are also daily mailers sent to all employees to provide quick tips on professional etiquette.

Winning together

An important project introduced under the L&D umbrella this year was 'Project Saksham' which was launched to focus on employees who need a push when it comes to performing as per the standard Key Performance Indicators (KPIs) laid down by the Bank. We acknowledge the fact that one-size-fits-all approach to learning programmes does not work. Therefore, this project is especially focused on Bank employees from retail sales functions, who have been performing at a lower-than-expected pace. Through focused training we empower employees to understand customer requirements better and cater to specific issues that they might be facing during their daily interactions. During FY 2020-21, we supported approximately 300 employees through this programme to successfully deliver over 75% productivity to improve their performance rating.

Skill workshops

During the year, we also conducted several skill-development workshops. These trainings focus on developing skills that enable selling through fostering relationships, value selling, sales through service, managing profitable sales units and special initiatives for first-time managers.

Digital learning

AU has a robust learning management system in place, built on Oracle cloud platform. It offers amazing benefits to employees including personalised learning, any time engagement with the employee, competency-based learning and collaborative learning.

Leadership programmes

Our leadership team comprises inspiring leaders who are not only responsible for the Bank's growth but also drive innovation, create an excellent work environment for new talent to thrive and take the organisation to the next level. It is imperative to carry this legacy to the next generation of young leaders within the Bank.

Therefore, the Bank invests in building capabilities by taking the leadership team through various initiatives such as sessions on personal effectiveness, executive coaching and various external programmes.



Smart Banker: Our 360° L&D programme

We developed a learning and development programme—Smart Banker—that provides an overview of the banking ecosystem and equips our front-end teams with a 360-degree view of AU Bank and its products in a digital way. Divided into two terms—Personal Banking and Commercial Banking—this programme aims at developing a talent pool for hybrid sales model. The programme will enable our colleagues to scale up to larger roles and deliver better value to our customers using digital tools.



Tab banking for paper-less on-boarding | Lead generation and referral | Realtime customer information – CRM App | Calculators/ simulators | Digital Sales Kit

EMPLOYEE ENGAGEMENT

During the year under review, we continued to engage with our employees virtually through multiple initiatives, such as monthly townhalls, Reward & Recognition, online quiz on banking and general awareness and festival and special day celebrations like Mother's Day, Father's Day, International Family Day, Holi, Diwali etc.







We stand tall with our employees at all times, while we celebrate various festivals and share the happy moments or when we pay condolence to our deceased employees through Shradhanjanli.

The pandemic has brought forth the importance of mental and emotional well-being in our society. The nationwide lockdown forced everyone to stay indoors and limited their social interaction to digital mediums only. The Work from Home option and widespread adoption of digital channels allowed the Bank to extend the Employee engagement to include their families as well.

To relieve some stress, we involved employees' families by conducting events such as Live music concerts; virtual Yoga and Meditation Session for families; Diya making and chocolate-making session for employees' kids; health talk session by panel of Doctors on Women's Day; various competitions on social occasions etc.

Health and safety of our people

We work relentlessly to ensure that our people lead a healthy and safe life. The COVID-19 pandemic reinforced this philosophy. During the year under review, we undertook the following initiatives to ensure their health and safety:

- Collaborated with hospitals to get additional discounts and benefits for our people
- Provided Mediclaim, Group term life insurance, Group personal accident cover to all employees
- Conducted annual health check-ups, blood donation camps, eye camps and provided paramedical services
- Collaborated with fitness centres near offices to provide our people discounted memberships
- Conducted live yoga session on International Yoga Day
- 'Vaccine Lagao Jeevan Bachao' – under this programme, approx. 80% of our employees have been vaccinated with at least 1 dose till 30th June 2021.

Workplace safety

People's safety became a key focus area during FY 2020-21 due to the pandemic. Being in essential services, our offices and branches remained open all through the lockdown, albeit with limited staff. During this period, we followed all safety protocols at our work premises including regular sanitisation of work places, conducting employee education series emphasising on following of COVID-related protocols, extending round-the-clock doctor assistance, free medicines and reimbursement of medical expenses for our COVID infected colleagues etc. COVID Taskforce was formed as a one - point contact to address all matters concerning COVID-19. We shared success stories of the employees who went beyond the call of duty during these turbulent times through 'AU Ke Karamveer' and 'COVID warrior' series.

Letter of gratitude was sent to the family member of AUites who fulfilled their duties of essential operations during the lockdown and stood in solidarity with the nation and the organisation. Regular calls were made to check on the well-being and provide support to the employees who are COVID infected. During these times, the leadership team of the Bank maintained regular connect with on ground staff to ensure that all employees remain safe, happy and motivated.

Employee benefits

Each day we strive hard to build and enable an environment where everyone is motivated to take up new challenges and grow with us. To give a strong sense of ownership within the Bank, benefits like staff loan, home loan, car loan, medical insurance, personal accident and life insurance covers are provided to employees to ensure that all needs of employees are taken care of. The Bank also has a well-defined ESOP schemes for its employees helping them to grow with the Bank.



Digitising of our HR function

With 'Digitisation' and 'Automation' as the Bank's key focus area across segments, we are moving all our HR functionality to online mode to offer a seamless experience to our employees. This year we implemented Oracle Recruitment Cloud, based on Fusion HCM platform for automating our entire onboarding process. Further, our HCM Mobile Application also went live this year enabling employees to access most of the HR related functions on their mobile devices. Some of the key features includes leave and attendance, online learning modules, Employee directory, Pay slips and tax statements/Form 16, Approvals on phone etc.

All these digital initiatives enhanced the employee experience for our existing and new recruits and reduced manual intervention to a large extent.



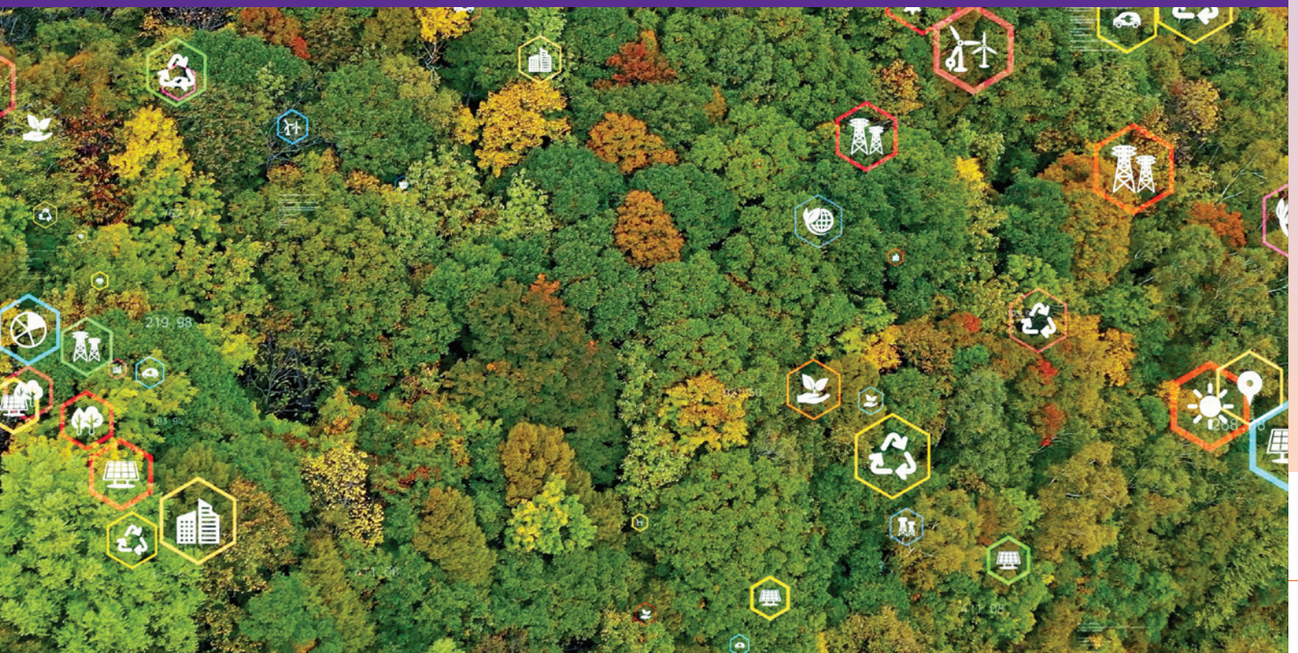
Solutions focused

HR Sahayak – an online portal for employees was launched to track all queries on real time basis. This portal replaced the existing HR Helpdesk system manual email and phone call-based process) which used to cater to employee queries and grievances earlier. This Portal was developed by the internal IT team and has very interesting features to provide an enhanced experience to employees.

Introduction to ESG

Responsible approach to Banking

As a Small Finance Bank, we seek our strength and stability from the values that serve as our corporate touchstone. Our definition of success extends far beyond just being a banking institution. We base it on the lives we touch, the businesses we help thrive, and the sectors that grow with us. As we move forward into a new decade, we recognise our responsibility to contribute to our planet, society, and communities in a more positive and meaningful way. We have resolved to embrace ESG not just as a reporting principle but as an operational philosophy.



Owing to our sound governance values, we have been able to play a critical role in supporting economic growth and societal prosperity through our products and services. We have recognised immense opportunities for micro and small businesses to be formally included in the growth journey of the nation. In line with the same, we have expanded our horizons to extend banking services to underserved areas.

We have thrived to build a track record of contributing beyond banking to the communities in which we operate. The fact that we have been able to spread awareness to over 8 lakh individuals about the benefits of accessing formal banking services through our various literacy programmes is a testimony to the same.

Environmental, Social, and Governance (ESG) issues as well as their associated opportunities and risks are now becoming more relevant for financial institutions. We at AU understand that the new reality will require us to pivot our finances towards greener, responsible, and more sustainable areas while maintaining a strong asset book and ensuring growth for all our stakeholders.

ESG Achievements

We have always focused on having 360-degree growth which reflects through:

98%
Loans disbursed in FY 2020-21 are less than ₹25 lakh, by number

₹2,880 cr
MUDRA Loans disbursed in FY21

25%
Borrowers are New to Credit (NTC) in FY21

37%*
Women Lending Portfolio in FY 2020-21

1,000+
Women empowered through CSR programmes

8%
Green portfolio in our Wheels book

45%
CAGR growth in employee base in 10 years

8,000+
Freshers & first-time Job seekers hired since bank launch

87%
Priority Sector Lending

18,947 MWh
Electricity saved using 18,000 ACPI enabled devices and Virtualising of Servers

9.4 tonnes
E-waste disposed-off through Authorised Recyclers

FAA+/Stable
FD Rating by CRISIL Ratings

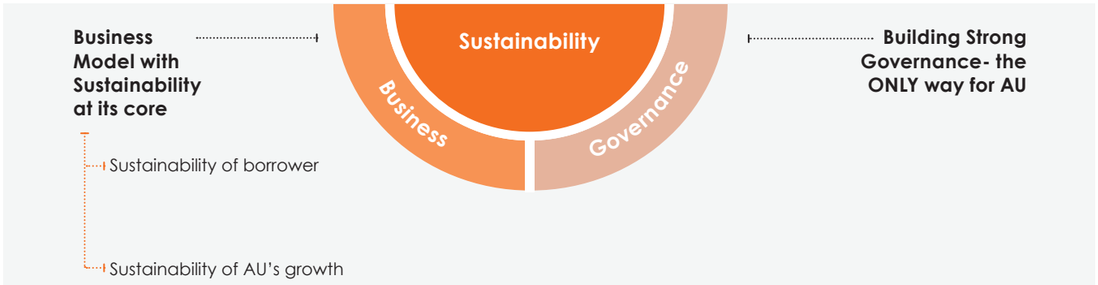
Numbers approximated and rounded off.
**including Co-borrowers and Guarantors.*

Sustainable by design

Growing with a sustainable model

Focus on sustainability and a relentless pursuit for excellence in execution have served as the defining elements in AU's journey from a channel partner to an NBFC and now to a Small Finance Bank.

Sustainability at the core of AU's journey

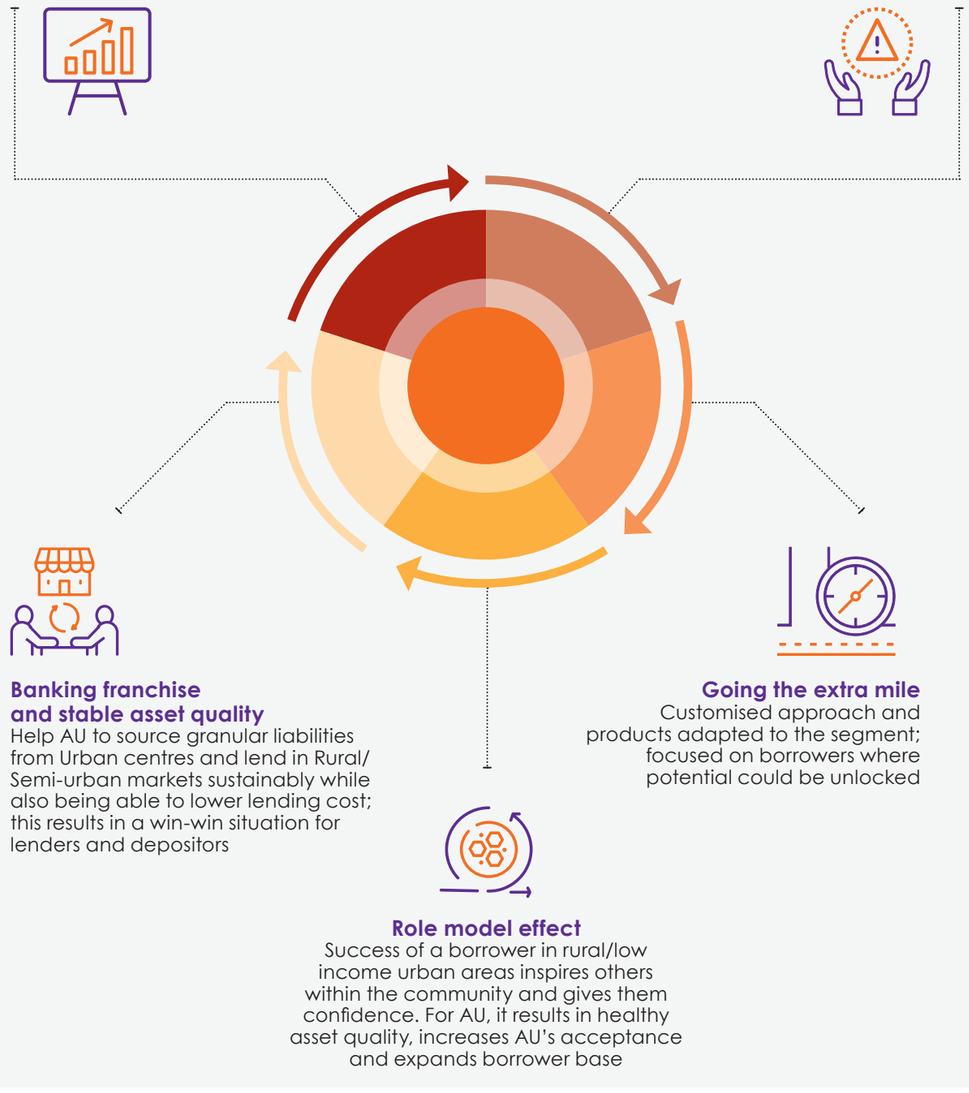


The road less travelled – business model with sustainability at its core

AU's founder Sanjay Agarwal's detail-orientation, first principles based and problem-solving approach, and strong focus on sustainability led him to build a lending platform which was robust enough to navigate through the complexities and uncertainties of lending in the rural/ low income regions such as - information asymmetry, lack of adequate documentation (titles, income proofs), relatively less developed credit culture, lack of proper infrastructure, volatility in income, socio-political risks, etc.



Sustainability at the core of AU's journey



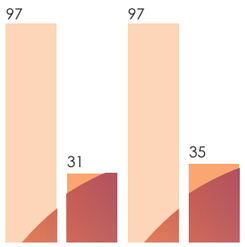
Key features of AU's approach included:

Lending to underserved segments/ underbanked districts

Allowed ability to price risk adequately and lowered risk of unforeseen events.

Secured lending:
To ensure skin in the game on part of the borrower, and mitigate risk of loss of capital for AU.

Secured advances
(% of total advances)



Small ticket loans:
To ensure relatively more manageable repayment burden on the borrowers who were typically taking credit for the first time from a formal channel, and whose income also tends to be subject to greater volatility given the informal nature of the segment.

Loans for income generating purpose

To ensure that proceeds of the loan were invested in productive assets which helped generate income and prevented over-leveraging of the borrower which ultimately reduced risks to AU's balance sheet.

Calibrated expansion

AU has calibrated its growth to mitigate risks related to expansion. Our expansion strategy has been broadly based on

- Developing clusters in deep rural/low income geographies with strong ground level connect
- Targeting promising borrowers/ business segments which have potential to grow and lending to them. The success of these borrowers helped others gain confidence and increased AU's visibility and acceptability through word of mouth publicity which helped AU grow
- Contiguous expansion
- Sticking to our circle of competitive as we scaled up - secured, small ticket lending

Conversion to a Bank

We converted into a Small Finance Bank from an NBFC in 2017 as we believed that getting access to granular deposits would help us significantly in scaling up by reducing our reliance on wholesale funding. Retail deposits contribution has been steadily increasing and formed 46% of total external funding versus 0% prior to bank conversion.



The ONLY way – building strong governance

For AU, governance has been a way of life from inception, as the founder's firm belief was that lending being a leveraged business was a business of trust, and strong governance was the only way to grow sustainably. AU's transparency in disclosures and dealing with borrowers (for example, detailed printed information was provided to borrowers), its financial reporting, and the endeavor remains to make the governance function as automated as possible to reduce risk of human intervention or errors.

This has helped AU win faith of regulators, lenders, borrowers, and investors which in turn has helped it scale up consistently over the last 25+ years. This has been reflected in several achievements over the course of AU's history. Some key highlights which demonstrate the governance standards include:

Confidence of regulators

AU's governance standards were one of the key factors which helped it receive a small finance banking license in 2015 (one of the 10 among the 72 applicants to receive the license)

Confidence and consistent support of Investors

Since 2008, AU has been able to attract marquee investors who have supported its growth and ambitions. Below are the names (year of investing in AU in parenthesis) of marquee investors who supported AU over a long-term in its journey from a NBFC through its conversion into a SFB.

- Motilal Private Equity (FY08)
- IFC (FY10)
- Warburg Pincus (FY12)

Confidence of credit rating agencies

AU has consistently seen an upgrade of its credit ratings. AU's business model and governance have helped it receive a AA-/Stable rating.

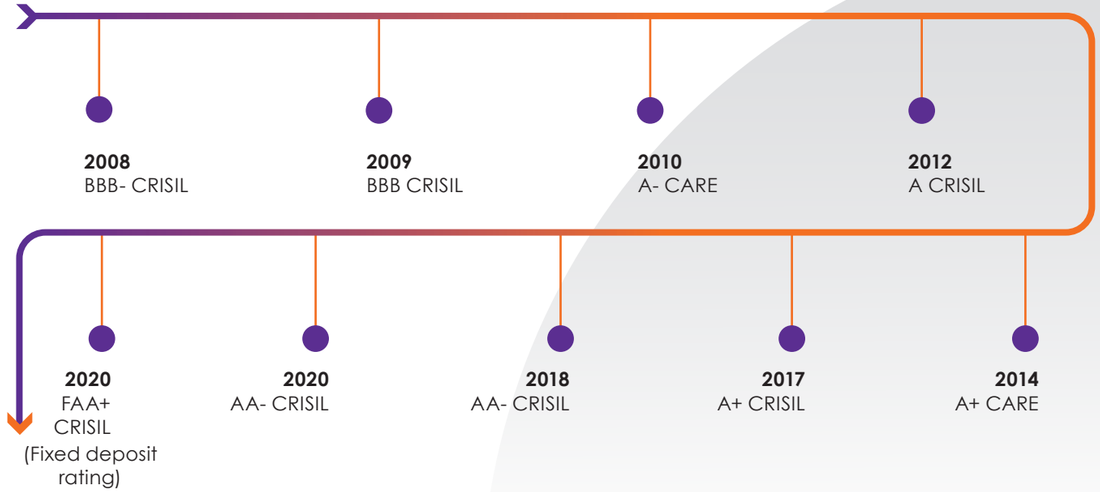
Credit ratings

AU SFB

Long-term: AA-/Stable
Short-term: A1+
Fixed Deposit: "FAA+/Stable" by CRISIL

Reaffirmed as on 31st March 2021

Our long-term credit rating timeline



Relentless pursuit of excellence in execution

Execution has been the key to AU's ability to scale up in a sustainable manner so far. This is driven by AU's approach of looking for details and going the extra mile in ensuring customer needs are met. Some key areas include:

Challenging the status quo

At AU, we have continuously sought how we can improve customer experience.

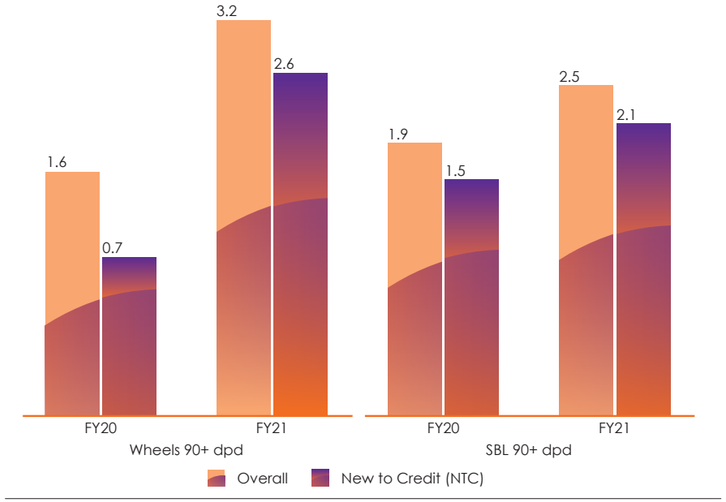
Since we commenced our operations as an SFB, we have consistently adopted a proactive approach to simplify and enhance customer experience by questioning the status quo. Some examples where we adopted differentiated approach versus the commonly followed industry practices are:

- Customer Service Menu – When starting as a Bank, we were clear from day one that we were custodians of the depositors' money, and it was our duty to serve them. We designed our branch literature in a manner which conveyed this belief and empowered the depositor
- Monthly interest payout in Savings Account
- No deposit slip
- Extended Banking – to ensure that we remain available to customers basis their needs and not just basis what conventional banking timings were
- RTGS form submission basis single signature
- Tab-based account opening – over 90% Savings Account have been opened on tab requiring minimal paperwork

On the Assets side, our central underlying assumption has been that borrowers in rural/underserved regions tend to be hard working, honest and enterprising, and that every borrower is a unique individuals. We have built our products and services in a way to fulfil their needs while balancing the risk reward by building deep understanding of the respective local economies, as well as building in-house legal and technical team to better understand quality and value of collaterals offered by borrowers.

Our belief in our borrower segment has been reinforced time and again in our over 25-year journey. For instance, the performance of the New to Credit (NTC) customers within our Wheels and SBL portfolio has been better than overall portfolio in both FY 2019-20 and FY 2020-21.

90+ DPD status (%)



Speed of delivery

On the Liability side, we have adopted paperless onboarding for Branch Banking customers with digital account opening flows for CA, SA, FD. 90% of these accounts are opened under 30 minutes. We have charted Video Banking journeys which enables us to onboard customers digitally both on the Deposits and Assets side. AU engages in rapid loan approval processes as compared to several peers as we believe that time is of the essence to the borrowers. We offer TATs of below 24 hours for auto loans and 7-10 days for SBL loans on average. For Two-wheelers, we believe we launched an industry first end-to-end paperless journey wherein the loan is disbursed within 30 minutes. To accelerate credit decisions while maintaining robust governance mechanisms, loan approval processes are partially decentralised while key back-end loan verification processes are centralised. Extensive use of technology, including AU Bank's loan management software, OmniFin, enables AU to provide quick customer service, with an immediate response to customer queries at the branch.

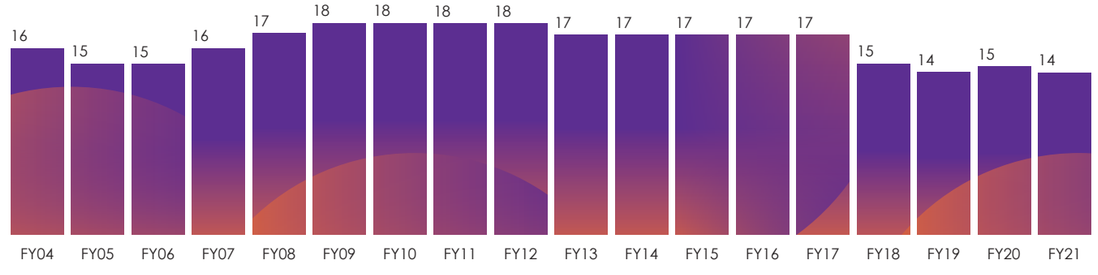
Going the extra mile to create customer-centric products

AU has always approached the rural markets with an approach to understand customer needs and limitations in a detailed manner and adopted a problem-solving approach to develop flexible products and services for the customer. Efforts are made to develop a deep understanding of their unique situation and requirements by going the extra mile, ears to the ground approach, and recruiting local workforce who have an inherent understanding of the region and could communicate with borrowers in the local dialect, and also navigate through risks more adeptly. In essence, AU develops products and services around the documents/proofs available with the borrower and his/her unique situation than the other way round.

Fairness and transparency in dealing

AU introduced fairness in its dealing as paramount while connecting with its customers through complete display of product features, customer rights, escalation matrix (grievance cell) and so on at all its branches. A welcome letter with full detail of the loan i.e. rate of interest, tenor, loan amount, other charges, EMI schedule etc. are made available to the customer. Notably, AU's lending rates were below 20% back in 2005-10 when private money lenders charged up to 40% per annum (Source: NSSO) with minimal transparency.

AUM IRR (%)



Avoiding pitfalls

As an NBFC, AU intentionally avoided entering into few product segments in a major way i.e. unsecured loans, MFI, loan against shares, short-term personal loan, etc. since these were not necessarily linked to building of economic activity and establishment of end-use was difficult.

Maintaining pristine asset quality

We believe that our asset quality performance across cycles in our 25+ year journey has been the ultimate proof of our business model and execution, and this has helped us expand in a stable manner. This has been the result of our business model and consistent execution.

Environment (Natural capital)

Conserving natural resources and supporting a low-carbon future



AU Bank has always been an environment-friendly organisation. We are driven to become more environmentally conscious and support projects with minimal or no adverse environmental and social impact. A signifcant share of our portolio will fall under Category C (projects with minimal or no social or environmental impacts) of Equator Principles. In the backdrop of recent natural and manmade calamities, we recognise the need to take dedicated efforts towards environment conservation. Hence, the Bank has identified Environment as a key stakeholder and we will take actions aligned with its best interest in everything we do.

Aligning our operations with sustainability we recognised four tenets to checklist our environmental-friendly endeavors.

Managing our environmental footprint

We have taken significant steps towards managing our environmental footprint across all our branches and offices.

Conservation of energy

We endeavour to improve energy efficiency and systematically manage energy footprint without compromising on the customer experience. Some of the key initiatives undertaken to drive energy efficiency are:

- Installing a BTU meter in the chilled water system for air conditioning at our Head Office to reduce the consumption of energy
- Adopting natural light architectural design to maximise the use of daylight in office premises
- Installing Energy Star appliances to meet the Environmental Safeguard Agency's (ESA) Power Star advisory for minimal electricity usage
- Almost all of our offices and branches are equipped with energy efficient LED lights
- APFC capacitors have been set up in all-electric panels across all our branches
- Electric saver (timers) has also been fitted at various branches with glow-sign boards for turning off the electricity at set times

Waste management

Our efforts to reuse electronic devices like laptops/desktops are a testimony of our commitment towards SDG 12 (Responsible Consumption and Production) and efficient waste management. The e-waste generated is disposed off through authorised recyclers. A total of 9.4 tonnes of e-waste was disposed of in FY 2020-21.

Reduction in consumption of fuel

We understand the criticality of environmental challenges and the benefits of transitioning towards a low-carbon economy. Therefore, we have set up lithium-ion batteries/ invertors in our branches in place of DG sets. As a result, we minimised the use of diesel and reducing carbon emissions in such branches.

Water conservation

To save water, rainwater harvesting systems have been installed at specific branches. We aim to adopt this practice across our operations especially in the water stress areas.

Principle 8 | UN Global Compact:
Undertook initiatives to promote greater environmental responsibility

It has been our constant endeavour to efficiently use the technology to manage our environment footprint. We recognise that steps in the right direction will help us achieve our goals. We have implemented latest Operating Systems and are working on setting up of the Advanced Settings Power Use Interface (ACPI) enabled devices. **During FY 2020-21, we saved nearly 8,072,727 kWh electricity using 18,000 ACPI enabled devices.**

Building a greener portfolio

We are adding greener credentials to our product offerings by evolving our internal processes and procedures to incorporate climate factors into capital allocations, loan approvals, portfolio monitoring, and reporting.

In 2017 we entered in an agreement with International Finance Corporation (IFC) to receive financing of ₹335 crore with an objective to build green portfolio through funding of CNG vehicles. As of 31st March 2021, we have a portfolio of ₹993 crore of CNG/LPG vehicles under green book.

As a part of our strategy for the future, we are working on introducing special loans under our Wheels portfolio to cater specifically to Electric Vehicles (EVs) along with building a green energy portfolio.

We strongly believe that our efforts will effectively contribute towards the national goal of increasing the share of installed capacity of electric power from non-fossil-fuel sources to 40% by 2030, as well as SDG 7 (Affordable and Clean Energy) that promotes access to clean energy.



Site image of 2 MW solar project

Principle 7 | UN Global Compact:
Businesses should support a precautionary approach to environmental challenges

In line with this principle, we strive to contribute towards the national goal to responsibly shift from conventional sources of energy to renewable sources of energy by financing solar energy parks, as well as incorporating clean energy in our operations. **We recently started PM-KUSUM scheme, whereby we have initiated funding solar projects (2 MW each) and disbursed one proposal amounting to ₹4.90 crore while another project has been sanctioned.**

Embracing pro-environment solutions by digital-first approach

On our journey towards being an environmentally conscious bank, we have launched a gamut of initiatives that are a testimony to our intent towards simplifying banking by eliminating unnecessary steps and enabling smooth onboarding of customers while reducing negative impact on the environment. Furthermore, we have created a robust technology platform to build a new-age digital banking ecosystem enabled by Tab-based infrastructure, thereby reducing our carbon footprints. Some of our key initiatives are:

Digital Banking

Over 90% of our deposit accounts are opened through digital platforms, with the main one being Tab Banking. Expanding our capabilities, we are adding more end-to-end customer on-boarding journeys on this platform like Secured Business Loan (SBL), Home Loan, 2-Wheeler and 4-Wheeler Loan, Credit Card, and Insurance.

The Bank witnessed strong growth in the adoption of Tab-based account opening, Android-based mobile banking, WhatsApp Banking (24/7 banking solutions), and Netbanking, thus minimising paper usage, reducing waste generation, and achieving improved waste management.

Video Banking

We launched Video Banking in Q3 FY21 with a vision of offering all our services virtually through video-enabled chat with branch executives, eliminating the need for branch visits. This initiative helped us two-fold in promoting digital banking and inspiring our customers to adopt a more environmentally sustainable banking channel.

Embracing Green Banking

We encourage our customers to use our digital channels of banking for financial and non-financial transactions with the purpose to minimise branch visits.

We also provide an option of e-receipts at our ATMs. Customers are provided the option to receive a detailed SMS on their registered mobile number containing the last transaction and bank balance details. This allows our customers to avoid paper receipts and support our efforts towards the reduction of paper consumption while preserving our flora and fauna.

3,40,000+

Accounts were opened digitally through TAB-Banking and AU ABHI

Redefining our internal operations through automation

We are redefining our internal operations to promote environment-friendly practices to reduce our carbon footprint. In addition, we are constantly working towards minimising our waste footprint by reducing the amount of waste generation and effectively managing resources across operations.

Energy management: Virtualised info centre

Server virtualisation has allowed the business to migrate data from physical servers to software-based virtual machines, which can hold data equivalent to that held on many physical servers. This remains the most effective way for us to reduce energy consumption while boosting system efficiency and agility. We saved ~1,08,75,000 kWh of energy by virtualising the 1,450 servers in FY 2020-21.

Go green initiatives

Adopting 'go green' initiatives internally are our small steps towards a big impact.

- **Virtual meetings:** We adopted Microsoft Teams solution company-wide to conduct our meetings online, which would otherwise require local or outstation travelling. This led to a decrease of 35% of expenditure on travelling and conveyance in FY 2020-21 and also helped reducing our carbon footprint
- **Pet bottles:** Replaced single-use plastic bottles with refillable bottles across all our offices
- **Plantation drives:** Recognised as an integral part of celebrations, planted 450 trees on the Bank's Foundation Day, as a step towards mitigating carbon emissions
- **Communication:** Spreading awareness on environment on important days like World Environment Day
- Encouraging healthier lifestyle options like 'Cycle to work', and partnered with various marathons across the country



Digital visiting cards

We have introduced digital visiting cards to reduce the wastage of paper while discontinuing and discouraging printing of physical visiting cards since FY 2020-21. We have also engaged with our representatives to dissuade them from use of physical visiting cards.



21,000+

Users adopted digital visitng card as on 31st March 2021

Green design systems

We are ensuring to procure those products which are designed to include environmentally responsible materials, using efficient designs, energy-efficient computers, servers, printers, projectors, and other digital devices that require fewer materials and maximise reusability and recyclability.

Green recycling and disposal

As a responsible and credible banker, we encourage and consider those Original Equipment Manufacturers (OEMs) who are following Restriction on Hazardous Substances Directive (RoHS) certification. The certification's primary objective is to restrict the use of hazardous materials in electronic equipment, to encourage proper recycling and re-use of this equipment, and to substitute heavy metals with safer alternatives.

AU Foundation's green initiatives

- **AU Forest, Jaipur:** Created an Urban jungle in Ramnagariya Govt. School where we have planted 1,000+ trees through Miyawaki technique
- **Urban Forest, Mumbai:** We have supported Rotary Club for creating an Urban forest in Chembur, Mumbai where we planted 3000+ trees in a 10,000 sq. ft. area
- Manufacture of recycled paper products by the Nirjhari Women Artisans Producer Company, an institution established by AU Foundation

Before



After



AU Forest, Jaipur at Ramnagariya Govt. School

Positive externalities

We create positive externalities for the environment, society, and governance through our actions.

Video Know Your Customer (KYC) saves customers' time and aims at avoiding fossil fuel use for customer trips (estimated at ~2 liters/ per trip). Till 31st March 2021, we opened ~2,200 Accounts with video-KYC. With this initiative, we have been able to help our customers save 2-3 litres of diesel/ petrol per account opening. Reduction in the use of fuel by our customers results in less GHG emissions in the environment.

Opening Accounts digitally through Tab banking helps eliminate the use of paper from the process. Using less paper translates into saving more trees. In FY 2020-21 we have opened 3,40,000+ accounts digitally and saved tonnes of paper.

Committing ourselves to circularity has helped us reuse, share, and refurbish our infrastructure and technology. With this, we can move closer to our goal of creating a closed-loop system to minimise the input resources. Reduction in waste creation, pollution, and carbon emission are the spillover effects of ethical banking.

Through our environmental-friendly initiatives we have been able to contribute to the Sustainable Development Goals (SGDs) designed to safeguard the Environment.

Social (Social and Relationship capital)

Maximising our impact on communities



For over 25 years, our lending model has been to provide formal credit to under-banked small-scale entrepreneurs, and their success has been key to our own success. Since 1996, our focused interventions have allowed us to address the occupational, residential, and social vulnerabilities by empowering our employees, customers, and the society at large.



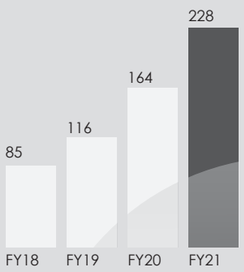
We are designed to serve the nation

Since we commenced our journey 25+ years back, our inherent focus and the status of Small Finance Bank further differentiates us and strategically puts us in the territory which is under-served and where lies abundant opportunities to create sustainable livelihood enhancement. While financial inclusion is defined as extending financial services to the unreached; at AU, we actively seek to build solutions based on understanding the customer's needs and partner in their success.

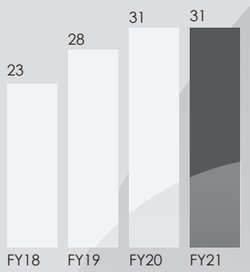
Lending to the priority sector has been core to our business model and was one of the factors to conversion to the Small Finance Bank License. Continuing the legacy, this year, AU Bank exceeded the requirements of key licensing guidelines with ~87% loans to the priority sector against the minimum requirement of 75%. ~65% of our loans are less than 25 lakh, and ~31% of our branches are in unbanked locations. 64% of our branch network is established at semi-urban, rural, and unbanked rural areas.

In FY 2020-21 we opened 9 branches and 55 banking outlets in unbanked rural centers (URC; Tier-VI, population less than 5,000 & Tier-V, population less than 10,000) taking the total touchpoints in such areas to 228.

Branches and Banking Outlets at URC
(No.)



% of total Touchpoints at URC
(%)



To provide doorstep banking in unbanked locations, we adopted Agency Banking Model where a Business Correspondent (BC) connects the bank and its customers in these rural areas. Simultaneously, a BC acts as a connector to build community-level capacity around financial services.

Further, we are continuously increasing our footprints in Special Focus Districts (SFDs) which are constrained by various physical, economic, and sociological characteristics. The SFDs comprise all Aspirational Districts, LWE districts, districts of Hill states, Andaman and Nicobar Islands, and districts of the North-eastern Region. Out of more than 300 SFDs in India, we are present at

- 25 Aspirational Districts across 6 states with 50 touchpoints
- 9 LWE affected districts across 3 states with 9 touchpoints and
- 10 Hill state districts across 2 states with 13 touchpoints

1,637

Active Employees in Special Focus Districts (SFDs)

Empowering Society, Empowering India

AU in its essence serves the segment which has a big unmet demand for financial services. We have always focused on customer profiles such as Drivers, Small Transport Operators, Automobile Dealers, Kirana Shops, Hardware, and Electrical Shops, Carpenter and Furniture works, Brick Making Units, Fabrication Units, Flour Mills, Educational Institutes and various other Small Manufacturers and Traders. They continue to be our target customer base even in our banking avatar. In FY 2020-21, 98% of the total number of loans disbursed were of an amount less than ₹25 lakh by number.

We intend to address the occupational, residential, and social needs of the society in a comprehensive and integrated manner with a targeted focus on the vulnerable groups so that a definitive impact can be made on the ground.

Occupational vulnerability

AU facilitates access to institutional credit, skill development programmes, and indiscriminate employment opportunities, which results in improvement in livelihood of the under-banked rural/low-income urban customer base. We are committed towards achieving triple-bottom-line success – people, planet, and profits.

Livelihood creation by institutional credit

AU's detail-orientation, first principles-based problem-solving approach, and most importantly, strong focus on sustainability led to the building of a lending platform that has been robust enough to navigate through the complexities and uncertainties of lending in the rural/low-income regions, presented. It gave use the capability to deal with related challenge like information asymmetry, lack of adequate documentation (titles, income proofs), relatively less developed credit culture, lack of proper infrastructure, volatility in income, socio-political risks, etc. AU's business strategy allowed the ability to price risk adequately which lowered the risk of unforeseen events.

We are focused on financing consumption-driven businesses and are the first formal loan provider for over 25% of our customers. Our loans primarily serve MSMEs with vintage, steady cash flows, and limited or no formal documented income proofs. We offer loans for income generating assets which prevents over-leveraging of the borrower. Small ticket and secured lending ensures a manageable repayment schedule for borrowers with volatile income and motivates them to make timely repayments while reducing risk for AU. There was an 18% growth in number of loans given to Small and Marginal Farmers (SMF).

2,74,000+

Loans to MSMEs

1,85,000+

Loans to Agri

**As on 31st March 2021*



Hardyal is a tailor turned farmer, hailing from a village close to Jaipur

Our expansion strategy has been broadly based on developing clusters in deep rural/low-income geographies with strong ground level connect, and for this we hire locals, creating employment in these developing clusters, targeting promising borrowers and business segments which have the potential to grow the whole cluster.

In addition to our approach of providing credit for livelihood creation, we contribute towards the following two nationwide implemented Government credit schemes.

Pradhan Mantri MUDRA Yojana (PMMY) launched in 2015 is a loan scheme for supporting non-corporate, non-farm small/micro enterprises by providing loans up to ₹10 lakh. This year so far, we have served 74,000+ customers with an AUM of ₹2,880 crore.

PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi) Yojana was launched by Government of India in FY 2020-21 for street vendors affected by the pandemic. It is a loan of ₹10,000 offered to street vendors at an interest rate of 19.75% p.a., with a 7% subsidy, for a period of one year. We went live with the product on 1st October 2020 and disbursed 400+ cases within 6 months of its launch. UPI QR codes are deployed to each vendor customer.

Employment creation

We believe in hiring local candidates who are aware of the nuances of local markets. Our philosophy is rooted in inclusive growth. Our hiring process reflects the same.

- Currently, majority of our employees are posted withing 100 km of their hometown
- We are an equal opportunity employer and endeavouring to bring more women into banking. As on 31st March 2021 we have over 1,242 women employees
- We have employed 5 people with special needs
- In the last 10 years, we have generated employment opportunities for 54,000+ people

Our hiring process is bias-free, and merit-based irrespective of caste, creed, religion, or any kind of disability.





Skill development and livelihood enhancement

AU Foundation offers 3 skill development and livelihood enhancement programmes.

AU Skills Academy: AU Skills Academy is a carefully designed project that selects youth from economically unprivileged backgrounds and transforms them into industry professionals. Skill Development training programmes are provided to develop skills needed for Sales and Marketing, Office Assistants, Customer Care Executives, Banking Financial Service Industry, and others.

Since 2018, under this programme over 2,700 individuals have been made job-ready and over 1,900 of them have already become financially independent with secure jobs. Last, year amidst the national lockdown, we conducted online training sessions for 931 youths and ensured educational accessibility even in times of the pandemic.

AU Udyogini: AU Udyogini is a livelihood and self-employment platform for women entrepreneurs in rural India. Available at 33 rural areas across Rajasthan, the programme imparts essential soft skills and marketing training to rural women entrepreneurs, enabling them to manage their small businesses and finances with ease.

We believe that empowering women and ensuring their financial independence can have a multi-fold impact on the growth story of society at large. Our women-centric initiative, AU Udyogini has impacted over 1,000 women through initiatives like Group Livelihood Activity, AU Udyogini Shops, and SHG formation. We established women-led institutions like *'Maa Annapurna Masala'* and *'Nirjhari Women Artisans Producer Company'* where women are running their businesses by leveraging their new-acquired skills with a cumulative turnover of over ₹25 lakh.

Women Empowerment through Self Help Groups (SHG): Over the years, we have helped more than 50 SHGs comprising over 600 women.



Residential vulnerability

To address the residential vulnerability of the urban-poor and economically weaker rural, AU funds home loans for the vulnerable and marginalised populaces and extends credit to real-estate projects including affordable housing that provide basic services like drinking water, sanitation, sewerage, etc.

We provide a comprehensive range of home loan products to cater to every home buyer's financial needs with a focus on the affordable housing segment. AU caters to the credit needs of small builders, who operate in the affordable housing segment or who develop small projects having a completion period of 24 months to 36 months.

Pradhan Mantri Awas Yojana

It is a flagship Mission of the Government of India, implemented by the Ministry of Housing and Urban Affairs (MoHUA) that addresses Urban housing shortage among the EWS/LIG and MIG categories including the slum dwellers by ensuring availability of a *pucca house* to all eligible Urban households by the year 2022. AU Bank has supported the 'Housing For All' initiative by disbursing ₹546 crore, out of which the share of Economically Weaker Section was ₹400 crore.

₹20 cr

Subsidy facilitated to customers under PM Awas Yojana

Social vulnerability

Lack of finance and digital access increases the social vulnerability of individuals and communities and makes them susceptible to physical, environmental, social, and economic hazards. Taking cognisance of the same, AU has a dedicated central team, which designs, develops, and rolls out financial and digital literacy initiatives to empower them. This is a step towards strengthening the vulnerable segment of the society by financial and digital inclusion to help them graduate from the informal sector to the formal sector. Hence, preparing them to respond to financial shocks and emergencies with resilience.

Financial literacy and adoption

Serving the underserved section of the society we realised the importance of spreading awareness around financial services to build an inclusive society of banking individuals. We created unique financial literacy and education programmes to bring the low-income population under the ambit of formal financial services. We reach out to the target audience, primarily farmers, workers, school/college students, women, Self-Help Groups (SHGs) both in Urban and rural populations.

The innovative learning modules focus on creating awareness about various banking habits along with emphasising the advantages of going digital. Acknowledging the rate of cyber-crimes, the Bank made sure that participants were educated about consumer protection while going digital.

We use Nukkad Nataks, puppet shows, local folk dance, and dialogue discussions for information dissemination. During the year, we reached 5,00,000+ Indians across our state-wide banking touchpoints through 2,900+ financial literacy camps FY 2020-21.

We have conducted over 120 financial literacy camps for women and over 20 camps for laborers. In Rajasthan, we partnered with the Government department of Women and Child Development in villages and communities with the help of Anganwadi workers to educate and empower women financially.



Best Financial Literacy Initiatives

Our financial literacy camps were awarded under the ET BFSI Best Financial Literacy Initiatives 2019-20 for our innovative infotainment format of Nukkad Natak. AU Foundation is our implementation partner.

We believe that for India to grow, it's important for the hinterlands to prosper. We have aligned ourselves with the Government of India's novel Jan Dhan Yojana which represents India's National Mission for Financial Inclusion. It envisages universal access to banking facilities with Basic Savings Bank Deposit Account for every adult; financial literacy for all; access to credit through MUDRA; micro-insurance schemes like Pradhan Mantri Jeevan Jyoti Bima Yojana (life insurance) and Pradhan Mantri Suraksha Bima Yojana (accidental insurance); and pension plan like Atal Pension Yojana. With this belief, we have been able to cater to more than 1 lakh customers.

Retirement being a two-fold sword, needs to be planned for strategically. Understanding the importance of post-retirement finances, we put in tireless efforts to enroll our customers under the Atal Pension Yojana scheme to safeguard their future against any unseen exigencies.

Recognition for APY

We have received multiple awards and recognition from PFRDA for our unflagging endeavors in SFB category

PM JAN DHAN YOJANA

Particular	BSBDA	MUDRA	PMJJBY	PMSBY	APY
As on 31st March 2021	1,17,000+	74,000+	5,000+	10,000+	12,000+

Digital literacy and adoption

Jan Dhan-Aadhar-Mobile (JAM) is a revolutionary initiative to strengthen the National Mission of Financial Inclusion in rural unbanked India. Introduced by former Financial Minster, Late Mr. Arun Jaitley in 2015. JAM was deemed to unify Indians into one economic digital space.

The JAM trinity is sustainably paving the path for Digital Inclusion by driving access to Mobiles to ease the banking experience for the Jan Dhan account users. The addition of Aadhar to the duo is routing benefits of DBT, social security/ pension schemes, and facilitating credit flows into Jan Dhan. We have deployed a dedicated and specialised team of Digital Literacy Counsellors at branches, who are the flag bearers of our digital inclusion mission.

Our strong presence in rural markets and last-mile intervention through our BC channel has allowed us to leverage the JAM trinity to serve the rural unbanked population, allowing AU to be the custodians of digitally inclusive banking for the weaker and vulnerable sections of society and strengthening the ecosystem for digital financial inclusion.



While adhering to the national lockdown in early FY 2020-21 we turned to Social Media to impart financial literacy to the masses. The campaign focused on key messages like social security schemes and financial frauds.

We are also leveraging our digital channels to educate our customers and the public at large about vaccination.

Best Digital Financial Inclusion Initiatives

Indian Banks' Association

We have been recognised at the IBA Banking Technology 2021 Awards for the Best Digital Financial Inclusion Initiatives as 'Runner up'

Governance adoption – a step towards formalisation

To empower our MSME customers, we got them registered on Udyam Registration Portal. From filing the details to getting the Udyam registration certificate, we assisted them through every step of their journey to become a registered and recognised MSME so that they can reap several benefits from the Government including credit at a low-interest rate, incentives on products for exports, excise exemption, statutory aid such as reservations, and the interest on the payments delayed due to unavoidable circumstances.

To build a transparent and sustainable social security system in our operational areas, we partnered with Haqdarshak to benefit the vulnerable and marginalised groups in rural Rajasthan, predominantly in Jamwa Ramgarh, Phagi, Phulera, Sanganer, and Shahpura. Individuals were registered for Identity documents that would enable citizens to benefit from the Government schemes, alongside enrolment under various social security schemes. Through this partnership, we were able to benefit 4000+ people, while 3200+ enrolled under social benefit schemes and 800+ documents such as Aadhar Card, Birth Certificate, PAN Card, Ration Card, etc were created in a span of 4.5 months. This not only helped the people of these districts gain Direct Benefit Transfer (DBT) schemes they were eligible for but also helped them gain an identity in the Government's records and system.

Few of our branches also provide the facility of Aadhaar enrolment and updation services.

AU Foundation

AU intends to have a positive influence on development of the people and places it is interacting with. We understand our duty of facilitating social developments in each geography and demography we include in our offerings' portfolio. For the social development of these geographies, the AU Foundation runs the below programmes.

Sports for development

Our sports for development programme focuses on bringing social change through sports. Through this programme, we encourage children to participate in sports like basketball, football, and athletics which imparts life skills. This approach of teaching will make children more capable and responsible individuals.

We have curated several sports intervention programmes across 19 sports development centers in five different districts. These projects have benefited over 3,200 children since 2018, who were actively engaged in Sports Development programmes, additionally learning soft skills. The programme aimed to bring down the drop-out rate from schools by offering sports as an incentive.

Providing clean drinking water

We have installed 200+ water ATMs and drinking water infrastructure in various locations around AU Bank's operational geographies. We have also constructed community water tanks in 8 remote villages of Rajasthan benefiting more than 240 families.

Support to the community

Giving impetus to the relief work, we partnered with 83 Government projects in collaboration with SMS Hospital, Traffic Police Division - Jaipur, Department of Women and Child Development, and Rajasthan Skill and Learning Development Centre strengthening the capacity of front-liners serving the community during the pandemic. Along with it, we undertook several other initiatives in the field of sports, health, and education benefiting children.

Positive externalities

We create positive externalities for the environment, society, and governance through our actions.

Our efforts in developing clusters led to creating local employment opportunities and augmenting the economic activity in these areas. Providing credit to promising MSMEs leads to the economic development of the region in which it operates. Further, empowering our MSME customers we assisted them to apply for Udyam Registration Certificate to legalise the entity and their functionalities gaining formal recognition under the law. This ensures better growth opportunities for MSMEs and mitigation of unlawful activities while making them eligible to apply for government benefit schemes.

Our partnership with Haqdarshak helped individuals in Rajasthan two-fold by facilitating access to services like banking and traveling that requires identity proof, and the local bodies have a better record of the demographics and population of the regions.

Through our initiatives to strengthen our communities we have been able to contribute to the Sustainable Development Goals (SGDs) designed to spiral Social Reforms.



SPREADING REACH, ENRICHING LIVES



AU Bank Credit Cards were launched exclusively for employees in January 2021.



Runners from multiple time zones participated in the **12th AU Bank Jaipur Marathon** that was held virtually.

A motivating digital talk show series **'Mind Over Matter'** was organized with distinguished guests like Vidya Balan, Cheteshwar Pujara, Kris Srikkanth etc.



AU Bank partnered with Jaipur's first ever **virtual cycling marathon** organized on the theme of 'Green City, Clean City'





AU Bank felicitated **Corona Warriors** such as Doctors, Police Men, Journalists, etc. across locations with certificates, mementos, trophies etc.



Campaign to create awareness on pandemic safety measures was done with tools like no parking boards, advisory sunboards, leaflets, posters, pedal dispensers, awareness vans etc.



As part of **post pandemic health drives,** we organized health check-up camps & blood donation camps.



Meritorious students of 10th and 12th standards were felicitated to applaud their accomplishment.



As unlocking started in August 2020, AU Bank spread positive and reassuring social messages through **outdoor hoardings** at Core locations.

Innovative marketing engagements were done to **celebrate festivals and social days** like Navratri, Ganesh Chaturthi, Diwali, Doctor's Day, Pensioner's Day, Girl Child Day, Independence Day, etc.



As a **mark of gratitude**, souvenirs were presented to customers who have had a long-standing relationship with AU.





To create connect on special days **greeting cards along with cake** were presented to customers on their birthdays/anniversaries.



New Branch Launch across locations were done with 360° promotions to create presence and awareness.



AU Bank partnered with Smart Commute Foundation to launch **'Cycle Chala City Bacha'** program with a vision to make Mumbai the cycling capital of India by 2030.

Governance

High standards and better control

We, at AU, have always believed that good governance is the cornerstone to building trust with our investors, customers, and employees. Lending being a leveraged business is a business of trust, and strong governance is the only way to grow. AU's transparency in disclosures and dealing with borrowers, its financial reporting and prompt tax payments have helped AU win the faith of regulators, lenders, borrowers, and investors which, in turn, has helped it scale up consistently over the last 25+ years.



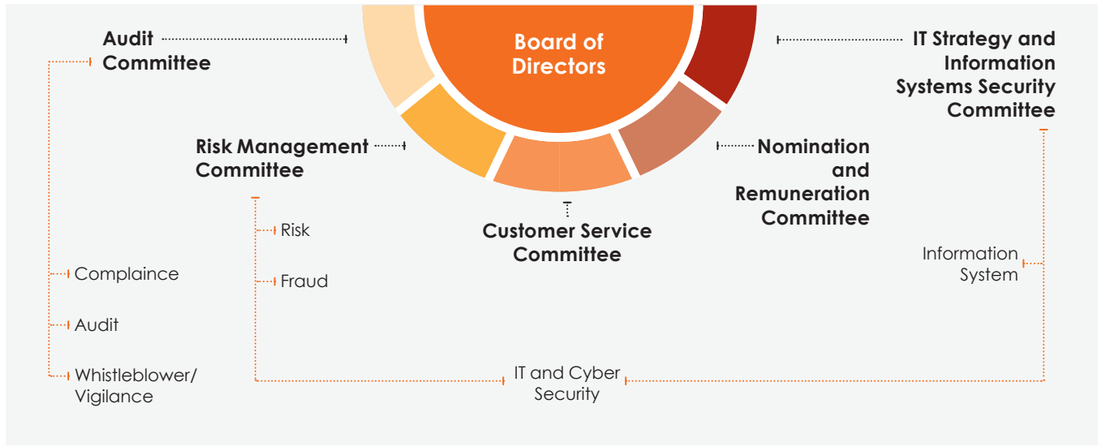
We are committed to aligning our business strategy and operating frameworks with United Nations Global Compact (UNGC), Principles of Responsible Banking and recommendation of the Basel Convention.

Governance Model

As a bank, we are expected to adapt in an agile manner to the changing market and regulatory expectations. This makes it imperative for us to have a strong yet flexible governance framework that can help us respond to these changes.

Our board, executive management, and employees being the flagbearers of our vision and mission, take collective action to maintain the highest level of corporate governance and accountability while strengthening our relationship with our key stakeholders.

The bank has an employee strength of 22,000+ with over 28% post-graduates, MBAs and Chartered Accountants. The bank has 158 members strong corporate governance team.



Governing Policy Architecture

We have formed a specialised group of Risk, Control, and Governance (RCG) to ensure effective internal controls, enhance accountability, risk and performance management, transparency, and resolving conflict of interest. The compliance department, under the supervision of the Chief Compliance Officer liaison with the Business, Product, Operations, and Information Technology teams to ensure that the products, policies, and systems are formalised within the ambit of the regulatory framework. Further, it independently evaluates the compliance risk of various business and operation functions and conducts reviews and monitoring to identify and mitigate the compliance risk within the organisation. Training is also imparted to employees on an ongoing basis on all the compliance-related procedures and risks within the bank.

Integration of Risk, Compliance, and Internal Audit

Risk

We have an integrated risk management function, which is independent of business functions and is entrusted with the responsibility of managing risks prudently. Our risk management philosophy and approach are designed to protect customers' and investors' interests. While our Board is responsible for overall governance and oversight of Core risk management activities in the Bank, its execution has been delegated to the Risk Management Committee of the Board. Risk management committee is responsible for examining risk mitigation policies and procedures, ensure adherence to risk parameters, ensure compliances and set prudential limits for various departments through its sub-delegated committee viz. Credit Risk & NPA Management Committee, Operational Risk Management Committee, Asset & Liability Management Committee, and IT Security Risk Management Committee.

Read more on page 167

Compliance

Compliance at AU Small Finance Bank is at the Core of our business excellence. As part of the ongoing efforts to develop a strong compliance culture within the organisation and to enhance prudent practices, the Compliance function of the Bank, staffed with adequately experienced professionals, works in close co-ordination with the Business, Product, Operations, and Information Technology teams to ensure that the products, policies and systems of the Bank are formalised within the ambit of the regulatory framework. Compliance department independently evaluates the compliance risk of various business and operation functions and conducts ongoing review and monitoring to identify and mitigate the compliance risk within the organisation. The Compliance department also factors in the risks highlighted by the Audit and Risk functions while reviewing the compliance risk. Any new directives issued by the regulator are disseminated to the respective functions for implementation and adherence to the evolved regulatory framework.

The Bank has also put in place a 'Know Your Customer' and 'Anti-Money Laundering Policy' approved by the Board of Directors, and transaction monitoring procedures, as per the regulatory guidelines. The department has state-of-art technology in place to monitor transactions of the customers systemically on an ongoing basis through several alerts and thresholds defined in the system. It is further ensured that accurate and timely information is submitted to the regulator. Also, to develop a strong compliance culture, training is imparted to employees on an ongoing basis.

Internal Audit

We currently work with internal and external audit teams and the audit reports are consumed by the stakeholders including Risk and Compliance to address any deviations from defined policies and processes.

Internal Audit function is responsible for independently evaluating the adequacy and effectiveness of all internal controls, Information Security controls, Risk management, Governance systems & processes and is managed by appropriately qualified personnel. The Bank has Information Systems Audit team in place, as a part of its Internal Audit team, to identify and address Technology and IT-related Security issues commensurate with the nature and complexities of its operations. The audit function also proactively recommends improvements in operational processes and service quality and the Bank takes corrective actions to minimise the design risk, if any.

Audit Department adopts a risk-based audit approach in congruence with the RBI's Guidelines on Risk Based Internal Audit (RBIA) and carries out audits across various businesses, operations, and support functions, in order to independently evaluate the adequacy and effectiveness of internal controls on an ongoing basis and proactively recommending enhancements thereof. Further, critical units of the Bank are subjected to Independent Concurrent Audit process by reputed external audit firms.



Ethical functioning (ensuring responsible digital footprint)

While the digital banking network is growing amongst the tech-savvy individuals, its adoption in rural and semi-urban India has been equally fast with smartphones present in >50% of households. We understand the dire need to mitigate the risk associated with digital banking and have deployed innovative solutions to ensure that the data of our valued customers remain secure.

Reliability of digital transaction channels

To maintain the reliability of digital transaction channels, we are cognisant of Malware attacks, Secure Logging Details Compromise Risk, and Phishing Mails. To withstand such threats we have deployed solutions that check for the security of the applications on the digital channels, implement multiple authentication methods ensuring the security of customers' financial data.

Robust IT risk management procedures

As part of our operations, we handle and process a large amount of customer data that warrants the utilisation of stringent controls to ensure the reliability and security of our IT systems.

We have adopted a disciplined IT risk management policy and methodology i.e., Confidentiality, Integrity, and Availability (CIA) which is used to classify our internal as well as external information assets. Qualitative and quantitative approaches are used to derive a specific value for each asset which indicates the criticality and severity of the information asset, based on which controls related to access and use are deployed.

Protection of customer privacy

The golden hour of digital banking is upon us and the increasing technological advancements in the banking industry need stronger firewalls to protect customer data. While India is yet to draft its data privacy laws, RBI is earnestly invested in ensuring and obligates banks to maintain customer confidentiality to protect the privacy of customer data.

Customer Focus is one of AU's 6 Dharmas, and customers' data protection is our utmost priority. We conform with all the regulatory frameworks to bring forth systematic implementation of regulatory guidelines and technical solutions to ensure complete protection. We make our customers aware of fraudulent activities prevalent in the market through various channels including SMS, e-mails, posters at branches alongside scroll messages on our website.

The policy architecture adopted at AU also enables a transparent compliance culture and some of the key policies that dictate the code of conduct are provided below:

- **Insider Trading:** The policy prohibits trading in securities of the bank by designated persons and their immediate relatives while in possession of unpublished price-sensitive information about the bank
- **Know Your Customer Policy:** We follow the guidelines set out by RBI for "Know Your Customer" which mandate us to collect relevant information from customers through valid identity proof and address proof

We have different channels for customers and stakeholders to reach out to us including.

Telephonic Channel: Customers may contact Customer Care over the toll-free number displayed at the branch and official website of the bank.

Branch Channel: Customers can contact any branch executive at the branches.

Electronic Channel: The customer may register their complaint through the Online Complaint Form on the website and via email.

- **Code of Conduct for Directors & SMPs:** The code of conduct directs Directors/Senior Management personnel to discharge their duties in good faith and ensure integrity in business judgment and the best interests of the bank and its stakeholders. Furthermore, in line with the code of conduct, they are expected to put-in their best endeavors and organise the resources for advancing the Bank's objectives
- **Dividend Distribution Policy:** The policy governs how we distribute a portion of the profits, whilst also ensuring that sufficient funds are retained for our growth

Transparency

Fairness in our dealings

AU recognises fairness in its dealing as paramount while connecting with its customers through the complete display of product features, customer rights, escalation matrix (grievance cell), and so on, at all its branches. A welcome letter with full detail of the loan i.e., rate of interest, tenor, loan amount, other charges, EMI schedule, etc. is made available to the Asset customer. Notably, AU's lending rates were below 20% back in 2005-10 when lending rates by private money lenders exceeded 40% (Source: NSSO).

Customer grievance redressal

We follow a comprehensive policy on Customer Grievance Redressal which governs the redressal procedure for handling customer complaints. The policy is well-designed in adherence with applicable regulatory obligations, which ensures set roles and responsibilities of stakeholders and applies to all employees of the organisation, regardless of location or business unit. We have a further 4-tiered governance framework that ensures prompt and responsive complaint resolution and ensures confidentiality of complainants' information.

- **Branch Level Customer Service Committee** conducts monthly meetings with customers to study customer grievances, cases of delay, and other difficulties faced by the customers
- **Standing Committee on Customer Service** is chaired by the Executive Director comprising of Senior Management Team
- **Customer Service Committee** of the Board is chaired by the designated Independent Director of the Board comprising the Heads of various departments
- **Nodal Department/Official for Customer Service** in the Head Office/Regional Office/ Corporate Office, is responsible for the implementation of customer grievance redressal mechanism and complaint handling. This official also acts as a connector between the Bank and RBI/Banking Ombudsman

Transparency and compliance for tax

We at AU, consider 'taxation strategy and tax compliance' a Core part of corporate and social responsibility, and strive to be ethically unerring. Our approach towards tax aims to align with the interests of our various stakeholders - including the Government, shareholders, business partners, and the entire community where we operate and source our products.

Tax contributions

We contribute towards Government revenues by way of corporate income taxes and indirect taxes such as GST. We also collect other taxes such as withholding tax (TDS), employees' tax (TDS on salary), equalisation levy, and tax collection at source on behalf of revenue authorities and assist tax authorities with tax administration. We have been an honest taxpayer wherein all the taxes are deposited within the regulatory timelines without any delay. We are very proud of our tax contributions which are increasing on yearly basis at an average rate of 30% leading to the economic growth of our country.

For our investors, we have a dedicated mailbox through which we address their concerns, complaints, and feedback. As a part of our redressal mechanism, information received on the dedicated e-mail ID is directly routed to our compliance officer who works to ensure a solution is provided within specified timelines.

Our Tax Team's Mission

- To provide high-quality tax support to our businesses and management
- To safeguard our tax position in compliance with applicable laws and regulations
- To ensure that our tax position is correctly reflected in our financial statements in liaison with our Finance Department

In all our activities, wherever we operate, we take due account of long-term considerations, manage risks, and carefully weigh the interests of all stakeholders, while always respecting our Core values.



Vigilance

Whistleblowing and vigilance mechanism

We believe in the philosophy 'If you see anything wrong, oppose it and expose it'. The Whistle Blower Policy has helped us enable a vigil mechanism aimed at spotting aberrations promptly and subsequently deal with them at the earliest. We are committed to adhering to the highest standards of ethical, moral, and legal conduct of business operations.

To maintain these standards, our Whistle Blower Policy formulated as a part of corporate governance norms and transparency promotes clean business transactions, professionalism, productivity, promptness, transparent practices and ensures putting in place systems and procedures to curb opportunities for corruption.

In line with the policy, a Vigilance Mechanism has been adopted for the protection of employees from reprisals or victimisation, for whistleblowing in good faith as the Bank strictly follows the No Retaliation Policy. The Vigilance team working under the Chief Vigilance Officer ensures integrity, transparency, and accountability in our day-to-day working while practicing all three types of vigilance, i.e., Preventive, Detective, and Punitive.

Vigilance week is celebrated to increase awareness among employees. Employee awareness is also done through online and induction training programmes. Incident Based Advisories are shared by Vigilance team to all employees.

Employees, customers, and our other stakeholders can approach the Chief Vigilance Officer and thereafter Chairman of Audit Committee in case they observe any unethical and improper practices or any other alleged wrongful conduct in the Bank.

Combating financial crime

We have an Anti-bribery and Anti-Corruption Policy laying down the principles for carrying out banking business honestly and ethically.

Anti-bribery and corruption

Our policy on Anti-bribery and anti-corruption policy and KYC and Anti Money Laundering policy applies to all employees at all levels and grades, including directors, and everyone directly associated with us. Under this policy, we ensure that a culture of transparency and the highest ethical standards are followed while transacting and dealing with all the external stakeholders including vendors and suppliers.

Employees under their employment contract are foretold of their obligations regarding prevention of corruption and prohibition on bribery, in addition to compulsory training, to make them aware of their responsibilities under this policy and relevant legislation to conduct business as per the Bank's values and code of conduct.

Committed to ensuring zero-non-compliance to combat financial crimes we are trying to leverage technology and automating the process to ensure there is limited manual intervention. These activities include completely automated AML process and Debit and Credit Card fraud monitoring which, in turn, leaves very limited room for any fraudulent activity.

Principle 10 | UN Global Compact: Businesses should work against corruption in all its forms, including extortion and bribery

We have incorporated policies around anti-corruption, anti-bribery, and anti-money laundering. This has enabled us to maintain a zero-non-compliance environment.
A total of 7 incidents of corruption and bribery were recorded in the last three years i.e., from FY 2018-19 to FY 2020-21.

Positive externalities

We create positive externalities for the environment, society, and governance through our actions.

Trust in the financial system is crucial for channelising public savings into private and public investments. People trust AU Bank with their hard-earned money and by ensuring customer protection and building a reliable digital banking channel we are committed to building a relationship based on trust. Hence, by sound corporate governance practices, we contribute to the idea of banking being a public good.

Keeping good governance at core of every operation we ensure commitment towards Sustainable Development Goals (SGDs) designed to ensure strong institutional values.



Boards of Directors



Mr. Raj Vikash Verma
Chairman



Mr. Krishan Kant Rathi
Independent Director



Professor M S Sriram
Independent Director



Mr. Pushpinder Singh
Independent Director



Ms. Jyoti Narang
Independent Director



Mr. V G Kannan
Independent Director



Mr. Sanjay Agarwal
Managing Director & CEO



Mr. Uttam Tibrewal
Whole Time Director

Leadership team

Key Managerial Personnel



Mr. Deepak Jain
Chief Operating Officer



Mr. Vimal Jain
Chief Financial Officer



Mr. Manmohan Parnami
Company Secretary

Leadership team



Mr. Yogesh Jain
Chief of Staff



Mr. Rishi Dhariwal
Group Head - Branch Banking



Mr. Bhaskar Vittal Karkera
Chief of Wheels



Mr. Vivek Tripathi
Chief of Strategy - Commercial Banking



Mr. Shantanu Prasad
Chief of Treasury and Wholesale Liability



Mr. Ankur Tripathi
Chief Information Officer



Mr. Pankaj Sharma
National Business Manager-SBL (MSME)



Mr. Aalekh Vijayvargiya
National Credit Manager-SBL (MSME)



Mr. Aditya Sharma
Chief Technical & Legal Officer - Mortgages



Mr. Sachin Kumar Jain
National Credit Manager - Wheels



Mr. Alok Mohinder Gupta
Chief Risk Officer



Mr. Sumit Dhir
Head of Internal Audit



Mr. Ashok Kumar Khandelwal
Chief Compliance Officer



Mr. Mayank Markanday
Chief of Credit Card Business & Merchant Solution Group



Mr. Shoorveer Singh Shekhawat
Chief of Products & Communication-Liabilities



Mr. Amit Mathur
Chief of Credit - Agri Banking, Business Banking & REG



Mr. Sharad Goklani
Chief Technology Officer



Mr. Manish Sehgal
Chief Information Security Officer



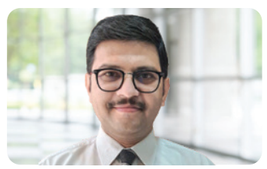
Mr. Vivek Tripathi
Chief of Human Resources



Mr. Vinay Vaish
Chief of Credit Risk



Mr. Gaurav Jain
Lead - Tech Initiatives & Distribution Strategy



Mr. Farhan Ahmed
Chief Vigilance Officer

Awards and accolades

- Awarded the ET Best Brands 2020
- Awarded ET BFSI Excellence Award 2020
- Climbed the Ladder of ET 500 Company List 2020
- Listing in Dun & Bradstreet's 'Leading BFSI & Fintech Companies-2021'
- AU Bank's Fixed Deposits rated AA+ by CRISIL
- Great Place to Work Top 30 'Best Workplace in BFSI' in 2021
- ET Best BFSI Brands 2021



Corporate information

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

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

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

Statutory Auditor
M/s S.R. Batliboi & Associates LLP
Chartered Accountants,
12th Floor, The Ruby
29, Senapati Bapat Marg
Dadar (West)
Mumbai - 400028, India

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

Website: www.aubank.in

Mail: investorrelations@aubank.in

Management Discussion and Analysis



Macroeconomic environment

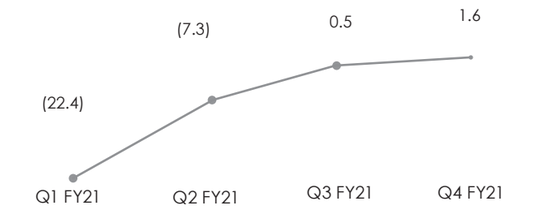
FY 2021-22 began on a sombre note as major global economies came to near standstill, with governments enforcing lockdowns and social distancing becoming the new normal. The 'nationwide lockdown' resulted in major indices of manufacturing and services across economies declining to record lows during the first quarter on the back of both demand and supply side disruptions.

Faced with a once-in-a-century crisis, the Government of India's response was swift and calibrated. A stringent lockdown was imposed from 25th March to 31st May 2020 to break the COVID chain. This impacted the manufacturing and services activity severely.

This unprecedented lockdown resulted in India's GDP contracting by 23.9% (later revised to 22.4% YoY) in the April-June quarter of FY 2020-21. Agriculture and allied activities, however, showed good resilience backed by rabi harvesting and another year of normal monsoon facilitating good kharif sowing. Loss of employment due to the lockdown and apprehensions around the pandemic mainly led to migrant workers from across urban India returned to their native villages ensuring availability of additional labour for agriculture and allied activities. Although the gradual easing of lockdown began in June, and economic activities resumed, the Indian economy entered into a technical recession with two successive quarters of GDP contraction in Q1 and Q2 of FY 2020-21.

The turnaround began from the third quarter onwards, with GDP growing 0.4% (later revised to 0.5%) YoY in Q3 of FY21. Rural recovery was accelerated by agri income as well as large government spending on rural development schemes and various welfare measures initiated by the Government under the COVID relief programme. These include larger allocations to the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and distribution of free food grains through Prime Minister Garib Kalyan Anna Yojana (PMGKAY). By the first half of this financial year, the Union Ministry of Rural Development had spent around ₹1.25 lakh crore. This was more than the full year budget of the ministry.

Quarterly trends (%)



Source: PIB

Policy response to the pandemic

The Government of India, along with the RBI, announced a series of measures, which culminated into a comprehensive economic package under the 'Atmanirbhar Bharat Abhiyan' scheme of ₹20 lakh crore – equivalent to 10% of India's GDP. The package included immediate relief for the economically vulnerable sections, support for Micro, Small & Medium Enterprises (MSME), increase in public health expenditures, and support for Banking Industry, among others.

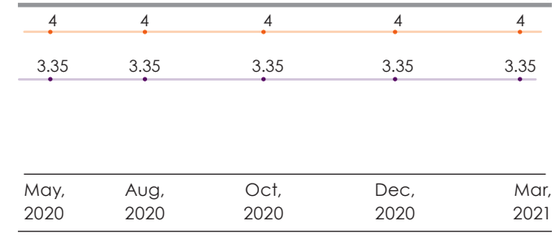
The MSME sector was rendered especially vulnerable by the pandemic, necessitating concerted efforts to combat the stress and focus on revival of the sector. In this regard, two major schemes - the Emergency Credit Line Guarantee Scheme (ECLGS) and the Credit Guarantee Scheme for Subordinate Debt (CGSSD) were introduced. These initiatives were complemented with higher structural and durable liquidity, moratorium on debt servicing, asset classification standstill, waiver of Interest on interest, loan restructuring package, and CRR exemptions on credit disbursed to new MSME borrowers.

RBI's monetary policy remained largely accommodative during the entire stretch of the financial year. The repo rate was cut by 115 bps since March 2020, with 75 bps cut in the Monetary Policy Committee (MPC) meeting in March 2020 and 40 bps cut in the May 2020 meeting. The policy rates were kept unchanged in further meetings, but the liquidity support was significantly enhanced.

Inflation

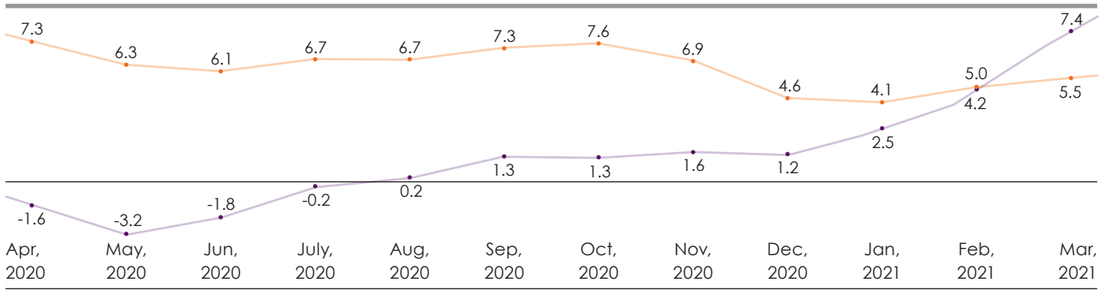
Supply side challenges ensured constant inflationary pressure on the economy for most part of FY 2020-21 with CPI inflation moderating to 5.5% in March 2021 from 7.3% in March 2020, primarily on account of a significant decline in food inflation. Food inflation dropped from over 9% during the start of FY 2020-21 to 4.9% in March, 2021. Wholesale inflation after remaining subdued for most part of the year, suddenly spiked in the last two months of the financial year going upto 7.4% in March 2021 led by unexpected rise in inflation for manufactured products, hike in commodities and low base effect.

Policy actions (%)



(Source: Reserve Bank of India)

Inflation trends (%)



(Source: Reserve Bank of India)

Currency

High COVID recovery rate, optimism on the vaccine front, news of additional policy stimulus, globally abundant liquidity leading to return of risk appetite, and an intensified search for higher returns were some of the key hallmarks of the second half of the financial year. A concoction of all these factors resulted in surges of capital flows into emerging markets, like India, and consequent spike in volatility in the financial markets. The Reserve Bank of India, on its part, did an excellent job amidst trying conditions, to insulate domestic financial markets from global spill overs and consequent volatility, while ensuring comfortable domestic liquidity conditions.

Thanks to RBI's dollar purchases in the foreign exchange market, the rupee largely was range bound at 72-74 INR/USD throughout most of FY 2020-21. On the back of current account surplus, led by sizeable contraction in imports relative to exports, and robust net capital flows allowed for a large build up in India's foreign exchange reserves with our Fx reserves touching a new high of $576.98 billion as on 31st March 2021.

Outlook

With economic activity accelerating in second half, India exited FY 2020-21 much better than expected, with GDP contraction at 7.3%, compared to low double-digit de-growth forecast earlier (Source: NSO). This shows the fundamental strength of the Indian economy to withstand external shocks.

In Q4 FY21, strengthening economic recovery was visible across key high-frequency indicators such as power consumption, inter and intra state mobility, manufacturing capacity utilisation, business expectations, and consumer confidence. GST collections also climbed significantly since January 2021. Manufacturing and services PMI remained in expansionary zone, while augmented credit growth, surging FDI and FPI flows, and private placement of corporate bonds provided critical financial cushion to the real recovery. Further, Semi-urban and rural demand are likely to bounce back on good prospects of agriculture in FY 2021-22 with IMD predicting a normal monsoon for the current year as well.

We also hope that the Government of India's fiscal stimulus under Atmanirbhar 2.0 and 3.0 schemes will help drive public investment, although private investment remains sluggish amid still low-capacity utilisation. In the medium term, overall private investment can see a boost with implementation of Govt. of India's Production Linked Incentive Scheme (PLI Scheme) whereby private sector will be incentivised to set up manufacturing and export facilities in identified sectors. Further, the Union Budget FY 2021-22, with its thrust on sectors such as health and well-being, infrastructure, innovation and research, among others, should help expedite the growth momentum in the coming years.

With economic activity accelerating in second half, India exited FY 2020-21 much better than expected, with GDP contraction at 7.3%, compared to low double-digit de-growth forecast earlier (Source: NSO). This shows the fundamental strength of the Indian economy to withstand external shocks.

That said, in Q1 FY22 new mutant strains of the virus have emerged, causing severe stress on healthcare and medical facilities, vaccine supplies and frontline health personnel. The second wave of COVID is still unfolding, and as we step into another financial year, the country is again witnessing localised lockdowns in various states to flatten the curve. The RBI, on 5th May 2021 has announced certain measures to provide additional credit facilities to the health and medical infrastructure of the country and certain relaxations for micro, small and medium enterprises.

While the war against COVID rages on and the country is preparing itself for the long haul, we remain cautiously optimistic with an ongoing vaccination drive, the reduction in cases seen in last two weeks of May, and combative spirit of the people which was on display as early as the first quarter of calendar year 2021. We also expect RBI to continue to maintain an accommodative stance on interest rates and keep liquidity in surplus to aid durable growth in economy.

Indian banking industry

FY 2020-21 was a mixed bag for the Indian banking industry. While credit growth remained subdued, deposits continued to grow and Non-Performing Assets (NPAs) for the sector declined from 8.2% in March 2020 to 6.8% in December 2020 partly added by system-wide freeze on NPA classification. While ECLGS supported disbursements in the second quarter, the second half of the year saw credit growth picking up marginally, owing to the higher credit to the agricultural sector, some pent-up demand in housing, and non-agri related credit such as demand for vehicle loans and credit to industries.

Credit and deposit growth trends

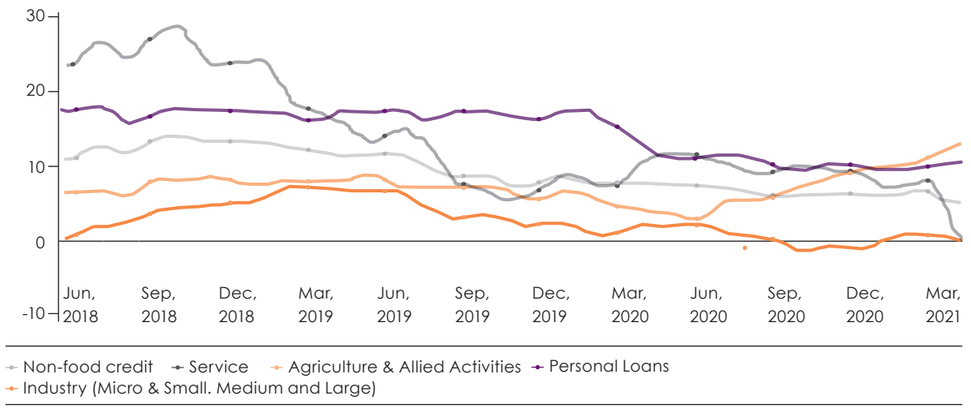
(%)

Banking Group	Indicator	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21
Public Sector Banks	Aggregate deposits	10.8	10.3	9.5	**10.4**
	Bank credit	5.7	5.7	6.5	**3.6**
Foreign Banks	Aggregate deposits	17.5	21.2	15.4	**10.3**
	Bank credit	2.9	-7.1	-5.7	**-3.3**
Private sector banks	Aggregate deposits	11.2	10.6	13.7	**16.6**
	Bank credit	7.2	6.9	6.7	**9.1**
Small Finance Banks	Aggregate deposits	59.8	41.3	33.5	**40.3**
	Bank credit	42.4	18.8	15.3	**19.7**
Commercial Banking Sector (including RRBs)	Aggregate deposits	11.2	10.6	13.7	**16.6**
	Bank credit	7.2	6.9	6.7	**9.1**
	Credit-deposit ratio	**73.1**	**72.0**	**72.5**	**71.5**

Source: RBI

Credit growth across categories

(%)



(Source: Reserve Bank of India)

During FY 2020-21, banks continued to walk the tightrope to nurture the post-pandemic economic recovery, with the objective of preserving long-term stability of the country's financial system. There was a looming concern that the COVID-19 related shock will put added stress on the balance sheets of banks in terms of non-performing assets, leading to the erosion of capital.

Thus, banks of all categories and sizes (both in the private and public sector) focused on enhancing liquidity buffer and quite a few of them raised capital, and made accelerated provisions during the year to preserve the balance sheet strength.

A standstill on NPA classification helped the gross non-performing assets (GNPA) ratio of SCBs to decrease to 6.8% by end-December 2020 from 8.2% in March 2020. However, on 23rd March 2021, the Hon'ble Supreme Court vacated the stay on classification of NPA and accordingly, the GNPA of the SCBs as on March 2021 is expected to be higher than December 2020.

Outlook

During FY 2020-21, Banking system operations were witness to operational challenges due to then pandemic, muted credit growth and asset quality pressures. However, the sector did benefit from the benign liquidity environment maintained throughout the year by RBI through its various policy measures. Now, with inflation firming up following the surge in global commodity prices, and the heavy borrowing programme of the Government, RBI has stated that they would remain accomodative and maintain surplus liquidity, as long as necessary, to revive and sustain growth.

While, FY 2021-22 began with COVID 2.0, blindsiding almost everyone, estimates suggest that its impact on the economy might not be as devastating as the first wave, although it may be more severe.

As the steady unlocking happens and we see a gradual recovery in activity levels, the significant capital outlay announced in the Union Budget will ensure that the growth would gradually return in the later part of this financial year with the banking and financial services sector being a key beneficiary of this growth.

Key measures for the banking financial services sector in the Union Budget FY 2021-22

Budget proposals	Impact on sectors
Sharp increase in capital expenditure at ₹5.5 lakh crore, up from ₹4.1 lakh crore of last year.	The enhanced capital outlay will have trickle-down benefits for all sectors. Big-ticket investments in roadways, railways, ports, micro irrigation will widen income opportunities for small businesses and people, especially in the semi-urban and rural areas.
Extension of tax relief for the affordable housing segment.	This will provide policy impetus to both developers and buyers ensuring higher demand for home loans.
The increase in agriculture credit with a target of ₹16.5 lakh crore and the allocation of infrastructure fund for the development of Agricultural Produce Market Committee (APMCs).	Banks will be the main beneficiaries as they channelise this credit to farmers which has the potential to drive rural economy as a whole.
Higher allocation to micro, small, and medium enterprises (MSMEs) to ₹15,700 crore for the next financial year; majority of the allocation is for the Emergency Credit Line Guarantee Scheme.	MSME sector was hit hard by the COVID-19 outbreak, and such a move will help accelerate their revival and also resolve stress formation in Bank's MSME loan books.
Proposed creation of Bad debt asset management company – ARC AMC	This could provide a strong impetus to the Indian Banking industry esp. Public Sector Banks who are saddled with large NPAs. By some estimation, close to ₹15-20 lakh crore of NPAs could be transferred to this ARC. Transfer of NPAs would make Bank's balance sheet more competitive.

Small Finance Banks

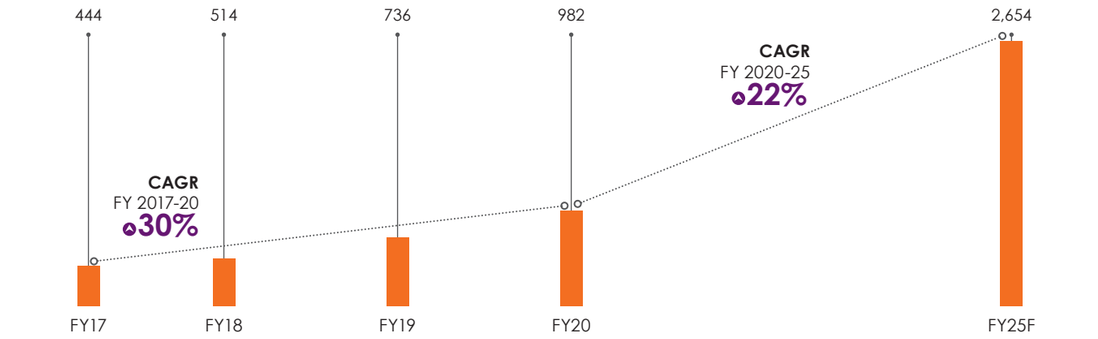
In the fast-evolving Indian banking universe, small finance banks (SFBs) were created by the RBI under the guidance of the Government of India in 2016 to sharpen focus on financial inclusion and to ensure availability of banking products to the last-mile citizens of India. From FY 2016-17, 10 SFBs started their banking operations and in the last four years, these small finance banks have witnessed rapid growth in their branch network and asset base, while maintaining healthy asset quality and generating encouraging return on assets. It is imperative to note that 7 out of 10 SFBs still have very high share of MFI loans whereas AU is the only top 3 SFB with zero direct MFI loan exposure.

Stable performance

SFBs' AUM recorded a 30% CAGR from FY 2016-17 to FY 2019-20 with top three SFBs accounting for ~61% of the aggregate AUM in FY 2019-20, up from 55% in FY 2016-17. Similarly, the top six SFBs account for ~86% of the market share. According to the latest RBI report, the 3 biggest sectors for SFBs are agriculture, trade and professional services – this is in line with operating guidelines of SFBs where they are required to extend 75% of their credit to priority sector.

It is estimated that SFB sector is expected to see loan growth of 22% and deposit growth of 40-45% in the near-term, and most of the SFBs have completed the transition phase and are likely to benefit from the operating leverage. While the deposit base of SFBs is expanding, they have a long distance to cover vis-à-vis other banks in the mobilisation of low-cost deposits like current and savings accounts (CASA).

AUM trend for SFBs (₹ in billion)



CRISIL Research

CD ratio: SFBs started their journey with a high Credit Deposit (CD) ratio, which was more than 2.5 times that of other SCBs in the initial years. It fell over time with the growth in deposits but was still high at 111% in March 2020. CD ratio is expected to have reached near or sub 100% as on March 2021.

Geographic reach: SFBs have steadily expanded their branch presence, rising to 4,307 branches by March 2020. The ratio of SFB branches to Universal Bank branches (excluding Regional Rural Banks) was 3.5% in March 2020 vis-à-vis 1% in March 2018.

COVID impact: Among various banking groups like Private Sector, Public Sector, SFBs, Payment banks etc., the COVID pandemic effect was especially hard for Small Finance Banks as they serve the marginal customers in rural and semi-urban India, often operating into remote, unbanked locations with high dependency on cash collections. With various regulatory interventions, including the moratorium and resolution framework introduced to address the COVID-related stress SFBs were able to keep non-performing assets (NPAs) under control through better portfolio management and adoption of digital technology.

Outlook

In a recent paper on SFBs, RBI concludes that, "SFBs have been reasonably successful in reaching out to under-served sectors, such as the Micro, Small and Medium Enterprises (MSMEs), and have an impressive coverage of borrowers with small credit needs". In parallel, "they have witnessed a rapid growth in their branch network and asset base while maintaining a healthy asset quality and generating high return on assets."

This clearly is a validation for the SFB model which has been through numerous hurdles in their brief lifespan of 4+ years – starting with demonetisation, to NBFC crisis to COVID-19 pandemic. This validation is further strengthened with RBI issuing fresh SFB licenses under its "on-tap" licensing programme for SFBs and is encouraging newer entrants and Urban co-operative banks to take the SFB route to an entry into banking sector.

Going forward, SFBs are expected to witness consistent growth driven by the following factors:

1. Despite rural segment's 47% contribution to GDP, credit proportion remains fairly low at 10% of the overall credit outstanding, offering significant headroom for growth
2. Higher presence of informal credit channels in remote locations where small finance banks have greater reach provides an advantage to SFBs to tap the unbanked population
3. With rising focus on diversifying their product portfolio and expanding their reach, small finance banks are expected to log higher growth as they tap into newer geographies
4. A strong focus on collections, understanding of local nuances, and their ability to monitor risk of default at customer level will help SFBs to keep asset quality under check
5. Focus on digitisation and using digital tools for a larger reach would also give the SFBs an impetus for growth with lower operation expenses

Performance of key sectors

Vehicle finance

India is the world's fourth largest automobile market, with the sector contributing a significant proportion to the country's GDP. The country's auto market has been facing headwinds for last 2 financial years, initially due to the challenges related to imminent shift to BS VI compliance, and then due to the pandemic.

In FY 2020-21, as per SIAM, the total production of Passenger Vehicles, Commercial Vehicles, Three-wheelers, Two-wheelers, and Quadricycle in FY 2020-21 was 22,652,108 units, as against 26,353,293 units in FY 2019-20, witnessing a de-growth of 14.04%.

The decline in passenger vehicles in FY 2020-21 was comparatively lower as we saw healthy demand in personal cars on account of people preferring more personal vehicles than public or shared transport. The overall decline was largely led by Passenger cars (-9%) and Passenger vans (-18%).

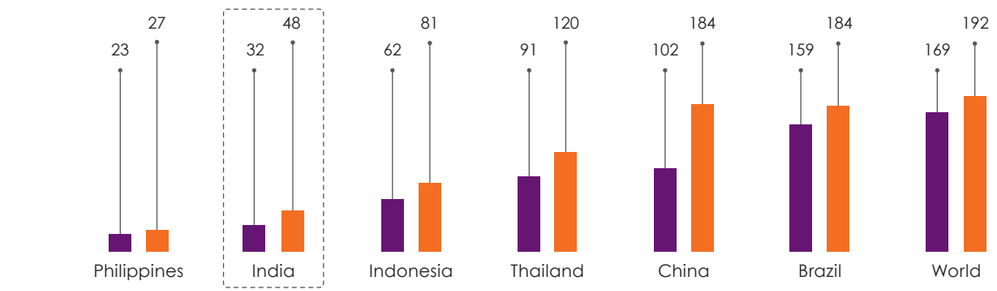
Against this backdrop, the wheels loan market also saw a decline in disbursement of loans across various vehicle segments with Q1 FY21 seeing virtually negligible disbursement across the industry. The loan disbursement for vehicles (esp. personal cars) picked up in later quarters owing to pent-up demand and good rural income on the back of normal monsoon for the second consecutive year.

Key drivers for Car financing market

India's vehicle penetration has grown from 32 per 1000 driving population in 2015 to 48 per 1000 driving population in 2020, compared to a global average of 192 per 1000 driving population in 2020. This suggests significant growth headroom in the automobile industry.

Further, over 30% of India's population now lives in cities (metro/Tier 1/Tier 2/Tier 3) which contribute ~75% of India's GDP. A predominant proportion of this urban population is young, aspirational and closely follow prevailing global trends in terms of design, fuel efficiency, comfort, durability. This generation is encouraging OEMs to focus more on premium features, even in entry/mid-level cars.

Vehicle penetration, per 1,000 driving population (%)



Government support to Auto industry

₹1,08, 230 cr

Highest ever capital allocation for the Ministry of Road Transport and Highways (MoRTH) in the Union Budget FY22

GST Reduced from 12% to 5% and 1.5 lakh tax exemption

On purchase of electric vehicles

₹570 bn Automotive Sector

Highest allocation in the Production Linked Incentives (PLI) scheme

New vehicles - Cars

FY 2020-21 was a year of two halves for the new vehicles industry. The first half witnessed a deep structural slowdown, mainly due to the COVID-19 pandemic impact. The second half saw strong recovery in personal car segment as pent-up demand came into play, backed by festive buying and focus on finding personal mobility solutions owing to social-distancing norms.

However, the demand for new vehicles in commercial passengers and commercial loading segments continued to underperform in second half as well, largely on account of muted business activity, over-capacity, and decline in per capita income owing to the loss of livelihood and employment opportunities.

Domestic sales figures dipped in the year under review

	FY18	FY19	FY20	FY21
Passenger Vehicles	32,88,581	33,77,389	27,73,575	27,11,000
YoY growth		2.7%	(17.9%)	(2.3%)
Commercial Vehicles	8,56,916	10,07,311	7,17,688	5,69,000
YoY growth		17.6%	(28.8%)	(20.7%)
Three Wheelers	6,35,698	7,01,005	6,36,569	2,16,000
YoY growth		10.3%	(9.2%)	(66.1%)
Two Wheelers	2,02,00,117	2,11,79,847	1,74,17,616	1,51,19,000
YoY growth		4.9%	(17.8%)	(13.2%)
Tractors	7,11,400	7,88,292	7,09,005	8,99,429
YoY growth		10.8%	(10.1%)	26.9%
Total	**2,56,92,712**	**2,70,53,844**	**2,22,54,453**	**1,95,14,429**
YoY growth		**5.3%**	**(17.7%)**	**(12.3%)**

(Source: SIAM, TMA)

The demand for personal cars was quite resilient during second half of the year despite the average prices of vehicles increasing by around 6-12% due to BS VI implementation and higher input costs. Backed by good monsoon and strong government spending in rural areas, the rural penetration for new personal cars also increased during this period with Maruti reporting an increase in Rural share by 2.5%.

Towards the end of Q3 FY21, OEMs also started facing supply chain disruption due to semiconductor scarcity, resulting in lower inventory levels at dealerships. While footfalls at dealerships were lower, enquiry to conversion ratio was higher as mainly serious buyers were visiting dealerships in post COVID era. The enquiry to conversion period at dealerships also reduced from about 3 weeks to 2 weeks.

Used vehicles – Cars

The pandemic has enhanced the demand for safer and personal mobility solutions. Following the lifting of lockdown restrictions, the country saw growing demand for used vehicles. People avoided public transport and shared vehicles. On the back of this shift, the used / pre-owned car market in India, which has been growing steadily for past few years, showed resilience in FY 2020-21 as well and is estimated to have reached 4.4 million units in FY 2021-21 from 4.2 million units in FY 2019-20.

This growth is more significant considering the national lockdown for most part of the first quarter. Further, supply of used cars in FY 2020-21 was impacted as the car exchange market saw a dip as people preferred to keep the existing vehicle as the second vehicle for the family rather than exchanging it for new one. This resulted in a significant drop in the supply of used vehicles as the exchange stock dried down.

The prices of used cars also saw northward movement during the year backed by lower inventory, greater demand for diesel vehicles in used segment (as a large OEM had stopped production of new Diesel cars few years ago), and increased price of new cars due to implementation of BS-VI standards.

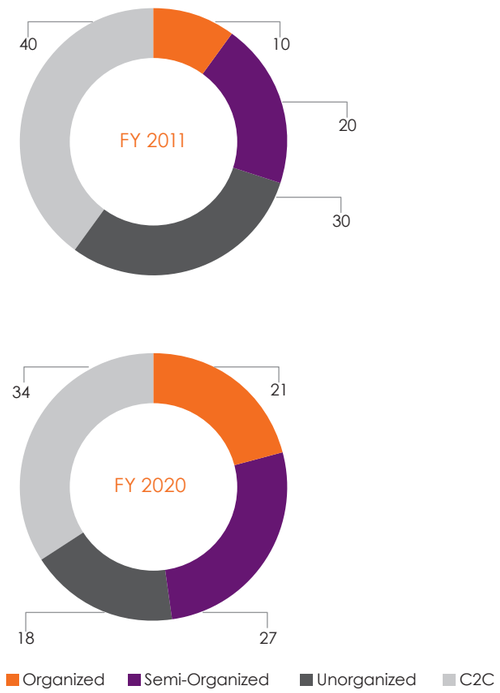
Used car industry - Growth Estimation

As per industry reports, India's used car industry is likely to grow by 11% CAGR over next five years led by growth of organised players (dealer and online) and digitisation of the used car value chain.

	FY21e	FY22e	FY23e	FY24e	FY25e
Used Car sales (m units)	4.4	6.0	6.6	7.1	7.7
ASP ₹ (000s)	367	386	405	425	447
Used Car market (INRbn)	1,624	2,296	2,678	3,035	3,436
Used Car market (USDbn)	22	31	37	42	47
Supply-side online penetration (C2D)	7.0%	15.0%	20.0%	25.0%	30.0%
Demand-side online penetration (D2C)	3.0%	5.0%	7.0%	9.0%	11.5%
Supply-side GMV (USDbn)	1.6	4.7	7.3	10.4	14.1
Demand-side GMV (USDbn)	0.7	1.6	2.6	3.7	5.4
Total online GMV (USDbn)	2.2	6.3	9.9	14.1	16.5

Source: HSBC estimates. Note: GMV is gross merchandise value.

Evolution of Organised players – shift away from unorganised and customer to customer sales (C2C) (%)



Financing in used car segment

Financing in the Used car market is still underpenetrated in India. This number stood at 17% for FY 2018-19, and is estimated to have marginally increased to 18% as of FY 2020-21. This is quite low compared to ~75% financing penetration in the new vehicle market.

The financing penetration in the used car market is likely to reach 30% by FY 2024-25 supported by 3 key variables:

- increasing number of organised players with OEM's like Maruti True Value, Mahindra first choice and digital platforms like Cars24, Car Dekho, CarTrade etc;
- increased adoption of digital lending;
- availability of more financing products at the point-of-sale.

Some other notable developments helping the growth in used-car financing are:

- Availability and reliability on customer data has improved – Banks have more tools to evaluate the financial health of the customer rather than only relying on bureau data (which is not sufficient to rate a new to credit buyer)
- Evolution of "Vaahan" app - One can use this app to check vehicle details online. However, this needs to be strengthened further to get all vehicle data; right from age of the car to the number of hands it has changed

(Sources: EY, SIAM, Indian blue book, Worldometers, IBEF)

MSME lending

According to World Bank, the Micro, Small and Medium Enterprises (MSMEs) account for about 90% of businesses and over 50% of employment worldwide. In a developing country like India, the MSMEs have a significant growth potential. Ministry of Micro, Small and Medium Enterprises, Govt. of India, estimated that the country has more than 633.88 lakh MSMEs of which 99% fall under Micro category. The MSMEs in India contribute about 30% to the national GDP and about 48% to exports. The MSME sector supports entrepreneurship and generates large employment opportunities.

The Government of India continues to sharpen its focus to help the MSMEs expand their role and responsibility in strengthening the country's economy. Accordingly, MSMEs formed a very prominent part of the announcements made under the 'Atmanirbhar Bharat Abhiyaan' wherein schemes like ECLGS, Restructuring, launch of a Govt. guaranteed "Subordinated Debt Scheme" for MSMEs and launch of "Funds of Fund" Scheme for funding to MSMEs with initial corpus of ₹10,000 crore were announced.

Government has been working to address some of the structural issues plaguing MSME lending and Pradhan Mantri MUDRA Yojana, and Licences for trade receivables discounting system (TReDS) are some of the initiatives launched by the government. The RBI has also proposed to introduce NBFC-account aggregators, which has the potential to transform the MSME financing space by providing detailed granular insights into customer financial assets or borrowing history.

6.34 cr

MSMEs empower India's economy from the grassroots

MSME Classification

During the year, the Government of India harmonised the definition of MSME by issuing a composite criterion for classification as MSME and removed the earlier distinction between Manufacturing and Services enterprises.

The revised criteria is more simplified and follows a dual approach of combining the Turnover and Investment in plant and machinery. This will ensure that categorisation of enterprises with smaller investment (esp. Service sector) will be driven by their turnover i.e. as a Micro company crosses a certain turnover threshold, it graduates to a Small or a Medium enterprise without necessarily being required to make higher investment in plant and machinery or equipment.

Composite Criteria: Investment in Plant and Machinery/equipment and Annual Turnover

Classification	Micro	Small	Medium
Manufacturing Enterprises and Enterprises rendering Services	Investment in Plant and Machinery or Equipment: Not more than ₹1 crore and Annual Turnover not more than ₹5 crore	Investment in Plant and Machinery or Equipment: Not more than ₹10 crore and Annual Turnover not more than ₹50 crore	Investment in Plant and Machinery or Equipment: Not more than ₹50 crore and Annual Turnover not more than ₹250 crore

Registration requirement

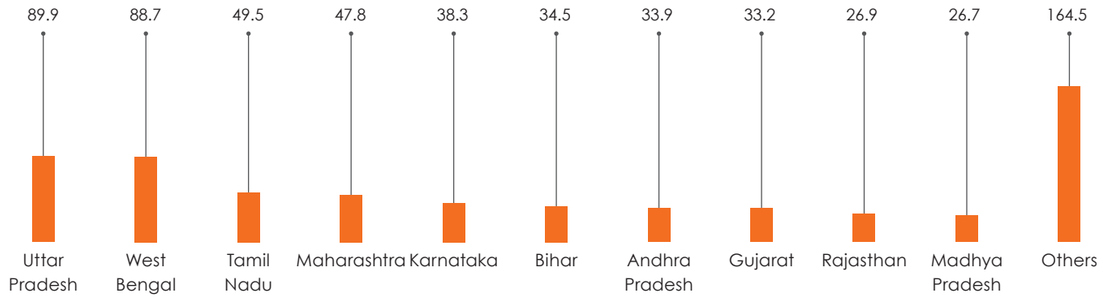
With an aim to ensure correct identification and classification of MSMEs, the Govt. of India, with effect from 1st July 2020, has been pushing all existing MSMEs and new MSMEs to obtain 'Udyam' registration certificate which is a simple online registration based on self-certification, however, Aadhaar number is mandatory for obtaining the Udyam registration certificate. The Udyam registration, though currently voluntary, has a host of benefits associated with it including 45 days assurance for payment of invoices under the MSME Act.

Udyam registration certificate is also a must for Banks to classify any borrower as an MSME and subsequently avail priority sector benefit.

AU Bank's top 4 states by touchpoints - Rajasthan, Madhya Pradesh, Maharashtra, and Gujarat are among top 10 states by MSME count.

State-wise distribution of MSMEs

(Number of MSMEs, in lakh)



Source: RBI

Credit exposure of MSMEs

Aided by various government schemes, the scheduled commercial bank's credit exposure to the MSME sector on a YoY basis grew by 8.9% in December 2020 compared to 6.2% growth a year ago. There was an across-the-board increase in the sub-segments with Medium Enterprises segment growing the highest by 30%.

Growing credit exposure

(Number in lakh, Amount in ₹crore)

Year	Micro Enterprises		Small Enterprises		Medium Enterprises		MSME	
	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding
1	2	3	4	5	6	7	8	9
Dec-2019	328.9	7,04,278	23.8	6,35,933	3.1	2,08,134	355.8	15,48,344
Dec-2020	394.5	7,63,109	23.2	6,52,292	5.3	2,70,924	423.0	16,86,325

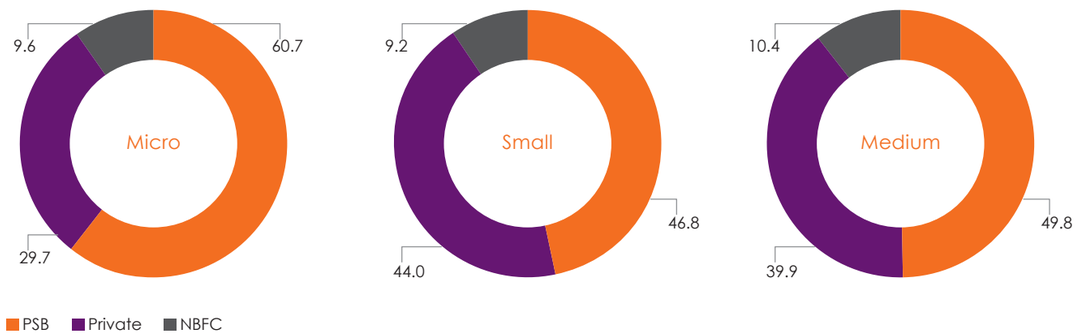
Source: RBI

Despite the initiatives by policymakers, the MSMEs continue to struggle for adequate credit exposure in large parts of India and Public Sector Banks (PSB) continue to be the biggest lender to the sector especially to the Micro Enterprises.

At AU Bank, our focus is to bring more Micro enterprises into the fold of formalised credit and we have emerged as one of the prominent lenders to micro MSMEs in the last decade in North, Central and Western India.

Share of Lenders across MSME Segments as of Jun'20

(%)



(Source: TransUnion CIBIL, SIDBI, Ministry of MSME)

Housing loans

The year 2020 was well poised to be the year of inflection for the housing segment until the COVID surge - after three years of disruptions due to Demonetisation, GST, RERA, and the NBFC crisis, transparency and efficiency were slowly trickling into the system. But the pandemic and the nationwide lockdown threw housing markets into turmoil. Sales of residential units plummeted in Q1 FY21. After the unlocking process was initiated in the July-Sep quarter of 2020, the housing market showed some early signs of recovery with sales increasing by 34% on a sequential basis.

In tandem with GDP growth, the pace of recovery in the residential market intensified with sales increasing by 51% in Q3 FY21 and new launches scaled up as well with Q4 FY21 witnessing new launches of 33,953 residential units, a jump of 27% over the Q3 FY21. This being said, it is important to note that new launches were still at 84% when compared to the pre-COVID levels of Q4 FY20. Developers across the markets under review remain focused on completion of under construction projects and clearing their existing inventory.

COVID has impacted extensive markets and people are likely to operate in the future. We foresee significant demand in terms of housing needs. India's housing sector is on a strong multi-year growth opportunity, given the growing trend in urbanisation, nuclearisation, work from home culture, predominantly young aspiring population, and access to low-cost finance. Government impetus (under the broad umbrella of 'Housing for All') has also been a key catalyst. The Government is trying to create a favourable ecosystem for the homebuyers by rolling out measures such as:

- Affordable housing (up to ₹45 lakh with a carpet area of 60 square metre in metro cities and 90 square metre in non-metro cities) are incentivised by the Government of India through tax deduction on interest payments
- Allocation to Pradhan Mantri Awas Yojana (PMAY) under the Union Budget has increased from ₹253 billion in FY 2019-20 to ₹275 billion in FY 2020-21
- Pradhan Mantri Awas Yojana - Urban (PMAY-U) was launched with a target of building 12 million houses in urban areas across the country over seven years from 2015 to 2022. As of December 2020, only 3.86 million houses have been constructed

Furthermore, there is acute shortage of affordable housing. The shortage of houses in India is estimated to touch ~100 million by 2022, of which 95% shortage will arise from lower income group (LIG) and economically weaker section (EWS) with the remaining 5% of the shortage emanating from middle income group or above. Total incremental housing loans demand, if this entire shortage is to be addressed, is estimated to be upto ~₹50-60 trillion providing opportunity to Banks like AU with its nascent present in the affordable housing segment.

(Source: JLL, Crisil, Economic Times, MOHUA)

Our performance

Synopsis of our financial performance

Profit and Loss Summary

(All figures in ₹ crore)

	FY 2020-21	FY 2019-20	YoY
Income			
Interest Earned (excluding Securitisation & Assignment Income)	4,846	4,102	18%
Interest Expended	2,585	2,377	9%
Net Interest Income	2,261	1,725	31%
Securitisation & Assignment Income	104	184	-43%
Other Income (excl. Aavas Financiers)	800	620	29%
Income from sale of equity shares of Aavas Financiers	651	86	657%
Total Net Income	3,817	2,615	46%
Expenses			
Operating Expenses	1,658	1,418	17%
Employee Cost	980	760	29%
Other Operating Expenses	678	658	3%
Operating Profit before Provisions and Contingencies (incl. Aavas Financiers)	2,159	1,197	80%
Provisions (other than tax) and Contingencies	700	283	147%
Profit Before Tax	1,459	914	60%
Tax expenses	288	239	21%
Profit After Tax	1,171	675	73%
Profit After Tax (adjusted for only exceptional items) (excl. Aavas Financiers)	600	596	1%

Key ratios

	FY 2020-21	FY 2019-20
Net Interest Margin(NIM)	5.3%	5.4%
Net Interest Income (Excluding Income from Securitisation and Assignment) as a % of Average Total Assets	4.8%	4.6%
Opex as a % of Average Total Assets	3.5%	3.8%
Return on Average Total Assets (ROA)	2.5%	1.8%
Return on Average Total Equity (ROE)	23.4%	17.9%
Gross Non-Performing Advances (GNPA)	4.3%	1.7%
Net Non-Performing Advances (NNPA)	2.2%	0.8%

Asset and liability composition

(All figures in ₹ crore)

	March 31, 2021	March 31, 2020	YoY
Liabilities			
Capital	312	304	3%
Employees stock options outstanding	103	52	98%
Reserves and surplus	5,860	4021	46%
Deposits	35,979	26,164	38%
Borrowings	7,030	10,335	-32%
Other liabilities and provisions	2,307	1,267	82%
Total liabilities	**51,591**	**42,143**	**22%**
Assets			
Cash and balances with RBI	1,569	1,050	50%
Balances with banks and money at call and short notice	3,212	2,320	38%
Investments	10,815	10,668	1%
Advances	34,609	26,992	28%
Fixed assets	482	448	8%
Other assets	903	665	36%
Total assets	**51,591**	**42,143**	**22%**

Key highlights of FY 2020-21

For AU, FY 2020-21 was effectively a year of 2 halves – the first half of FY 2020-21 saw the brunt of the unprecedented COVID-19 pandemic which halted economic activity during the national lockdown amid rising number of COVID-19 cases. Also, going into H1 FY 2020-21, we built up liquidity buffers to counter any potential adverse impact of the moratorium on deposit withdrawal placed on a Bank in March 2020.

However, post the lifting of national lockdown (June 2020), demand gradually improved becoming increasingly broad-based, and our disbursements trended towards normalisation in H2 FY 2020-21.

Despite the unprecedented challenges in FY 2020-21, our Assets Under Management (AUM) increased by 22% from 30,893 crore in FY 2019-20 to 37,712 crore in FY 2020-21, primarily driven by growth in the retail asset under management, which reached 91% as per the RBI definition of Regulatory Retail assets. These retail loans are small ticket sized and secured loans, and are primarily given for income generation/productive purposes, and saw active repayments from the customers in Q3 and Q4 FY 2020-21, once their businesses resumed and cashflows improved.

Further, our deposit grew by 38% YoY and our CASA ratio improved to 23% from 14% YoY. This was partly driven by acquisition of ~5.5 lakh new customers which increased our customer universe to over 20 lakh customers.

Disbursements and Asset Growth

Notwithstanding COVID-19 impact, disbursements for FY 2020-21 were almost similar to FY 2019-20 on account of revival in demand across most key segments. Overall AUM grew 22% YoY driven mainly by retail and mix of Wheels, SBL and Home loans within total AUM increasing to 81% from 80% in end-FY 2019-20. Notably, Home loans contribution to overall mix almost doubled to 3.7% as on end-FY 2020-21 versus 1.8% at end-FY 2019-20. Contribution of business banking which is a focus area for the bank increased to 4.8% from 3.5% YoY.

Contribution of NBFC and REG declined to 3.8% and 1.6% as of end-FY 2020-21 from 6% and 2.7% at end-FY 2019-20.

Deposits

Our deposits base grew by 38% YoY, and stood at ₹35,979 crore as on 31st March 2021. Our CASA ratio was at 23%.

Importantly, our focus on 'quality' over quantity was reflected in the increased contribution of 'Individual driven Banking' (segments including Individuals, HUF, Partnerships etc.) increasing to ~58% of total deposits in FY 2020-21 compared to 41% in FY 2019-20.

Our average cost of funds improved by ~86 basis points to 6.83% for FY 2020-21 whereas our incremental cost of funds improved by ~140 basis points YoY to 5.90% in FY 2020-21.

Asset quality performance

Gross NPA and Net NPA stood at 4.25% and 2.18% respectively, as on 31st March 2021 as compared to 1.68% and 0.81% respectively as on 31st March 2020, mainly due to adverse impact of the COVID-19 pandemic on our borrowers. Notably, our 90+ delinquency was 2.7% as on 31st March 2021. Collection efficiencies which dipped initially to 54% in April 2020 achieved normalcy across most segments as the year progressed. We were prudent in approving restructuring proposals, basis our internal risk models and business viability. During FY 2020-21, we restructured ₹641 crore (1.8% of gross advances), mainly in the bus, taxi segment (within wheels) and Schools, apparels segment (within SBL).

Provision Coverage Ratio (PCR) stood at 49.8% as on 31st March 2021 vis-a-vis 52.8% as on 31st March 2020. Besides provisions on standard assets, the Bank was carrying 18% provisioning against restructured loans and an additional ₹70 crore of contingency provisions. Total provisions including standard assets as % of gross advances stood at 2.9% as on end-March 2021 against 1.8% as on March 2020.

As discussed earlier in this report, a detailed look at our asset quality performance in FY 2020-21 suggests that it has been, at the very least, at par with best-in-class peers. Overall, the pandemic has severely tested the strength of our underwriting, resilience of our borrowers and the Bank's confidence in both these parameters has increased significantly based on the performance.

Capital Adequacy

During the year under review, our Capital Adequacy Ratio (CRAR) was at 23.4% vs 22% a year ago driven by our core profitability (RoE ex-Aavas stake sale of 12% for FY 2020-21), funds raised in AU Bank's maiden QIP, and the stake sale in Aaavas. Driven by the same factors, Our Tier-I ratio increased to 21.5% as on 31st March 2021 as against 18.4% as on 31st March 2020.

The regulatory requirement for Small finance Banks is 15% and 7.5% for CRAR and Tier-I respectively.

Liquidity

FY 2020-21 saw significant liquidity events - Moratorium on deposits placed on a large bank in March 2021, as well as the concerns over banking system stability due to the COVID pandemic. The Bank prudently maintained significant excess liquidity especially in H1 FY 2020-21 – Average LCR in H1FY 2020-21 was at 143% (versus regulatory requirement of 80% in H1 FY 2020-21), while average LCR in H2 FY 2020-21 was at 119% (versus regulatory requirement of 90% in H2 FY 2020-21). The Bank also holds additional liquidity which is invested in highly rated corporate bonds.

Distribution

For FY 2020-21, we expanded distribution and opened 37 new bank branches– entering newer states and union territories viz. Jammu and Kashmir, West Bengal, Telangana, Odisha, and Uttar Pradesh.

We further strengthened digital banking channels with the roll out of new age Mobile Banking/Internet Banking as well as launching video-banking where we can onboard customers online.

Earnings

Our total income increased by 28% from ₹4,992 crore in FY 2019-20 to ₹6,402 crore in FY 2020-21 driven by 15% growth in Interest income, 29% growth in Other Income and a one-off income of ₹651 crore from sale of equity shares of Aavas Financiers Ltd. Our net interest income increased by 24% from ₹1,909 crore in FY 2019-20 to ₹2,365 crore in FY 2020-21 driven by healthy AUM growth of 22%

Operational Expense

Cost-to-income ratio (excluding income from Aavas) declined from 56.1% in FY 2019-20 to 52.4% in FY 2020-21 aided by improving operating efficiencies. Notably, the employee expense for FY 2020-21 includes a one-off ESOP expense of ₹59 crore excluding which cost-to-income ratio for FY 2020-21 would be 50.5%.

Profitability

Profit After Tax (PAT) grew by 73% from ₹675 crore to ₹1,171 crore, driven by consistent growth, improving cost efficiencies and stable asset quality. PAT (ex-Aavas) grew YoY despite accelerated provisions in FY 2020-21.

Excluding the income from Aavas stake sale, the Bank delivered a RoA of 1.3% for FY 2020-21 as against 1.6% in FY 2019-20. In terms of RoE, excluding the income from Aavas stake sale, the Bank delivered a RoE of 12% for FY 2020-21 (₹625.5 crore raised in Mar 2021 removed from Net worth for RoE calculation) as against 15.8% in FY 2019-20 which reflects the resilience of the portfolio during the pandemic and the benefit of improving granularity of its deposits base.

Priority Sector Lending

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

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

While achievement of Priority Sector Lending is a regulatory requirement, Bank has taken it as an opportunity to serve the unbanked and underserved for fulfilling their credit requirements and achieve PSL targets simultaneously.

With Bank's strong footprints in rural and semi-urban areas and product offerings designed keeping in view the requirement of rural population and micro entrepreneurs, Bank's inherent model helps to generate PSL advances. We are delighted to inform you that Bank has been able to over-achieve regulatory PSL requirements year on year and in FY 2020-21 too Bank has exceeded the required PSL advances target and achieved 87.1% in FY 2020-21 against mandatory requirement of 75%.

Small ticket size loans in unbanked locations pose an inherent credit risks, but with Bank's extensive knowledge and insights gained while lending to various type of micro and small businesses over the years, Bank has been able to create and deliver product offerings with minimised risk and concurrently achievement of Priority Sector Lending Target.

Bank has also been playing a key role in helping micro entrepreneurs to get on their feet in the ongoing pandemic era, with seamless services and delivery of products at affordable price points and with quick turnaround time. Bank continues it's endeavour to serve the financial needs of the under-served, cater their credit requirements and partner them in their growth responsibly and sustainably.

Moratorium

On 27th March 2020, RBI permitted Banks to allow a moratorium of three months on payment of instalments for all term loans and working capital loans outstanding as on 1st March, 2020 meeting certain criteria. With multiple extension of the lockdown in various parts of the country and continuous disruptions caused due to COVID-19 pandemic, the moratorium on term loan instalments was further extended by another three months, i.e., from June 1, 2020 to August 31, 2020. Bank has proactively approached borrowers and extended moratorium helping thousands of Bank's borrowers to sail through the COVID times without downgrade in asset classification. As on 31st August 2020, ~5.5% of Bank borrowers by principal outstanding (POS) had availed complete moratorium.

Emergency Credit Line Guarantee Scheme (ECLGS)

The COVID-19 pandemic posed an unprecedented situation to the economy with business activities across territories coming to an abrupt halt. With Emergency Credit Line Guarantee Scheme (ECLGS) announced by Government of India, Bank understood the urgency and significance of immediate disbursement of the facility for addressing customer's operational liabilities, working capital requirements, and minimising the impact of the crisis on their businesses. Bank's customers were educated about ECLGS via means of text messages, e-mailers and calls to avail the facility. A weblink was developed to facilitate the customer for opt-in and optout from the facility. Consequently, Bank has extended ECLGS facility to 12,633 loan accounts amounting to ₹569 crore with minimal documentation and turnaround time.

Restructuring

The economic fallout on account of the COVID-19 pandemic has led to significant financial stress for borrowers across the board. The resultant stress could have potentially impacted long-term viability of millions of borrowers, otherwise having a good track record. Therefore, in August 2020, RBI decided to provide a window under the Prudential Framework to enable Banks to implement a resolution plan. With a view to facilitate revival of business activities and mitigate the impact on the ultimate borrowers, the Bank took an initiative to educate borrowers about the framework and its benefits. During the year, Bank received resolution request and restructured loans of 6,066 eligible borrowers amounting to ₹641 crore of gross advances.

Business segment review

Loans and Advances

AU Bank is emerging as a tech-led and digital-focused bank offering convenient banking solutions to our customers. We drive financial inclusion and aim to make banking easy and accessible to every Indian with the help of technology and digital inclusion. We have placed high emphasis on customer delight and strive to offer quality service to all our customers.

We have created wide range of portfolio products and services to cater to the evolving needs of our customers. Our customer-friendly processes are designed to make it easier to serve our customers. We aspire to leverage our proven systems and skills in the small ticket secured retail lending segment, with the underserved segment as our focus. With over 61% of our branches in rural and semi-urban areas, we have enhanced our focus on the unbanked and underbanked customers at the bottom of the pyramid to drive financial inclusion. Today, retail loan assets comprise over 91% of our loan AUM (as per RBI definition). Besides retail, we also offer small and mid-corporate loan asset products.

AUM mix –Retail AUM constitutes 91%

Criteria	Retail Assets		Corporate Assets		AUM as on 31st March 2021	% of total
	Amount (₹ in crore)	% of category	Amount (₹ in crore)	% of category		
Wheels	14,833	99%	91	1%	14,924	40%
SBL-MSME	1,4347	100%	10	0%	14,357	38%
Home Loan	1,385	100%		0%	1,385	4%
GL+CD+PL+EL	259	100%		0%	259	1%
OD against FD	900	93%	67	7%	967	3%
REG	92	15%	526	85%	618	2%
Business Banking	1,170	65%	643	35%	1,813	5%
Agri SME	1,314	83%	264	17%	1,577	4%
NBFC	-	-	1,425	100%	1,425	4%
Others	-		386	100%	386	1%
Total assets	**34,300**	**91%**	**3,412**	**9%**	**37,712**	**100%**

Lending verticals

Retail assets

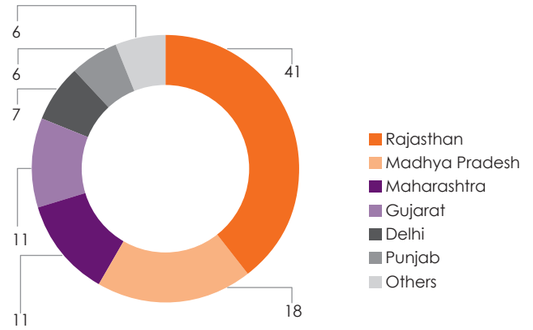
We have a long, and stable record in lending small ticket, secured, retail loans primarily to self-employed individuals for purchasing assets that generate income. Our retail asset segment includes our three key focus products – Vehicle Loans, Secured Business Loans (SBL) to MSMEs and Housing Loans. The Retail segment also includes various branch banking led-products like Gold Loans and Personal Loans, along with Overdraft (OD) on Fixed Deposits (FD).

Breakup of retail assets

Type of retail asset	Disbursement in FY 2019-20 (₹ in crore)	Disbursement in FY 2020-21 (₹ in crore)	YoY growth (%)	Share in total AUM (%)
Vehicle Loans	7,799	6,677	-14%	40%
SBL	4,865	4,664	-4%	38%
Housing Loan	490	909	86%	4%
Gold Loan, Consumer Durable Loan, Personal Loan and Education Loan (EL)	331	160	-52%	1%
OD Against FD	1,555	2,040	31%	3%
Total	**15,040**	**14,450**	**-4%**	**86%**

As on 31st March 2021,~65% of our loans by value and 98% by number were up to **₹25** lakh.

Retail AUM – geography-wise (%)



Growth trajectory outside of Rajasthan

(₹ in crore)

Details	FY 2020-21	FY 2019-20
Total retail assets disbursements	14,450	15,041
Rajasthan disbursements	36%	40%
Outside Rajasthan Disbursements	64%	60%

Wheels

₹14,924 cr

Gross AUM*
(₹12,946 crore in FY 2019-20)

15%

AUM growth over
FY 2019-20

₹3.6 lakh

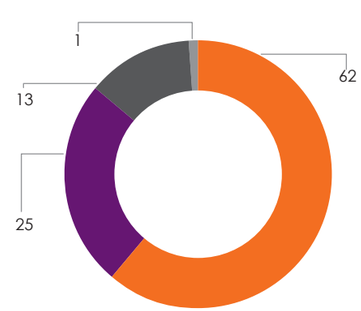
Average ticket size
(on disbursement excl. 2W)

*As on 31st March 2021

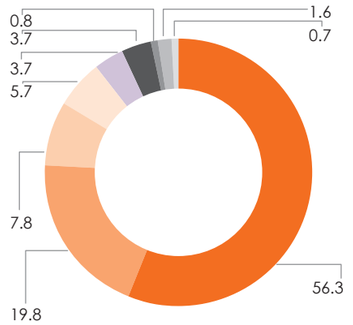
Vehicle loan has been a key product since our inception (vintage of over 25+ years) and is the most seasoned book in our portfolio. Despite sluggish growth in the overall automobile sector during the last 2 years, our vehicle loan AUM recorded a steady growth and forms 40% of our total AUM at the end of FY 2020-21.

We offer one of the widest product ranges in the industry and extend credit for 2 to 22-wheeler vehicles for personal and commercial use. We offer loans for new and pre owned vehicles and for refinancing of vehicles across several categories including Cars, Multi-Utility Vehicle (MUV), Sports Utility Vehicle (SUVs), Light Commercial Vehicle (LCV), Medium and Heavy Commercial Vehicle (MHCVs), Construction Equipment (CE), tractors, two and three-wheelers. In the commercial space, we serve First Time Buyers (FTBs), First-Time Users (FTUs), Small Road Transport Operators (SRTOs) and captive users. We secure our wheels loans with the vehicles we finance. Average loan tenor is of 3-4 years.

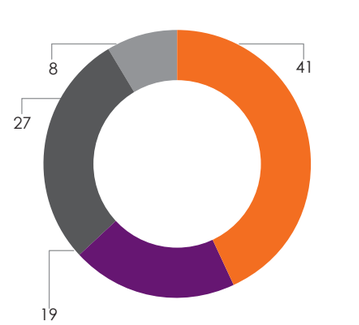
Segment-wise AUM split (%)



Vehicle type-wise AUM split (%)



Usage (%)



*As on 31st March 2021

FY 2020-21 was a challenging year for wheels business with the first half being completely marred by COVID and its associated challenges. Most of our customers are in the essential category of business or in businesses which attract non-discretionary spending. So, while they availed moratorium extensively in the first couple of months, the unlocking seen in June 2020 and gradual resumption of businesses ensured that the customers started paying up EMIs and overdues as their vehicles started running again.

During the year, we took several initiatives on the product side that helped us stay ahead of the curve:

- Maintained multi-product strategy with low focus on financing of cyclical vehicles (car taxi segment)
- Increased focus on used vehicles given the vast business opportunity and the formalisation of end market in the last few years
- Strengthened relationship with leading auto OEMs catering to a wide set of vehicle models, driven by clear monitoring of the models, pricing, demand and resale value

Some other key highlights of the year under review were:

Partnered with largest OEM Maruti to finance customer' digitally – Maruti Suzuki Smart Finance Platform (MS-SFP)

- In Q3 FY21, AU Bank became the only SFB and was among the first few banks, to partner with Maruti Suzuki for their online digital car financing marketplace aimed at providing end-to-end digital car buying experience to its premium customers buying cars from their NEXA showrooms
- Existing AU Bank customers (ETB) with a pre-approved offer can avail the car finance at a single click at Maruti's online platform; for New to Bank (NTB) customers as well, AU Bank provides real time credit sanctioning, online at the platform itself
- In Q4 FY21, this facility was extended to Maruti's ARENA segment of customers as well

Pre-approved offers to both our asset and liability customers

Our an existing pre-approved offers program was primarily focused on our existing asset customers basis their track-record and amortisation levels. In FY 2020-21 we also introduced pre-approved offers for our Liability customers using Data analytics and predictive algorithms.

Tractor Financing gaining traction

India witnessed an above-normal monsoon for second consecutive year. This along with Government's spending in rural markets through various government schemes and higher MSP for crops led to strong demand from rural and farmer segment in the second half of the financial year. For AU Bank, our Tractor finance business has gained traction with AUM crossing ₹1,150 crore in FY 2020-21 and now forms ~8% of our vehicle financing business.

Growth in personal mobility

COVID-19 led to sharp decline in traveller's preference for public transport/shared mobility as the customer looked for safety and social distancing. This led to an industry-wide strong demand for personal Cars. AU Bank also saw similar trend in our disbursement with good demand for personal cars and 2-Wheelers. We also saw an increase in salaried customers in our personal vehicle segment.

Secured business loans – MSME (SBL/MSME)

₹14,357 cr

Gross AUM*
(₹11,287 crore in FY 2019-20)

27%

AUM growth over
FY 2019-20

₹8.7 lakh

Average ticket size

*As on 31st March 2021

Secured business loans MSME (SBL-MSME) is a key product within the retail assets segment. We are focused on financing of consumer driven businesses and is the first formal business loan provider for over 60-65% of our customers. Our loans primarily serve MSMEs with annual turnover between ₹10 lakh and ₹40 lakh, 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). We understand our customers' business and their future requirements, their existing and projected cashflow, and on-ground feedback to arrive at the loan amount that can be offered to them. Such loans are then secured by immoveable property, and the uses include working capital needs, expansion, purchase of machines/equipment and infrastructure requirements.

We also cater to larger businesses in terms of turnover, which have more formal and documented income proofs. Our target Small and Medium-sized Enterprises (SMEs) include traders, wholesalers, distributors, retailers, manufacturers and self-employed professionals, and these loans are meant to meet their needs for expansion, working capital and purchase of equipment. Average loan tenor of the loan is 5-7 years.

Our credit quality is one of the best in the industry due to our robust customer understanding and strong underwriting practices.

Profile	% Share FY 2019-20	% Share FY 2020-21
Essential	31	28
Discretionary	22	23
Non-Discretionary	47	50
Grand Total	100	100

Operating environment

Majority of our customers are very small and fall under "Micro" category and our funded business is the main source of generating their livelihood. However, during the nationwide lockdown, their businesses were closed, and incomes were halted. Moratorium was taken as a waiver and we had to connect with lakhs of customers to explain to them that moratorium is nothing but postponement of EMIs. Banking being an essential service and most of our customers being in rural and interior locations (where COVID first wave had limited impact) provided us the flexibility to connect with the customers.

It was also a year when Agri economy did fairly well and for many of the borrowers, their Agri-income supplemented the income loss suffered from their normal business. By Q2 FY21, the Government also announced certain policies like ECLGS etc. and Bank implemented the scheme with diligence allowing some of these stressed borrowers, especially from segments like Education, Tourism, Hotels, Hospitality etc., to efficiently manage their working capital and pay their operational expenses.

Disbursement

As the situation began to improve from Q2 FY21, we saw gradual recovery in demand from essential and non-discretionary segments. Aided by the Bank's increased customer engagement with various borrowers and businesses during the pandemic (esp. in Q1/Q2 FY21), we were able to resume disbursements quicker and were able to capitalise on the demand in Q3 FY21 and Q4 FY21.

Our on ground presence in the initial days of pandemic also helped well maintaining our yields and asset quality. However, it is important to note that demand was completely absent from 20 - 30% of the segments that we operate in the SBL business, owing to prolonged closure of businesses like Education, Hospitality etc.

Bringing digitisation to traditional businesses

In line with the Bank's strategy of becoming a Tech-Led Bank, we utilised last year's pandemic to upgrade our digital infrastructure and have operationalised a completely new platform for our SBL business – "RAPID" - it went from design to production to live stage in the last financial year itself, and is currently live on all our SBL Relationship Officer's handheld devices in Rajasthan. The application automates the entire journey of an SBL customer – from sourcing to disbursement – and will help us reduce TAT and gain operational efficiency. In FY 2021-22, we plan to roll this out at a pan-India level.

Expanding reach

SBL business remains a key focus area for the bank and it has continued to perform robustly through the cycles. Even in the current pandemic, though unprecedented and having disproportionate impact on the Micro and Small businesses, our SBL book has behaved quite well and has given us a lot of confidence to continue growing this book among our chosen customer segments and geographies. With this objective, during the year under review, we not only expanded our reach to newer geographies and branches but also added ~30% workforce across sales and a credit in our SBL business.

Home loans

₹1,385 cr
Gross AUM*
(₹567 crore in FY 2019-20)

144%
AUM growth over
FY 2019-20

₹9.7 lakh
Average ticket size

*As on 31st March 2021

We provide a comprehensive range of affordable home loan products to cater to every home buyer's loan needs (self-construction, purchase of flat/house, extension/renovation, and takeover/top-up), with a focus on the affordable housing segment. We offer loans 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. With an average ticket size to ₹9.7 lakh, we are focused on catering to housing needs majorly in tier 2 and tier 3 cities.

Armed with well-trained relationship officers who empower the customers to select the right loan mix, extensive branch network and ground presence, we are well placed to rapidly scale up the business exponentially. Currently, we operate at only 135+ locations, we aim to expand the product offering to all AU's 600+ locations. Despite the sluggish Q1 FY21 and some part of Q2 FY21, we were still able to scale up the home loan business with growth of 144% over FY 2019-20.

Timely changes in criteria and the changing market conditions in 2020 has led us to acquire good set of customers creating a quality portfolio. With major impact of COVID prevalent in urban centres, rural and semi urban areas recovered quickly. AU's lynchpin strategy has been about penetrating in rural/semi urban areas, we have around 65% funding in these areas with around 36% funding to Salaried individuals and 62% to self-employed non-professionals.

We have consistently invested in nurturing talent and developing leaders which has helped us build a quality book. The product structure around housing finance is well equipped to cater all kinds of housing needs.

The affordable buoyancy in the market manifested in the form of low mortgage rates and stagnant prices is expected to continue attracting serious homebuyers. Guided by the expected economic growth trajectory, the uncertainty around stability of jobs and incomes is only expected to reduce in the coming quarters. This is likely to have a direct positive impact on the housing sector with enhanced buyer confidence. The housing market is set to chart a new chapter of growth, fuelled by affordability, reinforced desire to own a house, and renewed interest from all buyer categories.

We feel we can take advantage of this multi year growth window through our unwavering focus in the tier 2 and tier 3 cities. With increasing geographical presence of the Bank, we are well poised to leverage new locations and markets going ahead.

Gold loan

₹95 cr
Gross AUM*
(₹55 crore in FY 2019-20)

73%
AUM growth over
FY 2019-20

₹1.6 lakh
Average ticket size

*As on 31st March 2021

Our Gold loan business is run by our branch banking team with vaults in every branch. Most of the loans in these segments are extended to Existing-to-Bank (ETB) customers with a good repayment history.

Our Swarna Samridhi, gold loan is a secured loan product provided to an individual for their jewellery to get funds for business or personal requirements.

Personal loans

₹161 cr
Gross AUM*
(₹181 crore in FY 2019-20)

-11%
AUM growth over
FY 2019-20

₹1 lakh
Average ticket size

*As on 31st March 2021

We offer easy and convenient personal loans that enable our customers to meet emergency needs/spends, as well as take care of all their necessities. We have a seamless, flexible and transparent paperless loan process, along with quick approvals. Existing AU Bank customers can get a pre-approved personal loan instantly with paperless process.

During the year under review, our disbursements in consumer finance book (Gold Loan, Personal Loans and Consumer Durable loans) were muted as the economic environment was quite uncertain. As we move forward, we are looking to make these products available to our existing customers though our digital bank offering.

Small and Mid-Corporate (SMC) assets

We cater to SMEs for their business banking, working capital and trade finance needs in this segment. We understand the bespoke requirements of businesses, therefore have created comprehensive offerings with simplified documentation and efficient turnaround time. We also lend to Non Banking Financial Companies (NBFCs), Housing Finance Companies (HFCs), Micro Finance Institutions (MFIs), and Real Estate Developers for theirs construction finance requirements. As on 31st March 2021, small and mid-corporate assets increased by 9% YoY and comprised 14% of gross AUM as we became more cautious and slowed down disbursements in Real Estate and NBFCs in the past year.

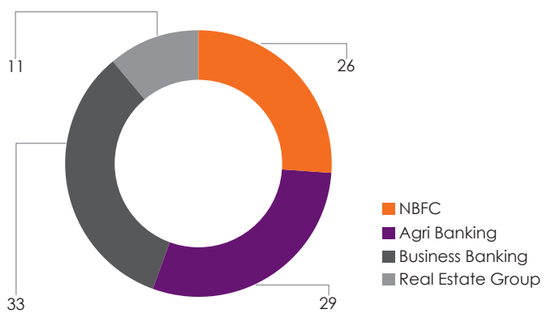
Breakup of SMC assets

Type of retail asset	Disbursement in FY 2019-20 (₹ in crore)	Disbursement in FY 2020-21 (₹ in crore)	YoY growth (%)
NBFC	940	1018	8%
Agri Banking	605	701	16%
Business Banking	1,643	2,163	32%
Real Estate Group	406	291	-28%

Including non-fund based

SMC AUM mix

(%)



Business banking

₹1,813 cr

Gross AUM*
(₹1,078 crore in FY 2019-20)

68%

AUM growth over
FY 2019-20

₹40 lakh

Average ticket size

*As on 31st March 2021

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

Business Banking has been focusing on growing our fee income by concentrating on transaction banking and has further set up non-fund based limits to issue Bank Guarantees – both performance and financial BGs and also Letter of Credits (LC) facilities.

Despite the pandemic, our business banking portfolio has shown resilience and the slippages continue to remain low. The business follows a model of Relationship Management where the collection is taken care of by the sourcing team itself resulting in developing a 360 degree insights about the customers and fostering a deep connect with the customers on how they go about their business. This coupled with stringent credit monitoring exercise across various parameters, gives insights about the business of the customer and helps in taking corrective actions.

During the year under review, there was a periodic assessment by the business and credit teams of the business and operating environment . This resulted in the crafting of a dynamic sourcing strategy during different phases of unlocking which directed attention on right segments at the right time. This led to strong credit with 100% of the book sourced in FY 2020-21 being at nil delinquency.

With our robust underwriting models, business intelligence, and relationship management, we are poised to be significant contributors in MSME financial inclusion and coverage.



NBFC Lending

₹1,425 cr

Gross AUM*
(₹1,856 crore in FY 2019-20)

-23%

AUM growth over
FY 2019-20

₹491 lakh

Average ticket size

*As on 31st March 2021

After two decades of functioning as an NBFC, we understand the need for constant stream of funds for NBFCs, which include Asset Finance Companies (AFCs), Housing Financial Companies (HFCs), and Micro Finance Institutions (MFIs). We have seen multiple cycles in this segment and our key advantage is our 'ears-to-the-ground' approach and infrastructure in areas where these NBFCs are active. With our customer-centric approach, we are well prepared to serve these financial institutions at various stages in their business life cycles. Our loan book in this segment is well diversified across 9+ states spread across 125+ NBFCs.

A key differentiator for our NBFC business is that it is entirely self-funded. The business team also looks at growing liability and transaction banking relationship with the financial institutions and aims to deepen the relationship with clients by extending multiple banking products like transaction banking, CMS, CA/SA, ACH/ NACHs, corporate salary accounts etc. We also extended credit during the first wave by participating in the TLTRO 2.0 scheme and provided liquidity support to smaller NBFCs as per the laid down criteria.

USP of our NBFC lending Book

- Seasoning of more than 7 years. Navigated well through various macro-events like NBFC crisis, Bank Moratoriums, demonetisation, GST and ongoing COVID-19 Pandemic etc. The book has been resilient across these events
- Low Concentration Risk. Portfolio is well diversified across asset classes and geographies
- End borrower profile largely secured ~85% on-lending to asset customers with collaterals including CV, 2W, MSME, HFC, Gold, etc. The Loss Given Defaults in these cases are much lower
- Selectivity curated book with clients having Low Leverage and demonstrated track record of raising timely debt and equity. Comfortable Leverage levels with Median at 1.62X and average leverage at 2.1X while for top 50 clients the average leverage was at 2.26X (as of December 2020)
- Our exposure remains largely to small and mid size customers with limited or no dependence on short term capital market instruments

COVID Impact -moving to a sustainable granular franchise

Approach	Initiatives
Sourcing Strategy	• We continue to be more focused on investment grade companies and are slowly inching towards a higher rated spectrum • We have been onboarding fresh customers on asset class, portfolio quality, and corporate governance basis approach
Underwriting Parameters	• Switched to stringent underwriting methodology with more focus on retail oriented NBFCs having comfortable capital adequacy, robust liquidity profile and promoter pedigree • Key aspects of our physical Due diligence exercise include extensive system verification, customer contract verifications, bank statement analysis, asset verification etc
Customer Engagement	• Periodic call with management to get a sense of Collection efficiency trend, liquidity management, disbursals strategy apart from financial and operation update
Product Cross Sell	• Cross selling of multiple banking products to increase wallet share with customer
Monitoring Mechanism	• We continue to track performance thorough monitoring and vigilance mechanism. Some of the checks include receivables/Pool verification, quarterly financial covenants compliance, Quarterly / monthly financial reviews where necessary, management meetings and periodic cashflow verification on system
Restricting Exposure	• We have exited some of the riskier accounts specifically in the MFI segment. Unique client base has thus reduced from 157 in March 2020 to 129 in March 2021. During the same period, MFI exposure has also gone down to sub 100 crore from 418 crore earlier

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

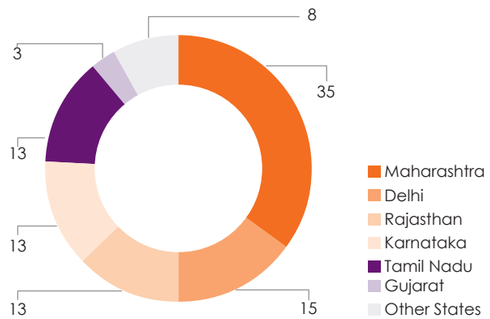
NBFC Type	No. of Clients	POS (₹ crore)	% Mix	Deposits (FD+CA) (₹ crore)
Asset Lending	82	871	62.1%	1,138
-MSME	45	620	44.2%	588
- Vehicle	17	100	7.1%	451
- Two-Wheeler	16	100	7.1%	43
- NBFC having RE book	1	1	0.1%	0
- NBFC having some RE exposure	3	50	3.6%	55
MFI	11	94	6.7%	301
HFC	22	295	21.0%	243
Fintech	11	110	7.9%	111
Gold	3	32	2.3%	1
Total	**129**	**1,403**	**100.0%**	**1,792**

*Excluding 22.50 crore exposure which was against FD

Over 90% of the NBFC exposure is in investment grade category

Credit Rating	POS (₹ crore)	Exposure (%)
Investment Grade	1,260	90.3%
"AA"	100	6.4%
"A"	625	46.2%
"BBB"	534	37.7%
Non-Investment Grade	46	3.0%
Unrated	97	6.7%
Total	**1,403**	**100.0%**

Geographic distribution of NBFC Book (%)



Agri Banking

₹1,121 cr
Gross AUM*
(₹634 crore in FY 2019-20)

77%
AUM growth over
FY 2019-20

₹34 lakh
Average ticket size

*As on 31st March 2021

Agri banking aims to meet the 360 degree requirements of all the stakeholders engaged in the agri value chain. Entire spectrum in the agriculture value chain, from Farm to Fork, is covered.

Farm → Fork

Producer	Procurement	Value Addition	Storage	Distribution	Consumption
Farmer	Cold Chain Unit	Primary Processor	Cold Storage	Stockist/ CNF	Institutional
Farmers Producers Organisation	Aggregator	Secondary and Tertiary Processing	Pack House	Dealer/ Retailer	Hotel, Restaurants, Caterers
Farmer Interest Groups	Tracker	Contract/ Job Worker	Silos	Online Sales	Take Away
Cooperative	Importer	Packaging	Warehouse	Exports	Families
Corporates	Inbound Logistics	Food Processing Machineries*	Ripening Chambers	Reefer Vehicles	Individual

*Cleaners, Sorters, Boilers, Miling Units, Packing Units, etc.

Product offering includes working capital and term loans requirement of entities involved in agriculture and allied value chain. Loans are also provided for construction, acquisition, renovation, and carrying out machinery or equipment upgradation. Loans to renewable energy sectors like solar projects have recently been started by Agri banking team.

We have a greater focus on customer segments in non-urban areas, where we can leverage our distribution network. Currently, we are covering 6 states namely Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Punjab, Haryana and 2 Union territory of Delhi and Chandigarh. Agri banking loans are available at 150 locations currently against AU Bank's presence across 600+ locations.

The focus has been expanding this book by acquiring customers and providing both fund based and non-fund-based facilities to them. During the year under review, we added 750+ new customers with 77% utilisation of fund-based sanctioned limits.

Ministry of New and Renewable Energy, Government of India launched new scheme for farmers for 10,000 MW of Decentralised Ground Mounted Grid connected Renewable power plants of individual plant size upto 2 MW. This scheme is known as Pradhan Mantri Kisan Urja Suraksha Evam Utthan Mahabhiyan Scheme (KUSUM).

We have sanctioned 2 projects in FY 2020-21 under KUSUM and disbursed one proposal amounting to ₹4.90 crore. The commissioning of this project is expected to be in Q1 of FY22.

Site photographs of project disbursed by us are given below:





Real estate group (REG)

₹618 cr
Gross AUM*
(₹826 crore in FY 2019-20)

-25%
AUM growth over
FY 2019-20

₹227 lakh
Average ticket size

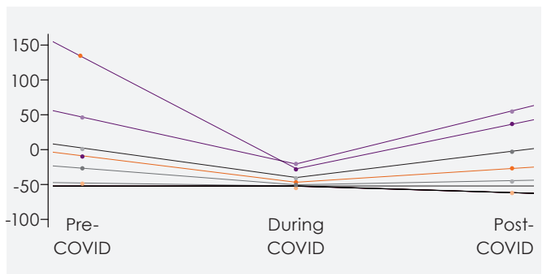
*As on 31st March 2021

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

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

We remain cautious in growing this book and market trends have not been very supportive in FY 2020-21. The stillness in economic activities also forced the real estate industry to slowdown. Although, we did see some recovery in second half especially in certain markets which were less impacted by COVID, we will remain watchful and look for sustainable trends before expanding this business.

Recovery trends in project launches on Half Yearly Basis-Residential (%)



Source: Knight Frank India Research

Liabilities and Branch Banking

Our liabilities business has evolved over the last 4 years into distinct verticals of Retail Branch Banking, Government Liabilities Business, Cooperative Banks & FIG and Wholesale Liabilities.

Primary driver of our Liabilities business is the Retail Branch Banking which is focused on sourcing of individual retail customers and small businesses to address their comprehensive needs for banking products and services.

Our focus for the last couple of years has been to grow the share of retail deposits as a % of total deposits. From FY 2017-18 at 35%, retail deposits have grown to 55% in FY 2020-21 in value terms whereas by profile of depositors 58% of deposits, as of FY 2020-21 are from Individuals, HUFs, Sole Proprietorship and Partnership firms, up from 33% in FY 2017-18.

During FY 2020-21, Retail Branch Banking business has evolved along the below priorities:

1) Customer segment-based acquisition of quality customers:
   a. Quality over Quantity of accounts with product offering tailormade for specific segments
   b. New Channels for Non-Resident Indians, TASC and Enterprise Salary accounts in addition to the existing channel for Current Accounts
2) Customer Engagement through full suite of products and services for Individuals and Small Businesses:
   a. **Individuals:** Savings Account, Deposits, Investments (MF & 3-in-1 account), Insurance (Life, Health and General Insurance), Spends (Debit Card and E-com Offers), Payments (UPI, IMPS, NEFT and RTGS) and Loans (Auto, Housing and Personal Loans) driven by launch of new mobile banking app for Individuals.
   b. **Small Businesses:** Current Account, Payment and Cash Management Solutions, Corporate Net Banking, QR & POS, Business Banking Solutions through Fund and Non-Fund Based products and Trade and Foreign Exchange remittance solutions for Small Businesses.
3) Effective Sales and Resource Management through focus on Hiring quality people, Employee Onboarding and Training & Performance Scorecards.
   a. We have invested in Digitally native employee enablement through CRM App, Account Opening App, Sales Enablement App (Product Training and Brochures) on bank provided Tabs which have integrated biometric authentication device.
   b. A Branch Control Group (BCG) monitors marketing efforts, productivity and performance centrally
4) Measurement and Analytics: We have developed important metrices to effectively score customers, employees and teams on engagement, quality, and efficiency.
5) Distribution :
   a. Reorganised teams geographically into Urban Markets and Core Markets
   b. Increased distribution reach through expansion into UP, West Bengal, Odisha, Karnataka, Telangana, and Jammu & Kashmir thereby increasing our footprint to 15 states and 2 UTs to essentially cover major Urban markets
6) Audit, Compliance, Integrity and Discipline (ACID): Measurement of every branch is done on the parameters of ACID so that the branches build a true north focus towards our commitment to depositors towards service and compliance.

Our fixed deposits are rated FAA+/Stable by CRISIL

The impact of these efforts is reflected in the change in our deposit profile as below:

Deposit mix – by amount

(₹ in crore)

Financial year	Current Account	Savings Account	Term Deposits*	Total deposits
FY 2020-21	1,632	6,643	27,704	35,979
FY 2019-20	1,114	2,673	22,377	26,164

*includes CD

Deposit mix – by number of accounts

(No.)

Financial year	Current Account	Savings Account	Term Deposits	Total deposits
FY 2020-21	1,18,864	14,65,060	3,15,709	18,99,633
FY 2019-20	78,907	12,33,929	2,08,776	15,21,612

Building granular retail deposit base

Share of retail in Savings Account (SA) **

Financial year	Retail SA	Bulk SA
FY 2020-21	91%	9%
FY 2019-20	86%	14%

Share of retail in term deposit

Financial year	Retail SA	Bulk SA
FY 2020-21	44%	56%
FY 2019-20	39%	61%

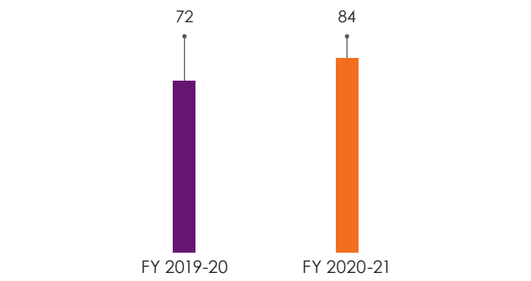
** Retail SA refers to all SA of Individuals (including Salaried), HUF and SA of Government & TASC having balance of less than ₹5 crore while Bulk SA refers to SA of Government & TASC with balances of ₹5 crore & above

As we move forward, our priorities for the Retail Branch Banking franchise are as below:

1. **Family Banking:** Deepen our relationship with customers with family accounts
   a. Day 0 activation on Conveniences (Mobile Banking, UPI, Bill Pay, FASTag and Offers)
   b. Penetration through PPC (Loans, Credit Cards, Insurance and Investments)
2. **Embedded Banking for Small Businesses:** Activation on Corporate Net Banking, Collection and Payment Solutions, Merchant Solutions – QR, POS, Payment Gateway and Business Banking
3. **Video Banking:** Bring the branch to the customer's home with convenience to carry out all non-cash transactions
4. **Cross-sell:** provide solutions to existing customers for their asset purchases (Home Loan, Vehicle Loan etc.), Investments (3-in-1 a/c, SIP, IPO/ASBA), Insurance (Life, Health and General) and Transaction banking (Trade, Guarantees, FCY transactions)
5. **Data and Analytics:** Extensive use of data to generate pre-approved offers and targeted marketing campaigns.

Deposit as a % of external liabilities

(%)



Treasury management

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

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

Liquidity, interest rate and ALM management

The liquidity levels are closely monitored and calibrated in accordance with prevailing market conditions and liquidity outlook. The bank is maintaining sufficient liquidity and contingency buffer in compliance to regulatory norms, which are invested in High Quality Liquid Assets in the form of excess SLR and high-quality Debt Capital Market instruments (G-Sec/T-Bills and AAA/AA+ Non SLR instruments) and can be readily used for repo or liquidated in secondary market. We have strengthened and diversified our liquidity profile in view of additional regulatory requirements through a judicious mix of deposit mobilisation (CASA, Retail Deposit and Bulk Deposit) and rupee borrowing in the form of CDs, Term Money, securitisation of portfolio, and re-finance from various domestic financial institutions (NABARD, SIDBI, MUDRA and others) to optimise cost and manage the ALM profile.

During the year, the focus was build-up of granular deposits viz. RTD and SA. This allowed Bank to reduce reliance on borrowings and substitute same with low-cost deposits. The Bank, during current financial year undertook its 1st IBPC transaction where it assigned its non-PSL portfolio at competitive rates for balance sheet management.

The treasury closely works with the internal teams and monitors deposit mobilisation besides regularly undertaking analysis of competitive landscape of interest rates to benchmark our deposit rates. The treasury regularly monitors the portfolio and incremental cost of funds and takes suitable measures to optimise cost of funds by facilitating branches to mobilise deposits by offering competitive rates of interest, keeping in view the prevailing interest rate scenario, along with ALM position and optimum liquidity management.

Treasury closely tracks interest rate movements and bond yields, factors influencing interest rate movements both domestic and global, and actively trades both in SLR and non SLR bonds to generate capital gains. The trading desk for government bonds and highly rated money market instruments endeavours to generate trading gains by prudently taking advantage of interest rate movements through proprietary positions at appropriate levels with approved policy and risk framework with the guidance of Investment Committee and the Board. During the year, we also participated in the RBI's Open Market Operations (OMO) bond buying programme, and generated capital gains from the SLR portfolio. We also participated in Long-Term Repurchase Operations (LTRO) 0 to raise long-term funds at repo rate to provide credit to productive sectors.

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

Cost of Funds

(%)

Particulars	Q1 FY21	6M FY21	9M FY21	FY21
Overall Cost of Funds	7.18%	7.07%	6.95%	6.83%
Incremental Cost of Funds (Year till date)	6.03%	6.09%	5.97%	5.93%

Deposits and Borrowing Profile

(₹ in crore)

Particulars	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21
Deposit+ borrowing	**38,188.07**	**37,103.11**	**38,878.16**	**43,009.01**
Deposit	70.01%	72.72%	76.41%	83.66%
Borrowings				
Ref. from FI	19.58%	18.21%	15.80%	12.93%
NCD	1.67%	1.72%	1.64%	1.35%
Loan from Bank & NBFC	0.19%	0.16%	0.11%	0.08%
Tier II	1.82%	1.85%	1.76%	1.43%
TREP/LOC/Inter bank/others	6.73%	5.36%	4.28%	0.56%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Off book source of fund				
Sec. & Assign. o/s AUM	3,394.17	3,006.18	2,605.88	2,247.27

Debt Capital Market (DCM) Desk

The DCM desk was started in FY 2018-19, for managing the surplus liquidity of the Bank and to manage the Bank's investments in short-term and medium-term bonds, debentures and commercial papers to optimise yield on our non-SLR investments. Its objective is to enhance return on funds and create high-quality liquid assets to aid in regulatory LCR as well as effective liquidity management within regulatory and investment policy risk parameters. DCM undertakes investments, origination, holding and trading of bonds, and works closely with leading corporates, asset managers, insurance companies, other banks and market participants with understanding of day-to-day market positioning and changing dynamics. During FY 2020-21, the DCM desk took advantage of the lower interest rate cycle and generated income from our high-quality liquid investments in addition to the fundamental of adequate liquidity cushioning at all times with prudent risk framework.

Financial Institutions Group (FIG)

Financial Institutions Group (FIG) is responsible for managing overall relationship with various financial market participants such as banks, mutual funds, cooperative banks, insurance companies, Development Finance Institutions (DFI) and multilaterals, as well as associates and intermediaries such as credit rating agencies, legal firms and stock exchanges. The group helps in setting up fund-based and non-fund-based limits with various counter parties and market participants and vice versa. This group is also responsible for raising Tier-2 capital for the bank to maintain healthy capital position.

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

Correspondent banking

During the year, FIG tied-up with various banks to ensure availability of trade and remittances products for our clients. The group 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.

Long-term resources

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. Money raised under various refinance schemes helped to lower our cost of funds and improve the ALM profile, concurrently allowing us to continue providing long-term financing assistance to various underbanked and underserved customers in rural and semi-urban locations.

In the current financial year, the Bank availed refinance from National Housing Bank (NHB) against our affordable housing finance loan portfolio. This is the first time that

NHB refinance was made available to Small Finance Banks. The long-term nature of the NHB refinance facility shall ensure that we continue building our affordable housing loan portfolio in a sustainable manner. During FY 2020-21, the Bank also added a new instrument to raise funds – Inter-bank participation certificate (IBPC), and used IBPC to successfully execute transactions with different Banks and raise short-term low-cost liability for the Bank against our Non-Priority Sector Loan portfolio.

Securitisation route has been used for raising long-term, low-cost liability by assigning part of our retail-loan portfolio to various investors in the past. While the Bank didn't take any fresh securitisation transaction in FY 2020-21, during the year under review, the residual portion of our securitised portfolio stands on ₹2,413 crore.

Financial inclusion

Please refer to the Social and Relationship capital on page 102 for detail coverage on financial inclusion.

Credit management

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

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

The Bank has laid down prudential limits and caps on various aspects to control the magnitude of credit risk. Rigorous risk reporting and controlling mechanism is prevalent across the organisation. Loan administration and monitoring is carried out through Portfolio Profiling, Early Warning Framework, Rapid Portfolio Review and Annual Monitoring of High Value Customers.

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

Despite the challenging environment of pandemic especially in the H1 FY 2020-21, Bank's performance has been extremely resilient. The Bank is able to keep its asset quality in check, strengthen its Balance sheet and increase granularity of its deposits. Portfolio performance has increased confidence in our customer segment, asset class and credit underwriting. Situation on the ground is evolving with the second wave of infections, for which the Bank is taking necessary measures to control and maintain the Credit quality. Bank is hopeful that with the ongoing vaccination drive, and actions taken by the Government situation will stabilise in the near future.

Collection management

Our asset quality is partly a reflection of our robust collection management system. Several external factors such as geography, delinquency, products, customer repayment history along with internal factors like our own collection strategy etc. influence collections at AU Bank.

However, most of these factors and assumptions fell flat during the pandemic induced lockdown. One makes strategies for normal times, not for a 2.5 month lockdown. The pandemic required us to adapt with agility and come up with a strategy more in sync with a the situation on the ground – evolving, unprecedented with lot of unknowns.

During the year, we restructured the collection management team into two - Urban and Core – each team with defined geographic focus and differentiated approach. Core team needed higher personal connect with the customers requiring strong local touch point and vernacular medium.

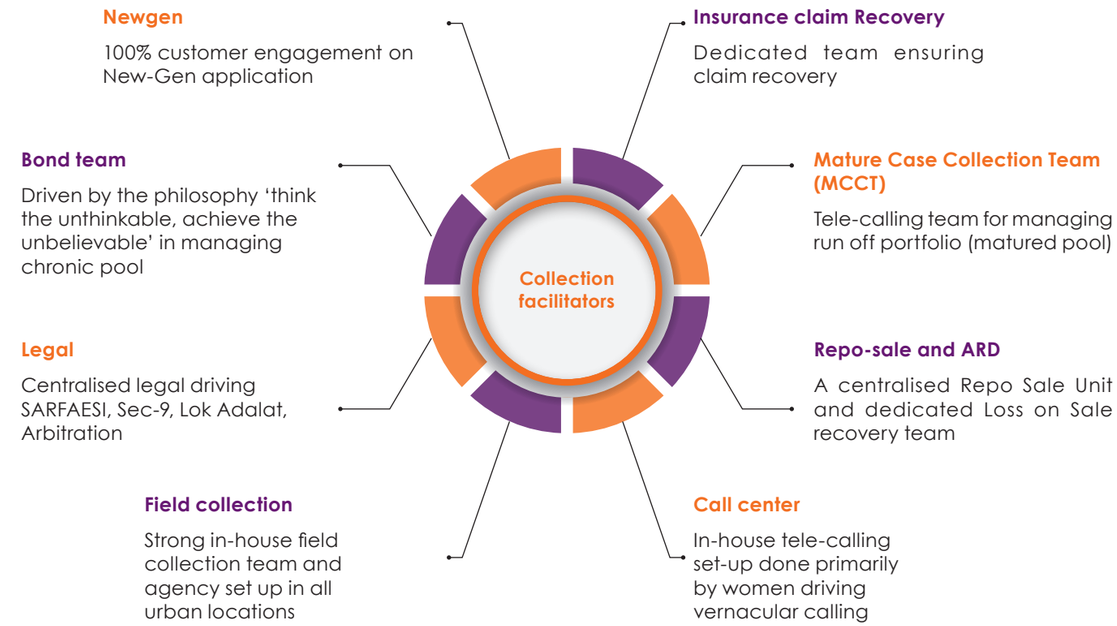
A dedicated task team to micro-manage the collection process for high-ticket-size cases was also carved out. We maintain the right mix of in-house and vendor teams to balance efficiency and cost.

During the on-set of pandemic, owing to large number of early delinquency, we expanded the call-pickup-referral model for fresh non-payment cases (bounces). Our analytics-driven pre-delinquency management process helped us in identifying and allocating these cases, thereby, reducing non-payment cases (bounces) by executing this differentiated approach.

We are sharpening our collections methodology further with:

- Quarterly audits of key control parameters by Internal Audit Department (IAD)
- Collection audit/compliance structure to be created under collection control room
- Regular training programme to keep teams and leadership abreast on important dos and don'ts of collection

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



Process improvement in collections

We are rolling a new-age collection system through a mobile app in the current financial year. We are automating all standard dashboard/MIS and processes through our systems and use scientific method for allocation using AI/ML. We will also implement the following practices:

- Further strengthen analytics driven field collection model
- Focus on higher bucket flow—due to the pandemic—separately
- Improve early buckets collection efficiency to control further flow
- Use pool segmentation for efficient allocation and strategy
- Dedicated collections structure based on homogeneous product groups and buckets
- Strengthen Tele Collection Unit to address the flow at entry level by adding regional call centre for better reach

Information technology

Please refer to the Intellectual capital section on page 72 and Manufactured capital section on page 78 for detail coverage on information technology

Human resource

We are a "Great Place To Work" certified bank and are growing as a preferred employer. Our people view the AU Bank culture as energetic, empowering, collaborative and inclusive; whereas for us, they are our biggest brand endorsers.

Merit finds recognition at our bank; and we focus on enhancing learning and development of our people with a variety of trainings. Some of them conducted during the year were:

- Sahi Jawaab
- Knowledge-O-Meter
- Kahaani Kaam Ki
- Buniyaad
- Pratyarambh
- Kahani ansuni, ek kadam zimmedari ki
- Aapka subhchintak
- Employee Connect Un-Banked Branches
- Skill Enhancement & Employees Development (SEED)

We also conducted other training workshops and focused on digital initiatives such as HR Sahayak — our one-stop helpdesk platform for all HR queries to enhance people experiences at AU Bank.

Safety delivered, alongside essential services

We unlocked the power of our people by securing their safety. During the year, we undertook several activities to ensure health and safety of our people, including the following:

- Addressed employee queries through a designated COVID helpdesk
- Operated open-door offices for minimal contact
- Educated teams about safe behaviour
- Collaborated with various hospitals to get additional discount and benefits for our people
- Conducted annual health check-ups, blood donation camps, eye camps and others
- Organised live Yoga session in association with the Art of Living Foundation

We have also undertaken several programmes to enhance gender diversity and inclusivity at AU Bank.

Please refer to the Human capital section on page 82 for detail coverage on Human Resource

Compliance

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

We promote awareness of compliance obligations and ethical values across the organisation to build a culture focused on compliance.

Please refer to the Governance section on page 112 for detail coverage on compliance

Internal control systems

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

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

The Bank has Internal Audit function which is responsible for independently evaluating the adequacy and effectiveness of all internal controls, Information Security controls, Risk management, Governance systems and processes. The Bank has Information Systems Audit team in place, as a part of its Internal Audit team, to identify and address Technology and IT-related Security issues commensurate with the nature and complexities of its operations.

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

In the opinion of Board, Internal Control System were adequate and operating effectively.

Please refer to the Governance section on page 112 for detail coverage on Internal control systems

Risk and Concerns

Please refer to the Governance section on page 112 and the Director's Report on page 156 for more coverage



BOARD's REPORT

Dear Members,

Your Board of Directors have pleasure in presenting the Twenty-Sixth Annual Report covering Business and Operations together with the Audited Financial Statements for the financial year ended 31st March 2021.

In a year heightened by uncertainty, Your Bank posted a credible performance, registered growth in key performance parameters.

A. Financial Performance & State of Bank's Affairs

The summary of the financial performance of your Bank for FY 2020-21 is presented below:

(₹ in crore)

Particulars	YoY Growth (%)	For the year ended	
		31st March 2021	31st March 2020
Total Income	28.24%	6401.60	4,991.98
Interest Income	15.50%	4950.05	4,285.89
Other Income	105.57%	1451.55	706.09
Interest Expenditure	8.74%	2584.61	2,376.94
Operating Expenses (excluding depreciation)	16.91%	1554.06	1,329.25
Profit before Depreciation, Provisions and Tax	76.00%	2262.93	1,285.79
Depreciation	17.77%	104.37	88.62
Provision for Income Tax	20.33%	287.82	239.19
Other Provisions and Write-offs	147.20%	700.06	283.20
Net Profit	73.49%	1170.68	674.78
Appropriations			
Transfer to Statutory Reserve		292.67	168.70
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		77.00	67.00
Transfer to Capital Reserve		28.87	6.93
Transfer to Investment Fluctuation Reserve		(31.65)	90.43
Dividend (including tax/cess thereon) pertaining to previous year paid during the year		0.00	26.44
Dividend (in ₹) (Per Equity Share)		-	-
Surplus carried over to Balance Sheet		2691.10	1,887.32
Earnings Per Share (EPS) (in ₹) (After excluding Exceptional Items not annualised)			
Basic (in ₹)		38.19	22.78
Diluted (in ₹)		37.86	22.32

Key Performance Indicators

Your Bank witnessed growth and consistent performance in FY 2020-21. The key financial indicators for performance are as follows:

- Profit Before Tax for FY 2020-21 (including sale of investment of Aavas Financiers Limited) increased to ₹1,458.51 crore vis-à-vis ₹913.97 crore for FY 2019-20 registering YoY growth of 59.58%. Earnings Per Share (EPS) has increased to ₹38.19 compared to ₹22.78 last year.
- Net Profit After Tax (including sale of investment of Aavas Financiers Limited) grew by 73.49% to ₹1,170.68 crore for FY 2020 - 21 vis-à-vis ₹674.78 crore for FY 2019-20.
- Balance sheet size grew by 22.42% YoY to ₹51,591.31 crore as on 31st March 2021 vis-à-vis ₹42,143.07 crore as on 31st March 2020 driven by core profits, sale of investment of Aavas Financiers Limited and Capital Issuance via QIP route and assets growth.
- Capital Adequacy Ratio increased to 23.37% as on 31st March 2021 vis-à-vis 21.99% as on 31st March 2020.
- Deposits continue to scale driven by increasing brand awareness, granular deposits, branch expansion and improved digital offerings. CASA ratio improved to 23% in FY 2020-21 from 14% in FY 2019-20 and overall cost of funds reduced by 86 bps to 6.83% in FY 2020-21 from 7.69% in FY 2019-20.
- Gross NPA and Net NPA was 4.25% and 2.18% respectively as on 31st March 2021 as compared to 1.68% and 0.81% respectively as on 31st March 2020, mainly due to impact on borrowers of COVID-19 pandemic and lockdowns during FY 2020-21.

Analysis of overall performance have been covered in detail in Management Discussion & Analysis section of the Annual Report.

Business Overview

Your Bank has made significant strides in its journey over past four years to become a retail focused, tech-led, preferred, trusted Bank. During FY 2020-21, the Bank expanded distribution and opened 37 new bank branches and entered newer states and union territories viz. Jammu & Kashmir, West Bengal, Telangana, Odisha and Karnataka. The Bank has its presence in 15 states & 2 UTs, having total 744 touch points (552 bank branches, 177 BCBOs & 15 BCs) and 343 ATMs as on 31st March 2021. The Bank is committed in bringing more unbanked and underbanked people in the ambit of formal banking channels by offering seamless banking experience.

Leveraging skills in the small ticket secured retail lending segment and focusing on retail deposits base, Bank continue to offer the wide range of products and services to cater to the evolving needs of its customers. The Bank's customer base crossed the milestone of 2 million customers during FY 2020-21.

Despite the difficult circumstances during FY 2020-21 due to COVID-19 pandemic, there was an increase in branch deposits, higher customer traction with a 38% annual growth in aggregate deposits and CASA ratio was at 23% as of 31st March 2021. During the year, Bank raised capital and maintained healthy capital adequacy ratio of 23.37% and Tier-I ratio at 21.53% which was well above minimum requirements of 15% and 7.5%, respectively.

Assets Under Management (AUM) of the Bank increased by 22% to ₹37,712 crore as on 31st March 2021 vis-à-vis ₹30,893 crore as on 31st March 2020, primarily driven by growth in the retail assets under management.

Your Bank is constantly innovating for making banking simple by providing integrated and tailor-made solutions for its customers with tech-led approach, faster digital adoption, at low cost, supported by robust IT, risk management, governance structure, products, processes, policies, and systems in place.

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

B. Credit Rating:

The details of credit rating obtained by the Bank in respect of debt instruments issued by it and outstanding as on 31st March 2021 along with outlook is given here under:

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

*CRISIL vide their communication dated 3rd December 2020 has assigned "FAA+/Stable" Rating for the Fixed Deposit Program of ₹40,000 crore (Rupees Forty Thousand crore).

C. Dividend

The Board of Directors of the Bank have adopted a Dividend Distribution Policy in terms of Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Reserve Bank of India (RBI) guidelines with an objective to appropriately reward shareholders through dividends for reposing their confidence in the Bank while retaining the capital required for supporting future business growth. The Bank proposes Dividend in compliance with the Dividend Distribution Policy of the Bank and RBI guidelines in this regard. The Policy of the Bank is disclosed on the website https://www.aubank.in/investors/secretarial-policies.

The Board of Directors have not recommended any dividend for FY 2020-21, hence no record date is kept for the purpose of dividend.

D. Change in Nature of Business

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

E. Transfer to Reserves

In terms of RBI regulations and other applicable regulations, the Bank has transferred the following amounts to various reserves during the financial year ended 31st March 2021.

Transfer to Reserves	
Amount transferred to	**Amount (₹ in crore)**
Statutory Reserve	292.67
Transfer to Special Reserve U/s 36 (1) (viii)	77.00
Transfer to Capital Reserve	28.87
Transfer to Investment Fluctuation Reserve	(31.65)

The Board of Directors has not proposed to transfer any amount to general reserve for the financial year ended 31st March 2021.

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

In terms of Section 124 and 125 of the Companies Act, 2013 read with applicable rules as amended from time to time, dividends that are unpaid or unclaimed for a period of 7 (seven) years from the date of transfer to unpaid dividend account are required to be transferred to the IEPF. Further, the equity shares of the Bank for which dividend has not been paid or claimed for seven consecutive years or more shall also liable to be transferred to the IEPF, in accordance with the IEPF rules.

There was no such unclaimed/unpaid dividend or shares liable to be transfered to the IEPF for the year under review. The Bank has disclosed the details of unclaimed dividend amounts lying with the Bank on its website at https://www.aubank.in/investors/investor-services.

G. Deposits

Being a Banking company, the disclosures required as per Rule 8(5)(v) & (vi) of the Companies (Accounts) Rules, 2014 read with Sections 73 and 74 of the Companies Act, 2013 and Companies (Acceptance of Deposits) Rules, 2014 are not applicable. The details of the deposits received and accepted by your Bank as a banking company have been disclosed in the financial statements for the financial year ended 31st March 2021.

H. Inclusion In 'Futures & Options' Segment and Bank Nifty Index of NSE

During the year under review, the National Stock Exchange (NSE) vide its Circular no. NSE/FAOP/47161 dated 29th January 2021, notified that future & options (F&O) contracts of AU Small Finance Bank Limited will be available for trading with effect from 26th February 2021. Accordingly, the F&O contracts on securities of the Bank were available from said date for trading. Further, from 31st March 2021, your Bank has also been included in Bank Nifty Index.

I. Capital Structure & Fund Raising

During the period under review, there has been no change in the authorised share capital of the Bank. The Board of Directors has allotted 30,90,063 equity shares pursuant to exercise of ESOP under different ESOP Schemes.

Further, considering significant opportunities available in retail and MSME financing and keeping in mind growth projections, the Bank decided to raise further capital from the market. Accordingly, the Board of Directors in its meeting dated 2nd May 2020 approved the raising of equity capital up to ₹2,500 crore (Rupees Two Thousand Five Hundred crore only) through Qualified Institutions Placement ("QIP"), or any other alternative permissible mode. The same was approved by the shareholders in the Annual General Meeting held on 21st July 2020.

Accordingly, pursuant to provisions of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 and the Companies Act 2013, the Bank successfully completed Qualified Institutions Placement (QIP) of 50,00,000 equity shares of face value of ₹10 each at an issue price of ₹1,251 per Equity Share (including a security premium of ₹1,241 per Equity Share) on subscription by Qualified Institutional Buyers (QIB) aggregating to ₹625.50 crore.

With respect to disclosure under Regulation 32(7A) of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, the funds raised through QIP issue during the year has been fully utilised for the intended object as mentioned in the private placement document and there was no deviation or variation in utilisation of the said funds.

Pursuant to the above allotments of equity shares, the total issued and paid-up equity share capital of the Bank increased by ₹8.09 crore to ₹312.21 crore as on 31st March 2021 as compared to ₹304.12 crore as on 31st March 2020.

During the year, Bank has sold 49,62,374 Equity Shares at a total consideration of ₹737.18 crore held in Aavas Financiers Limited, thereby making Bank well capitalised for its business expansion needs.

Further, the Bank has redeemed total Non-Convertible Debentures (NCDs) of ₹481.67 crore during the FY 2020-21. Accordingly, total outstanding NCDs stood at ₹1,175 crore as on 31st March 2021 against ₹1,656.67 crore as on 31st March 2020.

J. Employee Stock Option Schemes

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

The grants in the schemes are approved by the Nomination and Remuneration Committee based on the pre-determined criteria. In terms of Compensation Policy of the Bank, employees are granted options as part of Annual Performance Review of their performance and at the time of hiring. Several factors including scale, designation, performance, grades, period of service, criticality of role and their contribution for the Bank's overall performance is taken into consideration for deciding number of options to be granted to the employees.

During the year under review, with the approval of shareholders at the Annual General Meeting held on 21st July 2020, modifications have been carried out in the Employees Stock Option Scheme 2015 Plan A & B, Employees Stock Option Scheme 2016 & Employees Stock Option Scheme 2018 w.r.t. 'Section 8 - Change in Capital Structure or Corporate Action clause'.

During the year under review, Shareholders have approved the Employees Stock Option Scheme 2020 (ESOP 2020) consisting of 50,00,000 ESOPs through postal ballot on 23rd December 2020.

Presently, following are the Employee Stock Option Schemes:

- **Employee Stock Option Scheme 2015 - Plan A (ESOP 2015 – Plan A)**
- **Employee Stock Option Scheme 2015 - Plan B (ESOP 2015 – Plan B)**
- **Employee Stock Option Scheme 2016 - (ESOP 2016)**
- **Employee Stock Option Scheme 2018 - (ESOP 2018)**
- **Employee Stock Option Scheme 2020 - (ESOP 2020)**

The details of vesting of various schemes are as follows:

ESOP Scheme & Plan	Vesting Period	% of vesting of options
ESOP 2015 – Plan A	1 year from the date of grant or at the time of IPO whichever is later	20%
	Expiry of 1 year from 1st vesting	30%
	Expiry of 2 years from 1st vesting	50%
	Total	**100%**
ESOP 2015 – Plan B	1 year from the date of grant or at the time of IPO whichever is later	20%
	Expiry of 1 year from 1st vesting	30%
	Expiry of 2 years from 1st vesting	50%
	Total	**100%**
ESOP 2016	Options granted under this scheme would vest after one year but not later than six years from the date of grant of options	**100%**
ESOP 2018	Options granted under this scheme would vest after one year but not later than six years from the date of grant of options	**100%**
ESOP 2020	Options granted under this scheme would vest after one year but not later than six years from the date of grant of options	**100%**

Note: Options granted may be exercised within four years from the date of first vesting of the options under ESOP 2015 and six years from the date of first vesting of the options under ESOP 2016, ESOP 2018 and ESOP 2020.

The Brief Details of Existing ESOP Schemes as on 31st March 2021 is given below:

Particulars	ESOP Plan A 2015	ESOP Plan B 2015	ESOP Scheme 2016	ESOP Scheme 2018	ESOP Scheme 2020
Date of Shareholders Approval	31st August 2015	31st August 2015	10th October 2016	07th August 2018	23rd December 2020
Total Number of Options approved	38,36,058	49,33,194	21,00,000	49,33,200	50,00,000
Total Number of Options outstanding at the Beginning of the period	14,11,428	12,43,496	7,97,337	42,83,256	-
Total No. of Options granted (during FY 2020-21)	38,702@	10,30,758@	9,95,960	4,48,138	1,17,177
Source of shares			Primary		
The Pricing Formula	10.11	33.37	Market price linked#	Market price linked	Market price linked
Options Vested (during FY 2020-21)	2,19,202@	10,46,612@	3,62,612	9,08,691	-
Options Exercised (during FY 2020-21)	12,84,094	11,47,527	3,06,738	3,51,704	-
Total No. of shares arising as a result of exercise of Option	12,84,094	11,47,527	3,06,738	3,51,704	-

Particulars	ESOP Plan A 2015	ESOP Plan B 2015	ESOP Scheme 2016	ESOP Scheme 2018	ESOP Scheme 2020
Options lapsed/ Forfeited (during FY 2020-21) (Available for re-issue)	-	-	49,329	1,48,883	-
Total No. of Options exercisable at the end of the year	1,66,036	11,14,154	1,81,774	6,67,735	-
Total No. of options outstanding at the end of the year	1,66,036	11,26,727	14,37,230	42,30,807	1,17,177
Variation in terms of Options	Modification in ESOP Schemes w.r.t. 'Change in Capital Structure or Corporate Action clause' was done vide Shareholders approval obtained in the Annual General Meeting dated 21st July 2020 in compliance of SEBI (Share Based Employee Benefits) Regulations, 2014. There is no impact of amendment carried out in the schemes for the employees to whom options were granted.				No
Money realised on exercise of Options (during FY 2020-21) (in ₹)	1,29,82,190	3,82,92,976	4,29,43,320	23,05,66,640	-
Total No. of Options granted to Senior Management Personnel (SMPs)	Please refer Note 1				
Any other employee who received a grant in any one year of options amounting to 5% or more of options granted during that year	NIL	NIL	NIL	NIL	NIL
Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL	NIL	NIL	NIL	NIL
Diluted Earnings Per Share (EPS) of the Bank after considering the effect of potential equity shares on account of exercise of Options	Refer Note 2				
Impact of the difference between the Intrinsic Value of the Options and the Fair Value of the Options on Profits and on EPS	Refer Note 2				
Weighted average share/ exercise price of the shares exercised during the year (in ₹)	10.11	33.37	140.00	655.57*	**
Weighted average fair values of the outstanding options (in ₹)	Please refer Schedule 18 and point no. 7 to Notes to accounts to Audited Financial Results for FY 2020-21				

@ Mr. Uttam Tibrewal was granted 38,702 ESOPs under ESOP Scheme 2015 - Plan A & 10,18,758 ESOPs under ESOP Scheme 2015 - Plan B on 27th October 2017 at exercise price of ₹10.11 & ₹33.37 each, respectively. The RBI pursuant to its letter dated 5th February 2021 intimated to the Bank that the ESOPs granted to Mr. Uttam Tibrewal pertains to the period prior to his appointment as the Whole-Time Director of the Bank and thus, the approval of RBI is not required, and the Board of Directors of the Bank may take appropriate decision in this regard subject to adherence to statutory norms, as applicable. The Board of Directors in its meeting held on 27th March 2021 approved exercise of said ESOPs granted to Mr. Uttam Tibrewal and the grant date stands good from 27th October 2017, vesting period and exercise of the said ESOPs remains unimpacted. The said ESOPs which were not included in ESOP granted during FY 2017-18, are shown under options granted, vested and exercisable in the above table.
Proposal for Variable Pay for Mr. Uttam Tibrewal, Whole-time Director in form of Performance Bonus and ESOPs for FY 2019-20 was submitted to RBI for approval. RBI vide its letter dated 3rd May 2021 did not acceded the proposal and the proposal was reconsidered by the NRC & Board and the same is pending with RBI for its approval.

Pricing for ESOP Scheme 2016 was changed from fixed price of ₹140 to market linked price with the approval of shareholders obtained in the Annual General Meeting held on 19th July 2019.
* 2,56,969 ESOPs were allotted at the exercise price of ₹664, 10,314 ESOPs were allotted at the exercise price of ₹643, 237 ESOPs were allotted at the exercise Price of ₹622, 500 ESOPs were allotted at the exercise Price of ₹589, 81,208 ESOPs were allotted at the exercise price of ₹630, 1,576 ESOPs were allotted at the exercise price of ₹668 and 900 ESOPs were allotted at the exercise price of ₹724 under ESOP Scheme 2018.
** No Options were exercisable under ESOP scheme 2020 in FY 2020-21.

Note 1

Following are the total number of stock options that have been granted to Senior Management Personnel (SMPs) during the financial year ended 31st March 2021:

S.No.	Name	Designations	No. of ESOP granted in ESOP 2016@	No. of ESOP granted in ESOP 2020@
1	Mr. Deepak Jain*	Chief Operating Officer	20,107	0
2	Mr. Rishi Dhariwal	Group Head Branch Banking	14,526	0
3	Mr. Bhaskar Vittal Karkera	Chief of Wheels	16,981	0
4	Mr. Manoj Tibrewal	Group Head – Distribution, Enterprise Salary & Merchant Acquiring	10,221	0
5	Mr. Vimal Jain*	Chief Financial Officer	9,487	0
6	Mr. Yogesh Jain	Chief of Staff	12,211	0
7	Mr. Mayank Markanday**	Chief Risk Officer	10,311	0
8	Mr. Vivek Tripathi	Chief of Strategy – Commercial Banking	11,060	0
9	Mr. Ankur Tripathi	Chief Information Officer	10,231	0
10	Mr. Pankaj Sharma	National Business Manager – SBL MSME	6,185	0
11	Mr. Aalekh Vijayvargiya	National Credit Manager SBL (MSME)	9,521	0
12	Mr. Shantanu Prasad	Chief of Treasury & Wholesale Liability	6,686	0
13	Mr. Ashok Kumar Khandelwal	Chief Compliance Officer	5,485	0
14	Mr. Vikrant Jethi	Chief of Collections	10,573	0
15	Mr. Naveen Vashisht	National Business Manager Wheels Used	7,411	0
16	Mr. Aditya Sharma	Chief Technical & Legal Officer – Mortgages	9,830	0
17	Mr. Shoorveer Singh Shekhawat	Chief of Products & Communication-Liabilities	8,695	0
18	Mr. Vijendra Singh Shekhawat	President – Core Market Banking, Rajasthan	6,763	0
19	Mr. Alok Gupta***	Chief Risk Officer	0	20,000
20	Mr. Sachin Kumar Jain	National Credit Manager Wheels	5,751	0
21	Mr. Raj Kumar Sharma	National Collection Manager Wheels	7,920	0
22	Mr. Shekhar Shukla	Chief of Operations-Liabilities	8,727	0
23	Mr. Yogesh Soni	Chief of Branch Banking Operations	6,880	0
24	Mr. Prince Tiwari	Chief of Financial Institutions Group (FIG) & Investor Relations (IR)	10,543	0
25	Mr. Sultan Ram Jat	Senior Vice President Retail Banking	7,115	0
26	Mr. Avinash Sharan	Circle Manager Branch Banking - North	8,527	0
27	Mr. Manmohan Parnami	Company Secretary	4,680	0
28	Mr. Abhinav Garg	National Product & Communication Manager Wheels	5,437	0
29	Mr. Sumit Sharma	National Collection Manager SBL-HL	7,370	0
30	Mr. Akhil Kumar Patni	National Product & Communication Manager Secured Business Loans	3,749	0
31	Mr. Vikas Chowdhry	Lead Operations – Retail Assets & SBL	4,646	0

@ESOPs granted under ESOP 2016 and ESOP 2020 at an exercise price of ₹614 and ₹929, respectively.
*Mr. Deepak Jain and Mr. Vimal Jain was elevated as Chief Operating Officer and Chief Financial Officer respectively w.e.f. 1st April 2020.
**Mr. Mayank Markanday was Chief Risk Officer of the Bank till 31st March 2021 and he is designated as Chief of Credit Card Business & Merchant Solution Group w.e.f. 1st April 2021.
***Mr. Alok Gupta was designated as Chief Risk Officer of the Bank w.e.f. 1st April 2021.

Note 2

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

Particulars	31st March 2021
Risk-free interest rate (%)	5.84% - 6.12%
Expected life (years)	3 years – 5.5 years
Expected volatility (%)	41.72% - 42.29%
Expected dividend rate (%)	0%

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:

(₹ in crore)

Particulars	Year ended 31st March 2021	Year ended 31st March 2020
Profit after tax as reported	1170.68	674.78
Add: ESOP cost using intrinsic value method (net of tax)	57.46	17.76
Less: ESOP cost using fair value method (net of tax)	92.81	51.64
Profit after tax (adjusted)	1135.33	640.90
Earnings Per Share		
Basic		
- As reported	38.19	22.78
- Adjusted for ESOP cost using fair value method	37.04	21.64
Diluted		
- As reported	37.86	22.32
- Adjusted for ESOP cost using fair value method	36.72	21.20

(₹ in crore)

Particulars	As on 31st March 2021	As on 31st March 2020
Stock options outstanding (gross)	188.76	104.14
Deferred compensation cost outstanding	29.35	21.52
Stock options outstanding (net)	159.41	82.62

In accordance with SEBI circular no. CIR/CFD/POLICY CELL/2/2015 dated 16th June 2015 necessary disclosures are made in Schedule 18 - Notes forming part of the financial statements for FY 2020-21 and are included in the annual report and also disclosed on the website of the Bank at https://www.aubank.in/reports.

K. Board of Directors and Key Managerial Personnel

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

1. Shareholers vide resolution passed through postal ballot dated 22nd January 2020 approved the appointment of Mr. Raj Vikash Verma as Independent Director of the Bank for second term for a period of three years effective from 30th January 2021. Further, shareholders vide resolution passed through postal ballot dated 28th October 2020 has approved his appointment as Part-Time Chairman on 23rd December 2020 subject to approval of RBI for a period of 2 (Two) years with effect from 8th April 2021. RBI vide its letter dated 8th April 2021 has approved reappointment of Mr. Raj Vikash Verma as Part-time Chairman of the Bank for a period of 2 (two) years w.e.f. 8th April 2021.

   Mr. Raj Vikash Verma's vast and diversified experience of over ~40 years in fields of Finance, Economics, Banking, Regulatory Compliances, Housing & Mortgage Finance and the Real Estate Sector shall help the Bank to build a strong foundation on which it can profitably and sustainably scale its operations. Further, his regulatory experience shall benefit the Bank in enhancing the qualitative and quantitative matters that should be looked by the Board and Committees of Board.

2. Mr. Narendra Ostawal, Non-executive Director expressed his desire to step down from the Board due to his other engagements. The Board of Directors in their meeting dated 28th October 2020 accepted his resignation with effect from close of business hours on 28th October 2020. Your directors place on record sincere appreciation for his contribution to the Bank during his tenure and conveys best wishes for his future endeavours.

3. With the approval of the shareholders obtained at 25th Annual General Meeting of the Bank, Mr. Mankal Shankar Sriram (M S Sriram) and Mr. Pushpinder Singh were appointed as Independent Directors for a period of 3 years i.e. up to 20th October 2022 and Mr. Kannan Gopalaraghavan Vellur (V G Kannan) was appointed as Independent Director for a period of 3 years i.e. upto 21st January 2023.

   Mr. M S Sriram has vast experience in financial inclusion, microfinance, understanding of rural economy, co-operatives , Agriculture and Agriculture Finance and his inclusion on Board shall strengthen the Bank's ability to increase credit flow at the bottom of the pyramid and further deepen the impact of its financial inclusion initiatives. Mr. Pushpinder Singh's expertise in banking technology will greatly aid the Bank's aspiration of becoming customer-centric and technology driven Bank in the rapidly changing digital-banking infrastructure, with emergence of newer technologies and payment systems. Mr. Kannan is a banking industry veteran with over 38 years of experience in Banking & Financial Services (BFSI) sector and he is acknowledged an authority in credit, treasury, risk and investment management in the Banking sector.

   The Board of Directors of the Bank is of the opinion that Mr. M S Sriram, Mr. Pushpinder Singh and Mr. V G Kannan are persons of integrity and has relevant experience and expertise for appointment as Independent Directors of the Bank.

4. Pursuant to the section 152 of Companies Act, 2013, Mr. Sanjay Agarwal, Managing Director & CEO retired at the previous Annual General Meeting and shareholders approved his re-appointment. Further, Mr. Uttam Tibrewal, Whole Time Director of the Bank shall retire at the ensuing Annual General Meeting and being eligible for reappointment, offers himself for re-appointment.

   With the approval of the Board of Directors, the proposal for re-appointment of Mr. Sanjay Agarwal, Managing Director & CEO and Mr. Uttam Tibrewal, Whole Time Director was submitted to Reserve Bank of India, for a period of 3 years with effect from 19th April 2020. The said proposal was approved by Reserve Bank of India.

5. Mr. Vimal Jain, Chief of Finance and Accounts has been elevated as Chief Financial Officer with effect from 1st April 2020, by the Board on the recommendation of Audit Committee and Nomination and Remuneration Committee.

6. Mr. Deepak Jain, Chief Financial Officer has been elevated as Chief Operating Officer by the Board of Directors and designated as Key Managerial Personnel in terms of section 2(51) of the Companies Act, 2013 with effect from 1st April, 2020 on the recommendation of the Nomination and Remuneration Committee.

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

Further, none of the Directors have been debarred from holding office as Director by virtue of any order of the SEBI or any other authority.

L. Code of Conduct for Directors including Independent Directors and SMPs

The Board of Directors of the Bank adopted the Code of Conduct for the Directors and Senior Management Personnel (SMPs) of the Bank in compliance of Regulation 17(5) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and the code of conduct sets forth the guiding principles for orderly & fair conduct by Board Directors and SMPs. For FY 2020-21, all Board members and SMPs have affirmed the compliance with the code and a declaration to this effect signed by the Managing Director & CEO forms part of Corporate Governance Report annexed with Board's Report as **Annexure - I**. The Bank's Code of Conduct for Directors and SMPs is disclosed on the website of the Bank at https://www.aubank.in/investors/secretarial-policies.

M. Number of Meetings of Board

During the period under review, eleven (11) Board meetings were convened and duly held on the following dates:

- 2nd May 2020
- 30th May 2020
- 23rd July 2020
- 5th September 2020
- 24th October 2020
- 28th October 2020
- 15th December 2020
- 28th January 2021
- 27th February 2021
- 12th March 2021
- 27th March 2021

The intervening gap between the said meetings were in accordance with the provisions of Companies Act, 2013, relevant Rules made thereunder, Secretarial Standard-I Issued by Institute of Company Secretaries of India and provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The dates of Board

meetings and details of attendance of each director have been disclosed in the Corporate Governance Report annexed with Board's Report as **Annexure-I**.

Committees of the Board

The Bank believes that Board Committees are crucial to promote best Corporate Governance within the Bank. Accordingly, the Bank has constituted various Board Committees to improve the Board efficiency and to support in decision making. The constitution of these Committees is in acquiescence of provisions of the Companies Act, 2013, the relevant rules made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Banking Regulation Act, 1949, the Articles of Association of the Bank and other guidelines issued from time to time. The details of the Board Committees of the Bank are disclosed in the Corporate Governance Report annexed with Board's Report as **Annexure-I**.

Meeting of Independent Directors

Your Bank conducted a separate meeting of Independent Directors on 1st May 2020 and 12th March 2021 without the presence of the Non-Independent Directors and members of Management of the Bank.

The Independent Directors in the said meetings discussed about the flow of information to the Board, its Committees, Governance, Compliance, and other areas of improvements. Further, performance of Non-Independent Directors, the Board as a whole and the Chairman was also evaluated.

Familiarisation Programme for Independent Directors

Pursuant to Regulation 25(7) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and RBI guidelines, various familiarisation programme were organised during FY 2020-21 for the Independent Directors to enable them to familiarise with the Bank, its Management, Bank's business, and its operations for better understanding of their roles, rights and responsibilities for effective contribution in growth of the Bank. Details of familiarisation programme attended by Board members during FY 2020-21 are disclosed on the website of the Bank under https://www.aubank.in/investors/secretarial-policies.

The detail about familiarisation programme and other training programme is disclosed in the Corporate Governance Report annexed with Board's Report as **Annexure-I**.

N. Declaration of Independence

In accordance with provisions of sections 149(6) and 149(7) of the Companies Act, 2013, Schedule IV and Regulation 16 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, all the Independent Directors have submitted the declaration of independence, confirming that they meet the criteria of independence. In terms of Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Board has examined the veracity of declarations submitted by respective Board members. The Board opined that Independent Directors appointed during the financial year are having requisite integrity, expertise, specialised knowledge, experience, and the proficiency.

The Independent Directors have complied with the Code applicable for Independent Directors as stipulated under schedule IV of the Companies Act, 2013. Further, all the Independent Directors have registered themself in the Independent Director Databank and paid the relevant fees. All the compliances of rule 6 (1) & (2) of the Companies (Appointment and Qualifications of Directors) Rules, 2014 have been complied with.

O. Compensation Policy for Directors, Key Managerial Personnel, Senior Management Personnel and Other Employees

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

The objectives of the Compensation policy along with the other details has been provided in Corporate Governance Report annexed with Board's Report as **Annexure-I** and disclosure in this regard have been made in schedule to notes to accounts of the audited financial statements for FY 2020-21.

Criteria for Appointment of Director & Senior Management Personnel

The proposal for appointment of Directors is put up to the Nomination and Remuneration Committee along with requisite documents/disclosures received in the prescribed format for his/her proposed candidature as director.

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

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

During the FY 2020-21, as a part of Annual review, the Board of Directors reviewed the Compensation Policy, which regulates the appointment of Directors, Key Managerial Personnel, Senior Managerial Personnel, and other employees of the Bank.

The terms of reference of the Nomination and Remuneration Committee, Compensation Policy and evaluation process has been detailed in Corporate Governance Report annexed with Board's Report as **Annexure-I**. The Compensation Policy of the Bank is disclosed on the website of the Bank at https://www.aubank.in/investors/secretarial-policies

Evaluation of the Directors, the Board and Committees

The description and details of evaluation process has been provided in Corporate Governance Report annexed with Board's Report as **Annexure-I**.

P. Statutory Auditors and their Report

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

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 on the financial statements for the FY 2020-21. 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.

Further, as the tenure of the M/s. S. R. Batliboi & Associates LLP is ending at the conclusion of 26th Annual General Meeting of the Bank, the Board of Directors at its meeting held on 8th July 2021 on the recommendation of the Audit Committee has proposed the appointment of Deloitte Haskins and Sells, Chartered Accountants (Registration no. 117365W) and G. M. Kapadia & Co., Chartered Accountants (Registration no. 104767W) as the Joint Statutory Auditors (SAs) of the Bank for a period of three (3) years from the conclusion of 26th Annual General Meeting until the conclusion of 29th Annual General Meeting of the Bank to be held in the calendar year 2024, subject to the approval of the shareholders and the Reserve Bank of India. Reserve Bank of India has approved the appointment of the above SAs for FY 2021-22.

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 and Disclosure Requirements) Regulations, 2015, the Statutory Auditors had also confirmed that they had subjected themselves to the peer review process of the Institute of Chartered Accountants of India (ICAI) and they hold a valid certificate issued by the Peer Review Board of ICAI.

Q. Secretarial Auditors and 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 and Regulation 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board in its meeting held on 2nd May 2020, upon recommendation of the Audit Committee, appointed M/s. V.M. & Associates, Company Secretaries (Registration No. P1984RJ039200) to undertake the Secretarial Audit of the Bank for the financial year ended 31st March 2021.

During the year under review, no frauds have been reported by the Secretarial Auditors, and there were no observations or qualifications made by the Secretarial Auditors in their Report. The Secretarial Audit Report for FY 2020-21 annexed with Board's Report as **Annexure-IV**.

R. Loans, Guarantees and Investments under Section 186

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

S. Related Party Transactions

During the year under review, no related party transaction has been entered by the Bank with the related parties as falling under the purview of Section 188 of the Companies Act, 2013. Audit Committee of the Board has given omnibus approval for related party transactions of repetitive nature. All transactions with related parties, were in the ordinary course of the business and on an arm's length basis. No transaction has been entered that could lead to potential conflict of interest between the Bank and related parties. All the transactions entered by the Bank with related parties were reported to the Audit Committee and accordingly, required disclosures are made to the Committee for review.

Hence, pursuant to Section 134(3)(h) of the Companies Act, 2013 read with Rule 8 (2) of the Companies (Accounts) Rules, 2014, there are no related party transactions that are required to be reported in form AOC-2. The requisite disclosure has been made under Schedule 18 of the notes forming part of audited financial statements for the year ended 31st March 2021.

Your Bank has in place a Board approved Policy on Related Party Transactions & Materiality, which provide for the process, procedure and steps required for approval of related party transactions, in compliance of applicable requirements of appropriate reporting and disclosure of transactions between the Bank and related parties.

The Policy on Related Party Transactions & Materiality as approved by the Board is disclosed on the website of the Bank at https://www.aubank.in/investors/secretarial-policies.

T. Material Changes and Commitments, if any, affecting the Financial Position of the Bank

There are no material changes and commitments affecting the financial position of the Bank which have occurred between the end of the financial year i.e., 31st March 2021 and the date of this Report.

The world has endured a year of the unexpected onslaught by the COVID-19 virus, with a significant macroeconomic impact all over the world, the second wave had hit India in April-2021 and it is observed that Business environment shall take some time to get back to normalcy with expectation that vaccination drive will bring back positivity in Economic & Business outlook faster. It is acknowledged that Government of India & State Governments and Reserve Bank of India are taking all requisite initiatives in this regard.

U. Conservation of Energy, Technology Absorption & Foreign Exchange Earnings and Outgo

With each step we take into a more digital world, your bank is committed for maintaining a balance between growth and optimal utilisation of resources. Your bank is also focused towards undertaking initiatives for absorption of technology with conservation of energy.

(a) Conservation of Energy

Being a responsible institution, your bank is committed towards saving energy and performing business operations in a sustainable manner. Your Bank has undertaken several energy conservation initiatives by upgrading its systems and by engaging technological innovations for it's IT Systems.

Steps taken or impact on conservation of energy, utilising alternate sources of energy and capital investment on energy conservation equipments

Your bank strives to employ the best practices of Energy Conservation in Facility Management through robust planning, administration, and maintenance. Your bank uses energy efficient LED lights in branches, offices and uses maximum of natural light in the office premises during the daytime.

Your bank also makes use of IT hardware that meets the Environmental Safeguard Agency's (EPA) Power Star Advisory to minimise electricity consumption in the bank. This optimisation of resources also extends to machines such as workstations, desktops, laptops, and notebooks. Additionally, your bank also uses machines with multi-core processors that elevate a machine's performance without drawing on too much energy, which in turn results in higher efficiency and performance enhancement.

Your bank is also driving a digital revolution in the banking sector through the effective use of Paperless Two-Wheeler Lending Process. To achieve this digitisation, the bank uses a Tab-based system thereby eliminating the need of paper for documentation of any kind. Your Bank has also introduced Instant Account Opening facility through WhatsApp and other digital channels. This has helped your bank to adopt a smooth, user-friendly approach of account opening. Such digital initiatives have gone a long way to help your bank reduce the carbon footprint and moving closer to its goal of digital excellence.

Using power supervision technology and guidelines

Your bank uses devices with the latest Operating System that work on Advanced Settings Power Use Interface (ACPI) to increase computational efficiency and reduce energy consumption. Using a machine in the power-saving configuration means that it will automatically switch to energy saving mode once left idle for certain amount of time.

Using Cloud based technology and virtualised info center

Your bank strives to channelise its efforts and investment towards infrastructure development in the digital space. Your bank makes use of virtual machines and cloud-based technologies to create a virtual ecosystem. This not only reduces dependency on physical servers thereby reducing operational wattage and space, but also means that the new, energy efficient, reliable, and vastly advanced cloud-based systems are put into place to enhance the user experience.

Recycling systems and supplies

Your bank also practices highly efficient management methods to refurbish aging IT systems. This is carried out to avoid sending hazardous materials into huge landfills and scaling down the load on already overburdened junkyards. The bank also employs a coherent system of recycling slightly older IT systems by assigning them to the staff that does not need to perform heavy data processing on their system. By doing so, the bank successfully reduces the demand for new desktops and laptops even with our growing workforce.

(b) Technology Absorption

I) The efforts made towards Technology absorption:

Your Bank is continuously improving its product offerings and operations through the adoption of technological advancements. The bank has observed a strong growth in the adoption of IOS and Android based Mobile banking, Internet banking, TAB-based account opening and Account opening through digital channels. The bank has channelised its efforts towards digitising the banking services in a user-friendly manner that empowers our customers to carry out their tasks in a hassle free, paper free manner that also saves their time. Bank has also enriched our customer's experience by integrating different payment platforms and providing most of banking services for customers delight.

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

Through the advent of digital banking and mobile based initiatives, your bank has been able to not only enrich the customer experience, but also provide cost effective products & services by focussing on bringing down the transaction cost. Your bank also makes use of efficient end point devices and IT Hardware that makes optimal electric consumption while providing high performance.

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

a) The details of technology imported: Nil

b) The year of import: Nil

c) Whether the technology been fully absorbed: Nil

d) If not fully absorbed, areas where absorption has not taken place, and the reasons thereof: Nil

IV) Expenditure incurred on Research and Development

Since financial services is being primarily covered under Service Sector, hence the said point is not directly applicable on Banking Industry.

(c) Foreign Exchange Earnings and Outgo

During the year ended 31st March 2021, the foreign exchange earnings of the Bank was ₹ 0.57 crore and foreign exchange outgo was ₹1.08 crore.

V. RISK MANAGEMENT

Over quite some time, the finance industry witnessed significant transformations due to advancements in technologies, business model transformations, changing regulatory standards, and many other external and internal factors. Risk is the most critical element for the Bank and in the banking industry this element became even more critical considering the Bank being custodian of public deposits. The nature of Risk in a Banking Industry has a wide array which evolves around Credit Risk, Market Risk, Liquidity Risk, Operational Risk, IT and Cyber Security Risk, and other risks. Your bank has adopted a multi-layered risk management process to identify, assess, monitor, and manage risks through the effective use of processes, information, and technology.

The good risk management practices of the bank have facilitated navigating through pandemic times and its Enterprise Risk Management (ERM) framework has helped us strategically benchmark its practices across different business lines to best-in-class levels.

The Risk Management Process is monitored by risk management policies and the delegation matrix approved by Board of Directors. The Board is supported by an experienced executive management team, Board Committees and Board Delegated Committees as part of the Risk Governance Framework. The Board has an oversight of the management's efforts to balance growth and prudent risk management, while creating value for stakeholders.

Pursuant, to Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Bank has constituted a Risk Management Committee and as mandated by the regulatory provisions, Bank has appointed Chief Risk Officer ("CRO"), who administers the risk associated key verticals through dedicated divisions i.e., Credit Risk, Market Risk, Operational Risk, Fraud Risk, Information Security Risk and other Risks under the aegis of the Board approved risk management policies and in accordance with the approval and responsibility delegation matrix. The CRO has unhindered access to the Risk Management Committee of the Board. The details of the Risk Management Committee and its terms of reference are set out in the Corporate Governance Report annexed with Board's Report as **Annexure-I**.

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

(a) Credit Risk Management

Risk: Credit risk arises from business operations that give rise to actual, contingent, or potential claims against any counterparty, borrower, or obligor. The goal of credit risk management is to strengthen underwriting norms, focus on good asset quality

and concentrations at individual exposures as well as at the portfolio level.

Mitigation: Credit Committee and Credit Risk & NPA Management Committee (CRNPAC) overseas and reviews the credit risk and is responsible for formulation of standards, financial covenants, rating standards and benchmarks, delegation of credit approving powers, prudential limits on large credit exposures, asset concentration, standards for loan collateral, portfolio management, loan review mechanism, risk concentration, monitoring and evaluation, provisioning, regulatory and other issues around it. Further, Bank has in place credit appraisal models for appraising cases including risk assessment, checks and balances. The Board Delegated Credit committees submit their updates to Risk Management Committee of the Board at regular intervals. All aspects of credit risk are governed by the Credit Risk Management Policy and other Policies. The scope of the Credit Risk unit includes measuring, assessing, and monitoring credit risk within our Bank. Your Bank has laid down prudential limits and caps on various aspects to control the magnitude of credit risk. Loan administration and monitoring is carried out through Portfolio Profiling, Early Warning Framework, Rapid Portfolio Review, and Annual Monitoring of High Value Customers.

(b) Operational Risk Management

Risk: Operational risks arise from inadequate and/ or missing controls in internal processes, people, and systems or from external events or a combination of all the four.

Mitigation: The Bank has the Board delegated Operational Risk Management Committee (ORMC) to review and advise on implementation of measures for risk mitigation which further reports to Risk Management Committee of the Board. The Bank follows an integrated risk approach, where operational risks and its monitoring folds into Chief Risk Officer (CRO) and ORMC. The Bank has in place a board approved Operational Risk Management Policy which includes a comprehensive Operational Risk Management Framework for documenting, assessing, and periodic monitoring of various risks and controls linked to various processes across all business verticals.

Your Bank has Risk Containment Unit (RCU) that is guided by a Board approved Fraud Risk Management Policy. Fraud cases reported in the Bank are apprised to the Audit Committee and the Board and fraud cases in excess of ₹1 crore or more are specifically reported and dealt by the Special Committee for Fraud Monitoring (SFMC) of the Board. The Bank is continuously strengthening its systems, operational practices and processes, procedures, controls, and review mechanism so that fraud-prone areas are sanitised against internal and external breaches and by continuously monitoring that these control measures are operating effectively.

Your Bank has in place a comprehensive Business Continuity Management (BCM) plan, policy, and procedures in place to ensure continuity of critical operations of the Bank in the event of any disaster/ incident affecting business continuity. The Bank's business continuity programme is developed considering the criticality of the functions performed and the systems have been designed to minimise the operational, financial, legal, and other material consequences arising from such a disaster and focus is on ensuring faster recovery of/ minimising impact on the IT systems of the Bank. We hereby report that the Bank's Business Continuity Management was operating effectively throughout the year and no fraud case of ₹1 crore or more was reported during period under review.

Your Bank has responded to the COVID-19 pandemic adequately through robust Business continuity management, by promptly catering to customer and other stakeholder's requirements without fail. Your Bank has been constantly working to simplify the business processes to become even more customer centric during these tough times. Further, Your Bank has Cyber Crisis Management Plan in place to address any disruption due to cyber events.

(c) Market Risk, Liquidity and Asset Liability Management

Risk: Market Risk for the Bank originates from investment and trading in securities, which are undertaken both for the customers and on a proprietary basis. The market risk management framework of the Bank sets benchmark for market risk exposures, the performance of portfolios vis-à-vis the market risk limits and comparable benchmarks, which provide guidance to optimise the risk-adjusted rate of return of the Bank's investment portfolio. Liquidity risk refers to Bank's inability to fund an increase in assets or withdrawal of liabilities and meet both expected and unexpected cash & collateral obligations at reasonable cost without adversely impacting its financial condition.

Mitigation: Market risk management is guided by well-defined policies, guidelines, processes and systems for the identification, measurement, monitoring and reporting of exposures against various risk limits set in accordance with the risk appetite of the Bank. The Bank utilises the analytical tools for the market risk management of its trading and investment portfolios.

The Asset Liability Management (ALM) Policy of the Bank stipulates a broad framework for liquidity risk management to ensure that the Bank is in a position to meet its liquidity obligations as well as to withstand a period of liquidity stress from bank-level factors, market-wide factors or a combination of both. The Board approved policy captures the risk appetite around the liquidity and market risk of the Bank and helps to put in place defined governance structure in consonance with the Bank's Risk Appetite.

The Asset Liability Management Committee (ALCO)/ Investment Committee (IC) of the Bank oversees the framework for identification, measurement and management of market risk, interest rate risk and liquidity risk in the Bank and ensures compliance with established internal and regulatory prudential limits and operate within the approved risk appetite by the Board.

(d) IT Risk Management

Risk: Your Bank is growing with digitisation and aimed at leveraging digital technology to provide a best-in-class experience for its customers while simultaneously enhancing productivity and improve on IT risk management. Risk of cyber-attacks on your Bank's systems arises among others from computer viruses, malicious or destructive code, phishing attacks, denial of service or information, application vulnerability and other security breaches resulting in disruption of its services or theft or leak of sensitive internal data or customer information.

Mitigation: The Bank has established a robust information and cyber security framework for securing its IT infrastructure and systems. IT Steering Committee and Information Security Risk Management committee reports to Board-level IT Strategy & Information Systems Security Committee. This committee reviews and monitors IT security infrastructure and vigilance over IT related vulnerabilities against emerging cyber security risks. The Chief Information Security Officer ("CISO") is responsible for monitoring the information security risks covering all aspects of data security for the Bank who reports to Chief Risk Officer (CRO). Cyber Security Operation Center (CSOC) with qualified professionals is reporting to CISO for monitoring of real-time cyber security glitches. Your Bank has also deployed advanced controls at various layers to ensure that cyber security risk in minimised.

Further, your Bank has a cyber security management framework, a combination of technologies, processes and practices designed to protect networks, computers, programmes and data from cyber-attacks, damage, or unauthorised access.

(e) Reputation Risk Management

Risk: Reputation risk can impact the Bank's ability to attract or retain customers and expose it to litigation and regulatory action.

Mitigation: Your Bank communicates with its stakeholders regularly through appropriate engagement mechanisms to address stakeholder expectations and assuage their concerns, if any. There is Zero tolerance for knowingly engaging in any activities that are not consistent with values, Code of Conduct, or policies of the Bank.

(f) Compliance Risk management

Risk: Unprecedented changes in laws, regulations and regulatory policies can increase the risks of non-compliance and regulatory actions in the form of penalties, fines, restrictions, or other sanctions in case of regulatory failures.

Mitigation: The Bank has a dedicated Compliance Department that continuously monitors new developments and updates the Bank's Board and senior management about its implications. The Bank has a strong compliance culture and have well-articulated policies with regard to code of conduct, Vigil Mechanism, AML& KYC, and engagement with third party vendors.

In the overarching risk management framework, the relevant risk and mitigates have been covered under Management Discussion & Analysis section of the Annual Report.

W. Corporate Social Responsibility

Over the years, the Bank has pioneered in its Corporate Social Responsibility ('CSR') initiatives. The objective of the Bank's CSR initiatives is to improve the quality of life of communities and create long-term value for all stakeholders. In compliance of the provisions of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Bank has a CSR Committee and Board approved CSR policy to provide guidelines for carrying out CSR activities. The Bank's flagship CSR programmes are designed for bringing positive change and to address critical development issues in areas of education, sports, development, women empowerment, and Financial & Digital literacy in areas of its operations.

Considering the global pandemic of COVID-19 in 2020-21, the Bank has contributed substantial amount of its CSR allocation for health and safety initiatives. During the year under review, the Bank has reached out to the lives of over 13.91+ lakh people through innovative initiatives in drinking water, education, livelihood, sports, amongst others.

Pursuant to the amendment in CSR provisions of the Companies Act, 2013 and rules made thereunder that came into force on 22nd January 2021, Bank has classified its CSR allocation into ongoing projects and transferred ₹3.46 crore into Unspent Corporate Social Responsibility Account and such amount shall be spent by the Bank in pursuance of the Corporate Social Responsibility Policy for its CSR obligations within a period of 3 financial years.

The terms of reference of CSR committee have been disclosed in the Corporate Governance Report and a detailed breakup of expenditure carried out and other details related to CSR activities has been disclosed in the Corporate Social Responsibility Report annexed with Board's Report as **Annexure-II**. The CSR Policy is disclosed on the website of the Bank at https://www.aubank.in/investors/secretarial-policies.

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

Your Bank has in place a Policy on Prevention and Redressal Against Sexual Harassment. The primary objective of the said policy is to provide all safeguards to employees from sexual harassment at the workplace. Bank has zero tolerance towards sexual harassment at workplace and persists to uphold and maintain its work environment safe and secure. Your Bank has constituted Internal Complaints Committee in compliance of the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 to review, investigate and take suitable actions on complaint and there is a Board level Disciplinary Committee that reviews the decisions taken by Internal Complaints Committee.

The disclosure required under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 is provided in Corporate Governance Report annexed with Board's Report as **Annexure-I**.

Y. Subsidiary & Associate Companies

The Bank does not have any company which is its subsidiary or associate. Hence, the details of this clause are not applicable to the Bank. Accordingly, the Bank is also not required to formulate a specific policy on dealing with material subsidiaries.

Z. Material Orders Passed by Regulators or Courts or Tribunals

During the period under review, no material orders have been passed by the Regulators/Courts/Tribunals which would impact the going concern status of the Bank and its future operations.

AA. Internal Controls System & their Adequacy

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

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

The internal audit function provides independent assurance to the Board of Directors and Audit Committee on the quality and effectiveness of the Bank's internal control, risk management and governance systems and processes.

Proper internal controls were in place and operating effectively for the period under review. Further, in compliance with the requirements of Companies Act, 2013, statutory auditors have issued an opinion with respect to the adequacy of the internal controls over financial reporting of the Bank and the operating effectiveness of such controls, details of which may be referred to in the Auditor's Report attached to the audited financial statements of FY 2020-21.

AB. Cost Records

The provisions for maintenance of cost records as specified by the Central Government under section 148(1) of the Companies Act, 2013 are not applicable to the Bank.

AC. Corporate Governance

The Bank's activities are carried out in accordance with good corporate governance practices and the Bank is constantly striving to make them better with the time. The Bank believes that Governance framework and good practices helps in creating right culture and in turn enhances long-term sustainable value for all its stakeholders. Bank adheres to the Corporate Governance requirements set out by the SEBI.

The Corporate Governance Report for FY 2020-21 along with certificate issued by CS Manoj Maheshwari, Partner M/s V. M. & Associates, Company Secretaries confirming the compliance to applicable requirements related to corporate governance as stipulated under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is annexed with Board's Report as **Annexure-I**.

AD. Business Responsibility Report

Pursuant to Regulation 34(2)(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 a Business Responsibility Report (BRR) is required to be published by the Top 1000 listed companies based on market capitalisation. The BRR describes the initiatives taken by the Bank from environmental, social and governance perspective in the format prescribed under SEBI Circular No. CIR/CFD/CMD/10/2015 dated 4th November 2015 and the same has been disclosed in the Business Responsibility Report annexed with Board's Report as **Annexure-V** and disclosed on the website of the Bank at https://www.aubank.in/reports.

AE. Social Environmental and Management System

The Social Environmental and Management System (SEMS) is a set of policies and procedures that helps in setting guiding principles for identifying and managing financial institution's exposure to the environmental and social risks of its customers. The Bank endeavours to benchmark itself with the best of corporates in India and continued its focus to implement best Environmental, Social and Governance (ESG) practices in its operations with responsible lending approach. The procedures and decision-making process of the SEMS are systematically incorporated at each stage of appraisal and monitoring. Awareness is also created among vendors and customers to comply with applicable social and environmental laws to inculcate right practices in their operations.

AF. Particulars of Employee Remuneration

The ratio of the remuneration of each Director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, annexed with Board's Report as **Annexure-III**.

The statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) and Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended is given in an Annexure and forms part of this report. In terms of Section 136(1) of the Companies Act, 2013, the annual report is being sent to the Members excluding the aforesaid Annexure. The Annexure is available for inspection upto the date of Annual General Meeting at the registered office of the Bank and any Member interested in obtaining a copy of the Annexure may write to the Company Secretary of the Bank at investorrelations@aubank.in.

AG. Management Discussion and Analysis

The Management Discussion and Analysis Report for FY 2020-21 is covered in a separate section forming part of the Annual Report.

AH. Annual Return

In accordance with the provisions of Section 134(3) read with Section 92(3) of the Companies Act, 2013, the Annual Return for the financial year ended on 31st March 2021 in the prescribed form MGT-7 is disclosed on the website of the Bank at https://www.aubank.in/reports.

AI. Whistle Blower Policy & Vigil Mechanism

The details have been provided in Corporate Governance Report annexed with Board's Report as **Annexure-I**.

Whistle Blower Policy & Vigil Mechanism as approved by Board is disclosed on the website of the Bank at https://www.aubank.in/investors/secretarial-policies.

AJ. Anti-bribery and Anti-corruption Policy

The Bank follows a 'zero-tolerance approach' to bribery, corruption and other wrong practices. The Bank is resolute to act professionally, fairly, and with integrity in its dealings and operations. The Bank has a Board approved Anti-Bribery and Anti-Corruption Policy laying down the principles for carrying out banking business in an honest and ethical manner. The said policy is disclosed on the website of the Bank at https://www.aubank.in/reports.

AK. Compliance of Secretarial Standards issued by ICSI

The Bank has complied with the provisions prescribed in Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI).

AL. Status of Ind AS Implementation.

As per RBI circular RBI/2015-16/315 DBR.BP.BC. No.76/21.07.001/2015-16 dated 11th February 2016 Implementation of Indian Accounting Standards (Ind AS), Banks are advised that scheduled commercial banks (excluding RRBs) shall follow the Indian Accounting Standards as notified under the Companies (Indian Accounting Standards) Rules, 2015, subject to any guideline or direction issued by the Reserve Bank in this regard. Banks in India currently prepare their financial statements as per the guidelines issued by RBI, the Accounting Standards notified under section 133 of the Companies Act, 2013 and generally accepted accounting principles in India (Indian GAAP). In January 2016, the Ministry of Corporate Affairs issued the roadmap for implementation of new Indian Accounting Standards (Ind AS), which were based on convergence with the International Financial Reporting Standards (IFRS), for scheduled commercial banks, insurance companies and non-banking financial companies (NBFCs). In March 2019, RBI deferred the implementation of Ind AS for banks till further notice as the recommended legislative amendments were under consideration of Government of India. The Bank had undertaken preliminary diagnostic analysis of the GAAP differences

between Indian GAAP vis-a-vis Ind AS and shall proceed for ensuring the compliance as per applicable requirements and directions in this regard and the Bank is submitting Proforma Ind AS Financial Statements to RBI on a quarterly basis.

Directors Responsibility Statement

Pursuant to Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013, the Board of Directors hereby confirm that:

1) In the preparation of the annual accounts for the year ended 31st March 2021, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.

2) We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Bank as on 31st March 2021 and of the profit of the Bank for the year ended on that date.

3) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the Bank's assets and for preventing and detecting fraud and other irregularities.

4) We have prepared the annual accounts on a going concern basis.

5) We have laid down internal financial controls to be followed by the Bank and ensured that such internal financial controls are adequate and were operating effectively.

6) We have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Acknowledgment and Appreciation

The Board places on record its gratitude to the Government of India, various State Governments, RBI, SEBI, MCA, IRDAI, IBA, UIDAI, CERSAI, Bankers, Lenders, Debenture Trustees, Registrar & Share Transfer Agent, Vendors, Service Providers and others for their continued support and faith reposed in the Bank. The Board would also like to thank 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 hereby convey its sincere thanks to the Shareholders, Debenture/Bond Holders and esteemed customers of the Bank for their unstinted patronage.

The Board also expresses its deep appreciation for the dedication and commitment of the employees at all levels for their strong work ethics, professionalism, reinforcing customer centricity, and commendable progress made in challenging environment during the year.

For and on behalf of the Board of Directors
AU SMALL FINANCE BANK LIMITED

Sd/-	Sd/-
Sanjay Agarwal	**Uttam Tibrewal**
Managing Director & CEO	Whole Time Director
DIN: 00009526	DIN: 01024940
Date: 8th July, 2021	Date: 8th July, 2021
Place: Jaipur	Place: Mumbai

CIN: L36911RJ1996PLC011381
Registered Office: 19-A, Dhuleshwar Garden,
Ajmer Road, Jaipur – 302001, Rajasthan

CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members,
AU Small Finance Bank Limited
19-A, Dhuleshwar Garden
Jaipur – 302 001 (Rajasthan)

1. We have examined the compliance of conditions of Corporate Governance of AU Small Finance Bank Limited ("the Bank") for the year ended on March 31, 2021 as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46 (2) and other applicable regulations of Chapter IV pertaining to Corporate Governance and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [collectively referred to as "SEBI Listing Regulations"].

Management's Responsibility for compliance with the conditions of SEBI Listing Regulations

2. The compliance with the conditions of Corporate Governance is the responsibility of the management of the Bank, including the preparation and maintenance of all relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in SEBI Listing Regulations.

Our Responsibility

3. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Bank for ensuring the compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

4. We have examined the relevant records and documents maintained by the Bank for the purposes of providing reasonable assurance on the compliance with the Corporate Governance requirements by the Bank.

5. We have conducted our examination in accordance with the Guidance Note on Corporate Governance Certificate and the Guidance Manual on Quality of Audit & Attestation Services issued by the Institute of Company Secretaries of India ("ICSI").

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us and the representation made by the directors and the management and considering the relaxations granted by the Ministry of Corporate Affairs and Securities and Exchange Board of India warranted due to the spread of the COVID-19 pandemic, we hereby certify that the Bank has complied with the conditions of Corporate Governance as stipulated in the above-mentioned SEBI Listing Regulations.

7. We further state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

Restriction on use

8. The certificate is addressed and provided to the members of the Bank solely for the purpose to enable the Bank to comply with the requirement of the SEBI Listing Regulations, and it should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

Place: Jaipur
Date: 29th April 2021
UDIN: F003355C000208661

For V. M. & Associates
Company Secretaries
(ICSI Unique Code P1984RJ039200)
PR 581 / 2019

Sd/-
CS Manoj Maheshwari
Partner
Membership No.: FCS3355
C P No.: 1971

Annexure I

REPORT ON CORPORATE GOVERNANCE

Corporate Governance in Banking Sector

Banking and financial institutions provide the necessary architecture for facilitating economic growth and development of a country which is positively correlated with the sound functioning of its Banking & financial services sector. With the growing size and complexity of India's financial system, the significance of effective Corporate Governance practices is essential for achieving and maintaining the public's trust in the banking system. Banks have been entrusted with a greater responsibility to conduct their operations in a manner keeping controls and governance measures at highest level that alleviate and minimise the risks of likely failures that may result in serious systemic issues for the Banking system and economy at large.

Philosophy on Corporate Governance

AU Small Finance Bank Limited ("the Bank") is committed to achieve the highest standards of Corporate Governance by maintaining the right balance between values such as fair and timely disclosures, credibility, accountability, sustainability, and transparency. Bank's efforts are aimed at maximising the value for the stakeholders while carrying out its operations in well governed manner.

The Board of Directors of the Bank has adopted a Code of Conduct for its Directors and Senior Management Personnel, and also adopted Code of Conduct for employees.

AU Bank Governance Ecosystem

The Board of Directors of the Bank ("the Board") has a comprehensive responsibility of approving and overseeing management's implementation of the bank's strategic objectives, governance framework, and compliance culture.

Over the years, Bank has strengthened its governance practices and placed greater emphasis on the empowerment, integrity, and safety of its employees. The values of diversity and transparency are practiced in all its dealings to show accountability towards all the stakeholders. It is a firm conviction of the Bank that good Corporate Governance practices are powerful enablers that can attract and retain Financial and Human Capital.

Your Board deeply believes and adhere to the following principles which are considered as the essential elements of good corporate governance:

- Well-structured Board and Committees capable of taking independent and objective decisions
- Ensuring compliance with all applicable laws and regulations
- Maintaining transparency and fair disclosure
- Integrity and Business ethics at all levels
- Equitable treatment of all Stakeholders
- Timely and adequate disclosure of material information to all stakeholders
- Avoidance of Conflict of Interest

Board of Directors ("the Board")

The Board of the Bank is duly constituted with an optimal mix of Independent, Non-Executive, and Executive Directors with a majority of the Board members comprising of Independent Directors ("IDs") to maintain its independence and separate its functions of governance and management. The Board consists of professionals having diversified knowledge, varied background, and vast experience that enables it to delegate responsibilities effectively.

The composition of the Board conforms with the Banking Regulation Act 1949, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Companies Act, 2013 and the relevant rules made thereunder.

As of the date of this report, the Board has eight (8) Directors with six (6) Independent Directors including a woman Independent Director, and two (2) Executive Directors.

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 ("Act"), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Banking Regulation Act, 1949, and the guidelines issued by the RBI from time to time and confirmed that they are independent of the management and meet the criteria of independence laid down thereunder. The declarations obtained are put forth to the Board of Directors for their noting. In terms of the Companies (Appointment and Qualification of Directors) Rules 2014, all the Independent Directors of the Bank have completed their registration on Independent Director's databank and the required Independent Directors have completed passing of the online proficiency self-assessment test, as applicable to them within the timeline prescribed under the said rules.

The changes in the composition of the Board of Directors that took place during the year under review were carried out in compliance of the provisions of the Act/RBI guidelines and details of appointment/ re-appointment/ cessation of Directors during the year under review are covered in Board's Report of this Annual Report.

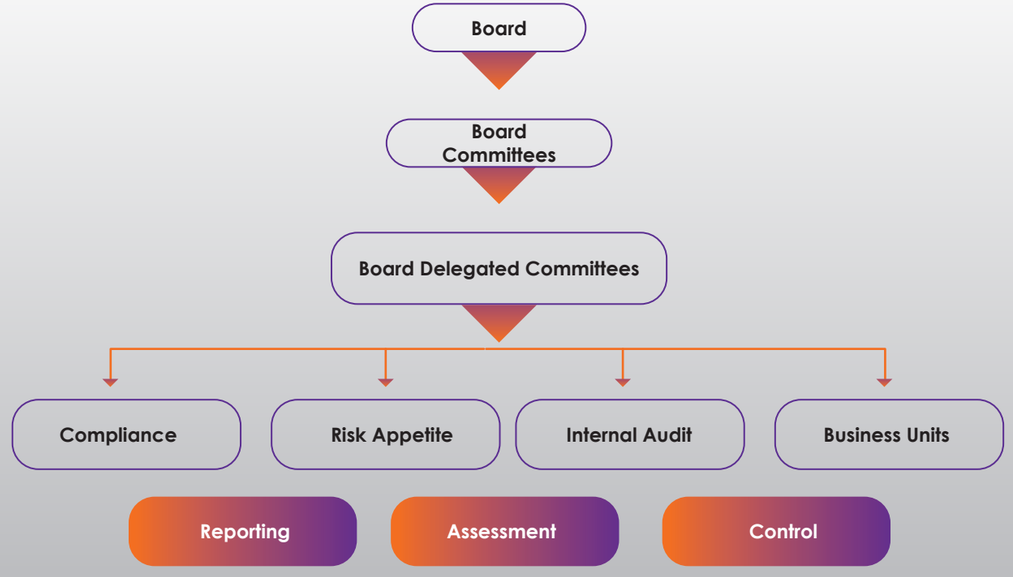
Key Skills/ Expertise/ Competence of Board

The Bank in compliance of Section 10A (2) of the Banking Regulation Act 1949 read with RBI Notification dated 24th November 2016 identified below skills/expertise/ competencies required to be possessed by the Board of Director(s), in the context of its business(es) and the sector(s), for it to function effectively:

1. Accountancy
2. Agriculture and Rural Economy,
3. Banking,
4. Co-operation,
5. Economics,
6. Finance,
7. Law,
8. Small-scale industry,
9. Information Technology,
10. Payment and settlement systems,
11. Human Resources,
12. Risk Management,
13. Business Management,

Apart from the above, the Bank also identified Customer Service, Treasury, Financial Inclusion and Rural Banking as areas of specialised knowledge and practical experience which in the opinion of the Board would be useful for the banking company.

Governance Structure



The brief description of the Board of Directors of the Bank including skills and domain expertise are given below:

Mr. Raj Vikash Verma



Part-time Chairman (Independent Director)

Nationality	Indian
Age	66
Qualification	MA (Economics), MBA (Finance) & CAIIB
Date of Appointment in Current Term	30th January 2021
Term of Directorship	For a term of three years
No. of Equity Shares held	NIL
Directorship in other companies	4
Committee position in other Public companies	
Chairman	Nil
Member	Nil
Directorship in other listed entities (Category of Directorship)	NIL
Areas of Expertise	Banking, Economics, Finance, Risk Management and Business Management
Profile Link	https://www.aubank.in/about-us/board-of-directors

Mr. Krishan Kant Rathi



Independent Director

Nationality	Indian
Age	59
Qualification	CA, CS, B.Com (Hons.)
Date of Appointment in Current Term	30th March 2020
Term of Directorship	For a term of three years
No. of Equity Shares held	83,289
Directorship in other companies	8
Committee position in other Public companies	
Chairman	Nil
Member	2
Directorship in other listed entities (Category of Directorship)	Future Consumer Limited (Non-Executive Director)
Areas of Expertise	Accountancy, Banking, Economics, Finance, Law, Risk Management and Business Management
Profile Link	https://www.aubank.in/about-us/board-of-directors

Ms. Jyoti Narang



Independent Director

Nationality	Indian
Age	63
Qualification	BA (Economics), MBA (Finance), Advanced Management Programme - Harvard Business School
Date of Appointment in Current Term	30th March 2020
Term of Directorship	For a term of three years
No. of Equity Shares held	5,237
Directorship in other companies	4
Committee position in other Public companies	
Chairman	Nil
Member	1
Directorship in other listed entities (Category of Directorship)	NIL
Areas of Expertise	Banking, Economics, Finance, Human Resource, Business Management and Customer Service
Profile Link	https://www.aubank.in/about-us/board-of-directors

Mr. V G Kannan



Independent Director

Nationality	Indian
Age	64
Qualification	MBA, CAIIB, Organizational Leadership Change Program, Wharton Business School
Date of Appointment in Current Term	22nd January 2020
Term of Directorship	For a term of three years
No. of Equity Shares held	100
Directorship in other companies	3
Committee position in other Public companies	
Chairman	Nil
Member	Nil
Directorship in other listed entities (Category of Directorship)	Nil
Areas of Expertise	Agriculture and Rural Economy, Banking, Co-operation, Economics, Finance, Small scale Industry, Risk Management, Business Management and Treasury
Profile Link	https://www.aubank.in/about-us/board-of-directors

Mr. Pushpinder Singh



Independent Director

Nationality	Indian
Age	67
Qualification	B.SC, CAIIB
Date of Appointment in Current Term	21st October 2019
Term of Directorship	For a term of three years
No. of Equity Shares held	100
Directorship in other companies	Nil
Committee position in other Public companies	
Chairman	Nil
Member	Nil
Directorship in other listed entities (Category of Directorship)	Nil
Areas of Expertise	Banking, Information Technology, Payment and Settlement System and Business Management
Profile Link	https://www.aubank.in/about-us/board-of-directors

Mr. Sanjay Agarwal



Promoter - Managing Director & CEO (Executive)

Nationality	Indian
Age	50
Qualification	B. Com, CA
Date of Appointment in Current Term	19th April 2020
Term of Directorship	For a term of three years
No. of Equity Shares held	5,67,66,359
Directorship in other companies	Nil
Committee position in other Public companies	
Chairman	Nil
Member	Nil
Directorship in other listed entities (Category of Directorship)	Nil
Areas of Expertise	Accountancy, Agriculture and Rural economy, Banking, Economics, Finance, Small scale Industry, Human Resource, Risk Management and Business Management
Profile Link	https://www.aubank.in/about-us/board-of-directors

Mr. M S Sriram



Independent Director

Nationality	Indian
Age	59
Qualification	Graduate from IRMA, Fellow – IIMB
Date of Appointment in Current Term	21st October 2019
Term of Directorship	For a term of three years
No. of Equity Shares held	Nil
Directorship in other companies	4
Committee position in other Public companies	
Chairman	Nil
Member	1
Directorship in other listed entities (Category of Directorship)	NIL
Areas of Expertise	Agriculture and Rural Economy, Banking, Co-operation, Economics, Finance, Business Management, Financial Inclusion and Rural Banking
Profile Link	https://www.aubank.in/about-us/board-of-directors

Mr. Uttam Tibrewal



Whole Time Director (Executive)

Nationality	Indian
Age	50
Qualification	B. Com
Date of Appointment in Current Term	19th April 2020
Term of Directorship	For a term of three years
No. of Equity Shares held	49,08,135
Directorship in other companies	Nil
Committee position in other Public companies	
Chairman	Nil
Member	Nil
Directorship in other listed entities (Category of Directorship)	Nil
Areas of Expertise	Accountancy, Agriculture and Rural economy, Banking, Finance, Small scale Industry, Risk Management and Business Management
Profile Link	https://www.aubank.in/about-us/board-of-directors

The areas of expertise mentioned in the above table provides skills/expertise/competencies as required to be possessed by the Board of Directors, in the context of its business(es) and the sector(s), for it to function effectively.

Notes:

i) Mr. Raj Vikash Verma has been designated as Part-Time Chairman (Independent director) (Non-Executive) of the Bank w.e.f. 8th April 2020 in terms of approval received from RBI and the same has been duly approved by the shareholders. Further, RBI has approved his tenure for another period of 2 years from 8th April 2021 & the same has been duly approved by the shareholders.

ii) Mr. Sanjay Agarwal – MD & CEO, Re-appointment for second term has been approved by the RBI vide its communication dated 8th April 2020 to be effective from 19th April 2020 for a period of 3 years.

iii) Mr. Uttam Tibrewal - WTD, Re-appointment for second term has been approved by the RBI vide its communication dated 8th April 2020 to be effective from 19th April 2020 for a period of 3 years.

iv) None of the Directors on the Board hold directorship in more than 10 Public Limited Companies and not exceeding 20 companies in compliance with the requirement of Companies Act 2013.

v) None of the Independent Director serves as an Independent Director on more than Seven Listed Companies.

vi) None of the Directors of the Bank are member of more than 10 committees or acted as a chairman of more than 5 committees across Public Limited Companies in which they hold directorship.

vii) Audit Committee and Stakeholders Relationship Committee have been considered above for Committee Chairmanship and membership.

viii) None of the Directors are related with each other.

ix) Necessary disclosures regarding Committee positions in other public companies as on 31st March 2021 have been made by the Directors.

x) Independent Directors confirmed that they are not aware of any circumstance or situation which exists or may be reasonably anticipated that could impair or impact their ability to discharge their duties.

xi) None of the Director belong to promoters and promoter group except Mr. Sanjay Agarwal.

xii) None of the Non-Executive Directors hold any convertible instruments of the Bank.

Board and Committee Meetings

The Board meets at regular intervals to take strategic and business decisions considering matters referred to under Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Part A of Schedule II and matters covered under the Calendar of Reviews. The discussion among Board members is held in detail wherein Board/Committees spend considerable time reviewing the information provided to them which facilitates informed decision-making and effective participation at meetings, leading to higher Board effectiveness.

The Board / Committee Meetings are pre-scheduled and the notice is circulated to the Directors well in advance to allow them to plan their schedule and to ensure better participation in the meetings. However, in case of a special and urgent business need,the Bank exceptionally convene meetings physically or through electronic means on shorter notice in the presence of at least one independent director.

The Board Meetings of the Bank are organised by giving apposite notice, agenda papers, and other explanatory notes/presentation/relevant information to each of the directors of the Bank in compliance of applicable requirement under Secretarial Standard - I (SS-I). At least one meeting is held every quarter, to review the quarterly performance of the Bank. The Senior management including Head of various departments are invited to attend the Board/ committee meetings to present specific details as desired by the Board for its deliberation and decision.

Board Meeting Attendance

During the period under review the Board of the Directors of the Bank met Eleven (11) times on 2nd May 2020, 30th May 2020, 23rd July 2020, 5th September 2020#, 24th October 2020, 28th October 2020, 15th December 2020, 28th January 2021, 27th February 2021, 12th March 2021 and 27th March 2021.

The gap between two Board meetings did not exceed the prescribed limit of 120 days. The requisite quorum was present for all the meetings of the Board held during FY 2020-21.

Details of the Directors' attendance at Board meetings held during FY 2020-21 and at Annual General Meeting are as under:

Name of Director	Board Meeting		Whether attended last AGM held via VC on 21st July 2020
	Held during the tenure	Attended	
Mr. Raj Vikash Verma	11	11	✓
Mr. Krishan Kant Rathi	11	11	✓
Ms. Jyoti Narang	11	11	✓
Mr. M S Sriram	11	11	✓
Mr. Pushpinder Singh	11	11	✓
Mr. V G Kannan	11	11	✓
*Mr. Narendra Ostawal	6	6	✓
Mr. Sanjay Agarwal	11	11	✓
Mr. Uttam Tibrewal	11	10	✓

*Mr. Narendra Ostawal ceased to be Non-Executive Director of the Bank on 28th October 2020 (Close of Business hours)

#The Board Meeting was adjourned to 9th September 2020.

The role and the composition of Board Committees as of 31st March 2021 are as follows:

1. Audit Committee

Regulatory Reference	Dates of Meetings	Composition of the Committee as on 31st March 2021
• Section 177 of the Companies Act 2013 • Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 • Board Approved Charter of the Audit Committee.	The Committee met 4 times during the year under review on: • 02nd May 2020 • 23rd July 2020 • 28th October 2020 • 28th January 2021 The time gap between any two meetings were less than 120 days.	Mr. Krishan Kant Rathi (Chairman) Ms. Jyoti Narang Mr. M S Sriram Mr. V G Kannan The Chairman of the Audit Committee was present in Annual General Meeting to answer the queries to the shareholders.

Terms of Reference

The terms of reference of the Audit Committee, inter-alia, include:

- Review and approve the nature and scope of the internal audit function and ensure it has adequate resources that are appropriate to access the information to perform its function effectively.
- Monitor reporting of issues identified by internal auditors to the management and ensure that corrective actions are being undertaken in a timely manner.
- Consider major findings of internal quarterly, semi-annual and annual audit reviews, LFAR and management's response; and review management letter(s) and management response to the findings, recommendations of the external auditor(s)
- Ensure that the Bank properly documents the identified risks and the related policies and assesses whether awareness and identification of risks are percolating to all levels and ascertains that systems are in place for adherence to all regulations.
- Review and monitor compliance function, its policies and implementation of compliance frameworks of the Bank.
- To recommend the appointment including terms of appointment and removal of statutory, internal and secretarial auditors, fixation of audit fees and also to approve payment for other services.
- To review, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.) including statement of deviation, if any
- Reviewing with the management the annual financial statements and auditor's report thereon before submission to the Board for approval, with reference to:
  - a) matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of section 134 (3)(c) of the Companies Act, 2013.
  - b) changes, if any, in accounting policies and practices and reasons for the same.
  - c) major accounting entries involving estimates based on the exercise of judgment by management.
  - d) significant adjustments made in the financial statements arising out of audit findings.
  - e) compliance with listing and other legal requirements relating to financial statements.
  - f) disclosure of any related party transactions.
  - g) modified opinion(s) in the draft audit report.
  - h) oversight of the financial reporting process and the disclosure of its financial information and other terms of reference covered under the part C of scheduled II of Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and
  - i) scrutiny of inter-corporate loans and investment.
- Reviewing, with the management, the quarterly financial statements before submission to the board for approval.

2. Risk Management Committee

Regulatory Reference	Dates of Meetings	Composition of the Committee as on 31st March 2021
• RBI Guidelines on Risk Management System • Regulation 21 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 • Board Approved Charter of the Risk Management Committee.	The Committee met 4 times during the year under review on: • 02nd May 2020 • 23rd July 2020 • 27th October 2020 • 25th January 2021	Mr. V G Kannan (Chairman) Mr. Krishan Kant Rathi Ms. Jyoti Narang Mr. M S Sriram The Chief Risk Officer has unfettered access to Risk Management Committee.

Terms of Reference

The terms of reference of the Risk Management Committee, inter-alia, include:

- Review, approve/recommend, periodically update of internal/ external policies, regulatory guidelines, strategies and risk management framework and seek the Board's approval for the same.
- Ensure that the procedures for identifying, measuring, monitoring and controlling risks are in place.
- Ensure appropriate risk organisation structure with authority and responsibility clearly defined adequate staffing and the independence of the Risk Management function.
- Review reports from management concerning:
  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 to monitor them.
- Review performance and set objectives for the Chief Risk Officer (CRO) and ensure the CRO has unfettered access to the Board.
- Oversee statutory/regulatory reporting requirements related to risk management and capital adequacy computation with an understanding of methodology.
- Approve the stress testing results/analysis and periodically monitor the action plans and corrective measures in line with internal guidelines.
- Monitor and Review Non-compliance, limit breaches, audit/regulatory findings and policy exception of risk management as well as fraud and potential losses.
- Oversee the working of the Credit Risk & NPA Management Committee (CRNPAC), Operational Risk Management Committee, Information Security Risk Management Committee and Asset & Liability Management Committee (ALCO).
- Review and ensure that all systems are being implemented in the Bank with adequate security controls and detailed succession and management continuity plan for key positions.

3. Nomination and Remuneration Committee (NRC)

Regulatory Reference	Dates of Meetings	Composition of the Committee as on 31st March 2021
• Section 178 of the Companies Act, 2013 • Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 • Board Approved Charter of the NRC.	The Committee met 8 times during the year under review on: • 02nd May 2020 • 23rd July 2020 • 4th September 2020 • 25th September 2020 • 24th October 2020* • 11th December 2020 • 27th January 2021 • 27th March 2021	Mr. M S Sriram (Chairman) Mr. Krishan Kant Rathi Ms. Jyoti Narang The Chairman of the NRC was present in Annual General Meeting to answer the queries to the shareholders.

*The meeting was adjourned to 27th October 2020.

Terms of Reference

The terms of reference of the NRC, inter-alia, include:

- Identifying persons who are qualified to become directors and senior management in accordance with the criteria laid down, evaluation thereof and recommend to the Board their appointment and removal.
- Formulation of criteria for determination of qualifications, positive attributes and independence of Director and recommend to the Board a policy relating to the remuneration of the Directors, Key Managerial Personnel (KMP) and other employees.
- Devising a policy on diversity of Board of Directors detailed succession and management continuity plan for key positions.
- Conduct appropriate due diligence and scrutinize the declarations made by probable candidates at the time of appointment/re-appointment of Directors, based upon qualification, expertise, track record, integrity and 'Fit & Proper' criteria.
- Ensure that the Bank has a detailed succession and management continuity plan for key positions.
- Assist in defining the performance evaluation criteria for Directors, Key Management Personnel and Senior Management Personnel, ensuring that relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- Review and oversee the Employee Benefits' programme of the Bank, including deferred benefits plans and retirement plans.
- Perform such functions as are required to be performed under the SEBI (Share Based Employee Benefits) Regulations, 2014, including the following:
  a) Administering, Determining the eligibility of employees, Granting options to eligible employees the ESOP plans.
  b) Determining the number of options to be granted and exercise price to an employee.
  c) Construing and interpreting the ESOP plans and any agreements defining the rights and obligations and prescribing, amending and/or rescinding rules and regulations relating to the administration of the ESOP plans.

4. Stakeholders Relationship Committee (SRC)

Regulatory Reference	Dates of Meetings	Composition of the Committee as on 31st March 2021
• Section 178(5) of the Companies Act 2013 • Regulation 20 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 • Board Approved Charter of the SRC.	The Committee met 4 times during the year under review on: • 02nd May 2020 • 23rd July 2020 • 27th October 2020 • 26th January 2021	Mr. Raj Vikash Verma (Chairman) Mr. Krishan Kant Rathi Mr. Uttam Tibrewal The Chairman of the SRC was present in Annual General Meeting to answer the queries to the shareholders

Terms of Reference

The terms of reference of the SRC, inter-alia, include:

- Redressal of Grievances of shareholders, debenture holders and other security holders including complaints related to transfer of shares, non-receipt of Annual Report and Non-receipt of declared dividends.
- Review and address all matters pertaining to Depositories for dematerialisation of shares, performance of the Registrar and Transfer Agent including appointment and other matters connected therewith.
- Change in any correspondence details of the shareholder(s).
- Develop and recommend improvements in the investor services initiatives undertaken by the Bank.
- Monitor the shareholding structure of the Bank, including foreign holding in terms of FDI policy.

5. Corporate Social Responsibility (CSR) Committee

Regulatory Reference	Dates of Meetings	Composition of the Committee as on 31st March 2021
• Section 135 of the Companies Act 2013 • Companies (Corporate Social Responsibility Policy) Rules 2014 • Board Approved Charter of the CSR Committee.	The Committee met 4 times during the year under review on: • 02nd May 2020 • 26th Oct 2020 • 27th February 2021 • 27th March 2021	Mr. Krishan Kant Rathi (Chairman) Mr. M S Sriram Ms. Jyoti Narang Mr. Pushpinder Singh Mr. Sanjay Agarwal

Terms of Reference

The terms of reference of the CSR Committee, inter-alia, include:

- Formulate and recommend to the Board 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.
- To analyse and design the CSR strategy and annual action plan.
- Recommend the amount of expenditure to be incurred in the activities provided under the CSR policy in compliance of applicable rules and regulations.
- Monitor the implementation and effectiveness of the CSR policy from time to time.

6. IT Strategy and Informaton Systems Security Committee

Regulatory Reference	Dates of Meetings	Composition of the Committee as on 31st March 2021
• RBI Guidelines on Information security, Electronic Banking, Technology Risk Management and cyber security. • Board Approved Charter of the IT Strategy and Information Systems Security Committee.	The Committee met 4 times during the year under review on: • 02nd May 2020 • 23rd July 2020 • 26th October 2020 • 27th January 2021	Mr. Pushpinder Singh (Chairman) Mr. Raj Vikash Verma Mr. V G Kannan Mr. Sanjay Agarwal

Terms of Reference

The terms of reference of the IT Strategy and Information Systems Security Committee, inter-alia, include:

- Review the IT and Digital related strategy and policy.
- Evaluate the investments made into IT infrastructure to sustain the Bank's growth.
- Implement IT governance infrastructure covering basic principles of value delivery, IT risk management, IT resource management, and performance management.
- Ensure a governance structure shall be created for IT, which will include technology and development, IT operations, IT assurance, and supplier and resource management.
- Ensure the IT risks and controls are documented and covered and risk mitigation and monitoring initiative are taken.
- Review IT security incidents and corrective action plans.

7. Customer Service Committee (CSC)

Regulatory Reference	Dates of Meetings	Composition of the Committee as on 31st March 2021
• Master Circular of RBI on Customer Service in Banks • Board Approved Charter of the CSC	The Committee met 4 times during the year under review on: • 02nd May 2020 • 23rd July 2020 • 27th October 2020 • 27th January 2021	Ms. Jyoti Narang (Chairperson) Mr. M S Sriram Mr. V G Kannan Mr. Pushpinder Singh Mr. Uttam Tibrewal

Terms of Reference

The terms of reference of the CSC, inter-alia, include:

- Evaluate the trend analysis of customer complaints by product categories/channels/BCs and monitor improvement plans.
- Review and approve comprehensive Deposit Policy and statement of complaints, along with an analysis of complaints.
- Assess Banking Ombudsman awards on a periodic basis, address systemic deficiencies brought out by these awards and report cases with delayed implementation of more than three months to the Board with reasons for delay to facilitate necessary remedial action on priority.
- Review the performance of 'Standing Committee for Customer Services' and other Sub Committees.
- Benchmark review of turnaround time for key product offerings and monitoring improvement plans put in place.
- Review the effectiveness of grievance redressal mechanism within the Bank for redressing complaints received about services rendered by Business Correspondents (BC).

8. Review of Classification of Wilful Defaulters Committee

Regulatory Reference	Dates of Meetings	Composition of the Committee as on 31st March 2021
• Master Circular of RBI on Wilful Defaulters • Board Approved Charter of the Review of Classification of Wilful Defaulters Committee.	The Committee met 5 times during the year under review on: • 02nd May 2020 • 23rd July 2020 • 24th August 2020 • 26th October 2020 • 26th January 2021	Mr. Raj Vikash Verma (Chairman) Mr. Krishan Kant Rathi Mr. V G Kannan Mr. Sanjay Agarwal

Terms of Reference

The terms of reference of the Review of Classification of Wilful Defaulters Committee, inter-alia, include:

- To review and confirm the order of Wilful Defaulters Identification committee.
- Monitor that the borrower is given necessary opportunity to put forth their cases before classifying them under wilful defaulters.
- Review the wilful defaulter's status of the Bank in a periodic manner and highlight unfavorable trends.
- Monitor the progress of the agreed action plans in co-ordination with Collection department and suggest remedial actions for unresolved issues and unattended actions.

9. Special Committee on Fraud Monitoring (SFMC)

Regulatory Reference	Dates of Meetings	Composition of the Committee as on 31st March 2021
• Master Circular of RBI on Frauds - Classification and Reporting • Board Approved Charter of the SFMC	As committee is required to meet for fraud case monitoring of ₹1 crore and above only. No such case was reported for the period under review; hence, no meeting was held during the financial year under review.	Mr. Raj Vikash Verma (Chairman) Mr. Pushpinder Singh Mr. V G Kannan Mr. M S Sriram Mr. Sanjay Agarwal

Terms of Reference

The terms of reference of the SFMC, inter-alia, include:

- Monitor and review all frauds of ₹1 crore and above.
- Identify the system lacunae if any that facilitate perpetration of the fraud and put in place measures to plug the same.
- Evaluation of existing systems and procedures for fraud detection and prevention and reasons for delay in detection, if any, in reporting to top management of the Bank and RBI.
- Review the efficacy of the remedial action undertaken to prevent recurrence of frauds, such as strengthening of internal controls.
- Monitoring progress of police investigation and recovery position and ensure that staff accountability is examined at all levels in all fraud cases and staff side action, if required, put in place other measures to strengthen preventive measures against frauds.

10. Disciplinary Committee (DC)

Regulatory Reference	Dates of Meetings	Composition of the Committee as on 31st March 2021
• RBI circular on Sexual Harassment at Workplace • RBI Circular(s) issued on Whistle-Blower policy from time to time • The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 • Board Approved Charter of the DC	The Committee met 2 times during the year under review on: • 02nd May 2020 • 27th October 2020	Ms. Jyoti Narang (Chairman) Mr. M S Sriram Mr. Pushpinder Singh Mr. Uttam Tibrewal

Terms of Reference

The terms of reference of the Disciplinary Committee, inter-alia, include:

- Approve the policy on Code of Conduct for employees, Whistle Blower policy and Vigil Mechanism and Prevention and Redressal against Sexual Harassment Policy, recommend the same to the Board and appropriately review as and when required.
- Setting up of a transparent mechanism to decide and resolve complaints from employees and take appropriate corrective action plan.
- Resolution of complaints received by the Bank including sexual harassment and enforce disciplinary action in the matter.
- Taking appropriate remedial measures to respond to any substantiated allegations of a complaint (sexual harassment or disciplinary) against any employee.
- Promote appropriate working conditions and a safe environment for all employees.

11. Committee For Financial Inclusion

Regulatory Reference	Dates of Meetings	Composition of the Committee as on 31st March 2021
• Board Approved Charter of the Committee for Financial Inclusion • RBI Circular(s) issued from time to time	The Committee met 4 times during the year under review on: • 02nd May 2020 • 23rd July 2020 • 26th October 2020 • 27th January 2021	Mr. M S Sriram (Chairman) Mr. Pushpinder Singh Mr. V G Kannan Mr. Uttam Tibrewal

Terms of Reference

The terms of reference of the Committee for Financial Inclusion, inter-alia, include:

- To review the channelisation of deposits (including BSBDA) in unserved and underserved sections of the society and to ensure the supply of credit to small business units, small & marginal farmers, micro and small industries, and other unorganised sector entities through low-cost operations.
- To oversee the functioning of channels of financial inclusion including Banking Outlets, Business Correspondents and Unbanked Branch locations and to analyse the operational efficiency and sustainability.
- Review of the Financial Inclusion initiatives and review of the plan in this regard.
- To review and monitor the progress of enrolments under the pro-poor insurance and pension programmes and other government schemes.
- To set targets and monitor achievements in Priority sector lending including sub targets covering lending under Agriculture, Small & Marginal farmers, Micro Enterprises and to weaker sections of the society.
- To examine the multiplier effect of the products and services offered by the Bank.
- Review financial literacy initiatives carried out by Banks.
- To look at effective ways of partnership (including government and non- government network) that provides the power of aggregation and bulk outreach without significant overheads for the Bank.

12. Management Committee

Regulatory Reference	Dates of Meetings	Composition of the Committee as on 31st March 2021
• Board Approved Charter of the Management Committee	The Committee met 4 times during the year under review on: • 02nd May 2020 • 23rd July 2020 • 27th October 2020 • 25th January 2021	Mr. Raj Vikash Verma (Chairman) Mr. Pushpinder Singh Mr. Sanjay Agarwal Mr. Uttam Tibrewal

Terms of Reference

The terms of reference of the Management Committee, inter-alia, include:

- To approve credit facilities & investment exposure above certain threshold to New Exposure/Loan to Existing Customers along with Existing facility.
- Reporting to Board about proposals for credit facilities to the relatives of senior officers of the Bank sanctioned by the appropriate authority should be reported to the Board through Management Committee.
- Reporting to Board about any company in which any of the relatives of any senior officer of the financing bank holds substantial interest or is interested as a director or as a guarantor.
- Sanction of proposals with exposure of more than ₹25 lakh to:
  a) Any relative of the Chairman/Managing Directors or other Directors of the Bank.
  b) Any relative of the Chairman/Managing Director or other directors of other banks.
  c) Any firm in which any of the relatives as mentioned in (i) and (ii) above is interested as a partner or guarantor.
  d) Any company in which any of the relatives as mentioned in (i) and (ii) above hold substantial interest or is interested as a director or as a guarantor.

13. Capital Raising Committee

Regulatory Reference	Dates of Meetings	Composition of the Committee as on 31st March 2021
• Board Approved Charter of the Capital Raising Committee	The Committee met 4 times during the year under review on: • 8th March 2021 • 9th March 2021 • 15th March 2021 (2 meetings were held on same day)	Mr. V G Kannan (Chairman) Mr. Krishan Kant Rathi Ms. Jyoti Narang Mr. Sanjay Agarwal

Terms of Reference

- To analyse various options for infusion of capital and funds by offering various securities including equity shares, preference shares, debentures, bonds, BASEL compliant Tier I and Tier II Instruments and other debt securities, etc.
- To approve the issue of securities in one or more tranches to various potential Investors within the overall limit as approved by the Board/ Shareholders and determine price/price range for the securities.
- To approve and incur the necessary expenditure relating to capital and fund-raising exercise.
- To issue receipts/ allotment letters/ confirmations of allotment notes either in physical or electronic mode representing the underlying Equity Shares.
- To perform all activities with regard to fundraising by various methods/ means/options under the authority of Board and Shareholders.

Meeting of Independent Directors

Pursuant to Section 149(8) read with Schedule IV of Companies Act 2013, and Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 a meeting of the Independent Directors of the Bank is required to be held once a year in absence of non-independent directors.

During the year under review, the meetings of Independent Directors were held on 1st May 2020 and 12th March 2021 chaired by Mr. Raj Vikash Verma and attended by all the Independent Directors of the Bank.

No sitting fees was paid to the Independent Directors of the Bank for attending the said meetings.

Directors' Induction and familiarisation programme

The Independent Directors consist of eminent professionals with vast experience in Banking and Finance industry, management areas, and are fully conversant with the business of the Bank. With help of the familiarisation programme, the Bank updates the Board of Directors continuously on significant changes and gives them an insight into their expected roles and responsibilities to be in a position to make well informed timely decisions and contribute significantly to the Bank.

In compliance with Regulation 25(7) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board familiarisation programme comprises of the following:

- Induction programme for New Independent Directors.
- Familiarisation sessions on Business and Functional issues
- External Training programmes with IDRBT, CAFRAL and other programmes and
- Update on recent regulatory changes at regular intervals.

All new Independent Directors undergo a detailed induction and familiarisation programme at the time of their joining on the Board. The induction programme has exhaustive coverage where the organisation's structure, vision, mission, past growth trajectory, key milestones, Board & Committee approach, the scope of work and overall business and operations, and technology platform, etc. are covered therein.

As part of the induction sessions, Managing Director & CEO presents a brief overview about the organisation, and Senior Management Personnel and Functional Heads are introduced. The Independent Directors are also briefed about the constitution, board procedures, matters reserved for the Board, and made aware of their roles and responsibilities at the time of their appointment in view of applicable regulatory requirements.

Directors are also nominated to attend various programmes organised by CAFRAL, IDRBT and other Bodies to undergo knowledge sharing sessions for effective contribution to the growth of the Bank. The Familiarisation Programme along with details of the same, imparted to the Independent Directors during the year are available on the website of the Bank at https://www.aubank.in/investors/secretarial-policies.

Performance Evaluation

In pursuant to Section 149(8) read with Schedule IV, Section 178(2), Section 134(3)(p) of Companies Act, 2013 and Regulation 17 of SEBI (LODR) Regulation 2015 read with relevant schedule and guidance note issued by the Securities and Exchange Board of India, the Board on the recommendation of the Nomination and Remuneration Committee of the Bank carried out an annual performance evaluation of the Board as a whole and directors individually. The Board also conducted an evaluation of the working of its various Committees for the year under consideration intending to improve the effectiveness of the Board and the Committees. The said evaluation is carried out based on the parameters below:

- Performance of Directors was evaluated based on their qualifications, experience, diversity and 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. Independent Directors were also evaluated on the criteria of independence and independent views and judgement.
- Performance of the Board as a whole, including the structure of the Board, meetings of the Board, and functions of the Board were reviewed and evaluated.
- Evaluation of performance for Chairman includes qualifications, experience, knowledge and competency, fulfilment of functions, initiatives undertaken, attendance, contribution and integrity, effectiveness of leadership and ability to steer the meetings, impartial approach, Commitment and shareholders' interest.
- Performance evaluation of Committees includes their mandate, composition and effectiveness.

A questionnaire for the evaluation of the Board, its Committees and the individual members of the Board (including the Chairperson), has been designed by following the said framework and the same is sent out to Directors covering various aspects of the performance of the Board and its Committees, including composition, quality, roles and responsibilities, processes and functioning, adherence to Code of Conduct and Ethics and best practices in Corporate Governance.

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.

Director & Officer's Liability Insurance Policy

Pursuant to the Regulation 25(10) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Board Members are provided with the insurance cover under the Directors & Officers Liability Insurance Policy to secure against the Legal liability of Directors arising out of any claims first made against the Directors and the insurance cover under the said policy is commensurate with present size of the Bank.

Board Diversity Policy

The Bank has Board approved policy which sets out the approach to diversity on the Board of the Bank. The policy provides for having a truly diverse board, comprising of appropriately qualified people with a broad range of experience relevant to the business of the Bank.

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. The Nomination and Remuneration Committee works with the Board on the leadership succession plan to ensure an orderly succession in appointments to the Board and of senior management. The Bank strives to maintain an appropriate balance of skills and experience within the organisation and at the Board level in an endeavor to introduce new perspectives while maintaining experience and continuity. Accordingly, the Bank has put in place the policy for an orderly succession for appointment to the Board of Directors and Senior Management and the same can be accessed through the link at https://www.aubank.in/investors/secretarial-policies.

Compensation Policy

In terms of Section 178 of the Companies Act, 2013, the relevant Rules made thereunder, Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and RBI Circular on Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff dated 4th November 2019, Bank has in place Compensation policy which is duly approved by the Board of Directors of the Bank.

The objective of the Compensation policy is to regulate the appointment and remuneration of Directors (including Independent Directors), Key Managerial Personnel (KMP), Senior Management Personnel and other employees as per the criteria formulated by the Nomination and Remuneration Committee of the Board under the requirement of laws, rules & regulations and other applicable guidelines.

The abovesaid policy covers all aspects of the compensation structure such as fixed pay, variable pay, perquisites, performance bonus, guaranteed bonus, share-linked instruments i.e., employee stock options etc.

The policy is annually reviewed by the Board of Directors in addition to the other amendments that may be required in the policy. During the year no changes were made in the policy. The policy is hosted by the Bank on its website and can be accessed through the link at https://www.aubank.in/investors/secretarial-policies.

Director's Remuneration Criteria

Remuneration of Executive Directors

On recommendation of Nomination and Remuneration Committee, the Board of the Bank approves to pay remuneration to executive directors subject to shareholder's and RBI approval. The said remuneration is governed by the employment agreement executed between the Bank and executive directors.

The remuneration including fixed pay and variable pay of Executive Directors i.e., Mr. Sanjay Agarwal, Managing Director & CEO and Mr. Uttam Tibrewal, Whole-Time Director of the Bank is as per the terms of approval of RBI.

₹ in crore

Sr. No.	Particulars	Mr. Sanjay Agarwal*	Mr. Uttam Tibrewal**
1	Fixed Pay (including perquisites)	-	2.24
2	Variable Pay (For FY 2019-20)	-	-
	Total Remuneration (1) + (2)	-	2.24

Note: * Mr. Sanjay Agarwal- MD & CEO has voluntarily relinquished his fixed pay for FY 2020-21. Proposal for Variable Pay in form of Performance Bonus for FY 2019-20 was submitted to RBI for approval and RBI vide its letter dated 3rd May 2021 did not acceded the proposal. The proposal was reconsidered by the NRC & Board and the same is pending with RBI for its approval.

** Proposal for Variable Pay for Mr. Uttam Tibrewal, Whole-time Director in form of Performance Bonus and ESOPs for FY 2019-20 was submitted to RBI for approval. RBI vide its letter dated 3rd May 2021 did not acceded the proposal and the proposal was reconsidered by the NRC & Board and the same is pending with RBI for its approval. The remuneration of Mr. Uttam Tibrewal, Whole Time Director of the Bank includes performance bonus of ₹29.91 lakh and ₹26 lakh for FY 2018-19 and FY 2017-18 respectively paid in FY 2020-21. Above remuneration is excluding the perquisite amount of ₹80.36 crore for ESOPs exercised during FY 2020-21.

Further, Mr. Uttam Tibrewal was granted 38,702 ESOPs under ESOP Scheme 2015 - Plan A & 10,18,758 ESOPs under ESOP Scheme 2015 - Plan B on 27th October 2017 at exercise price of ₹10.11 and ₹33.37 each, respectively. The RBI pursuant to its letter dated 5th February 2021 intimated to the Bank that the ESOPs granted to Mr. Uttam Tibrewal pertains to the period prior to his appointment as the Whole-Time Director of the Bank and thus, the approval of RBI was not required, and the Board of Directors of the Bank may take appropriate decision in this regard subject to adherence to statutory norms, as applicable. The Board of Directors in its meeting held on 27th March 2021 approved exercise of said ESOPs granted to Mr. Uttam Tibrewal and the grant date stands good from 27th October 2017, vesting period and exercise of the said ESOPs remains unimpacted, accordingly associated cost pertaining to these ESOPs has been charged to profit and loss account for the year ended 31st March 2021.

During the year, 8,32,500 ESOPs under ESOP Scheme 2015 – Plan A and 10,30,962 ESOPs Under ESOP Scheme 2015 – Plan B at exercise price of ₹10.11 and ₹33.37 each, respectively were exercised by Mr. Uttam Tibrewal.

A proper balance between fixed pay and variable pay has been ensured for remuneration of the executive directors, the Variable pay is a mix of cash and non-cash instrument which is paid under deferral arrangement. The executive directors are duly bound with Malus and clawback clause which activates in the event of subdued or negative financial performance of the bank.

The tenure of the office of the Managing Director & CEO and Whole Time Director is three years from their respective dates of appointments as approved by RBI and can be terminated by either party by giving one month's notice in writing. There is no provision for payment of severance fees.

Remuneration of Non-Executive Directors

The remuneration payable to Non-Executive Directors is paid in the form of sitting fees for attending Board and Committee Meetings and compensation in form of profit related commission as per applicable RBI Circular as approved by the Board from time to time. The Part-time Chairman of the Bank apart from sitting fees is also paid honorarium basis prior approval received from RBI.

In the changing scenario around corporate governance, norms brought in by the Companies Act, 2013 as well as SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the degree and quality of engagement of Non-Executive Directors has substantially increased in deliberating strategical and critical issues providing their valuable advice, suggestion, and guidance to the management of the Bank. Bank accordingly pays sitting fees of ₹75,000 and ₹30,000 to Non-executive Directors for every Board and Committee meeting attended, respectively. The sitting fees and commission are within the limits prescribed under the provisions of Companies Act, 2013.

During the Financial Year ended 31st March 2021, the Non-Executive Directors have been paid sitting fees for attending the Board & Committee meetings and profit-linked commission, the details of which are provided below:

(₹ in lakh)

Name of Director	Sitting Fees	Commission	Total
Mr. Raj Vikash Verma	16.65	19.81*	36.46
Mr. VG Kannan	16.65	10.00	26.65
Mr. Krishan Kant Rathi	18.45	10.00	28.45
Ms. Jyoti Narang	18.45	10.00	28.45
Mr. MS Sriram	15.45	10.00	25.45
Mr. Pushpinder Singh	10.95	10.00	20.95

i) The payment of Compensation/ Profit related Commission/ Honorarium pertaining to FY 2020-21 is being released post finalisation of Annual Audited Accounts for FY 2020-21 of the Bank.

ii) None of the Non-executive Directors have any pecuniary relationship or transaction with the Bank apart from receiving sitting fee and Compensation/ Profit related Commission/ Honorarium.

*Honorarium approved by RBI for Mr. Raj Vikash Verma is ₹20 lakh for FY 2020-21 w.e.f. 8th April 2020 on being designated as Part-Time Chairman of the Bank.

Investor Grievance Redressal

The securities of the Bank are in dematerialised form. The Bank has appointed Link Intime India Private Limited as the Registrar and Share transfer agent of the Bank for carrying out share transfer and other ancillary work related thereto.

Link Intime India Private Limited has appropriate systems to ensure that requisite service is provided to investors of the Bank in accordance with the applicable corporate and securities laws and within the adopted service standards. The performance of the Registrar & Share Transfer Agent (RTA) is reviewed by the Stakeholders Relationship committee in every quarterly meeting.

During the year under review, the Bank had not received any complaints from the shareholders and Debenture holders and all complaints related to previous years have been resolved to the satisfaction of the stakeholders in compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the same has been reported to stock exchanges on a quarterly basis.

Name and Designation of Compliance Officer

Pursuant to Regulation 6(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Mr. Manmohan Parnami, Company Secretary is designated as Compliance Officer.

Table- I – Details of Number of Committee Meetings and participation of the Members at the Meetings During FY 2020-21

Name of the Committees	Audit Committee	Risk Management Committee	Nomination & Remuneration Committee	Stakeholders Relationship Committee	Corporate Social Responsibility Committee	IT Strategy and Information Systems Security Committee	Customer Service Committee	Review of Classification of Wilful Defaulter Committee	Special Committee for Fraud Monitoring	Disciplinary Committee	Committee for Financial Inclusion	Management Committee	Capital Raising Committee
No. of Meetings Held	4	4	8	4	4	4	4	5	0	2	4	4	4
Name of Member	**No. of Meeting Attended by Members**												
Mr. Raj Vikash Verma	4/4	4/4	7/7	4/4	-	-	-	5/5	0/0	-	-	4/4	-
Mr. V G Kannan	4/4	4/4	-	4/4	-	-	4/4	5/5	0/0	-	-	3/3	4/4
Mr. Krishan Kant Rathi	4/4	-	8/8	4/4	1/1	4/4	-	5/5	0/0	-	-	4/4	4/4
Ms. Jyoti Narang	4/4	4/4	8/8	-	4/4	-	4/4	-	-	2/2	4/4	-	4/4
Mr. M S Sriram	4/4	-	1/1	-	4/4	-	4/4	5/5	0/0	2/2	4/4	-	-
Mr. Pushpinder Singh	-	-	-	-	1/1	4/4	-	-	-	-	4/4	-	-
Mr. Narendra Ostawal	-	3/3	5/5	-	-	3/3	-	-	-	2/2	-	-	-
Mr. Sanjay Agarwal	-	4/4	-	-	4/4	-	3/4	4/5	0/0	2/2	4/4	4/4	4/4
Mr. Uttam Tibrewal	-	-	-	4/4	-	4/4	-	-	0/0	-	-	-	-
The necessary Quorum was present for all the above committee meetings.													-

Audit Committee

i) Audit Committee was reconstituted on 12th March 2021 with the approval of the Board.
ii) Mr. Raj Vikash Verma was ceased to be a member of the Committee w.e.f. 12th March 2021.

Risk Management Committee

i) Mr. Narendra Ostawal ceased to be Member of the Committee with effect from 28th October 2020.
ii) Mr. Raj Vikash Verma ceased to be Chairman and Member of the Committee with effect from 12th March 2021.
iii) Mr. V G Kannan was designated as a Chairman of the Committee with effect from 12th March 2021.
iv) Mr. Sanjay Agarwal ceased to be Member of the Committee with effect from 12th March 2021.
v) Mr. M S Sriram was appointed as Member of the Committee with effect from 12th March 2021.
vi) Mr. Krishan Kant Rathi was appointed as Member of the Committee with effect from 12th March 2021.

Nomination & Remuneration Committee

i) Mr. Narendra Ostawal ceased to be Member of the Committee with effect from 28th October 2020.
ii) Mr. M S Sriram was appointed as a Chairman and Member of the Committee with effect from 12th March 2021.
iii) Mr. Krishan Kant Rathi was Chairman of the committee till 12th March 2021 and thereafter continued as Member of this committee.
iv) Mr. Raj Vikash Verma ceased to be Member of the Committee with effect from 12th March 2021.

Stakeholders Relationship Committee

i) Mr. V G Kannan ceased to be Member of the Committee with effect from 12th March 2021.

Corporate Social Responsibility Committee

i) Mr. Krishan Kant Rathi was appointed as a Chairman and Member of the Committee with effect from 12th March 2021.
ii) Mr. M S Sriram ceased to be Chairman of the Committee with effect from 12th March 2021 and continued as member of the Committee.
iii) Mr. Pushpinder Singh was appointed as Member of the Committee with effect from 12th March 2021.

IT Strategy and Information Systems Security Committee

i) Mr. Narendra Ostawal ceased to be Member of the Committee with effect from 28th October 2020.
ii) Mr. Sanjay Agarwal was appointed as a Member of the Committee with effect from 28th January 2021.
iii) Mr. Uttam Tibrewal ceased to be Member of the Committee with effect from 28th January 2021.
iv) Mr. Krishan Kant Rathi ceased to be Member of the Committee with effect from 12th March 2021.
v) Mr. Raj Vikash Verma was appointed as a Member of the Committee with effect from 12th March 2021.
vi) Mr. V G Kannan was appointed as a Member of the Committee with effect from 12th March 2021.

Customer Service Committee

i) Mr. Uttam Tibrewal was appointed as a Member of the Committee with effect from 28th January 2021.
ii) Mr. Sanjay Agarwal ceased to be Member of the Committee with effect from 28th January 2021.
iii) Mr. Pushpinder Singh was appointed as a Member of the Committee with effect from 12th March 2021.

Review of Classification of Wilful Defaulter Committee

i) Mr. M S Sriram ceased to be Member of the Committee with effect from 12th March 2021.

Special Committee for Fraud Monitoring

i) Mr. Krishan Kant Rathi ceased to be Member of the Committee with effect from 12th March 2021.
ii) Mr. Pushpinder Singh was appointed as a Member of the Committee with effect from 12th March 2021.

Disciplinary Committee

i) Mr. Narendra Ostawal ceased to be Member of the Committee with effect from 28th October 2020.
ii) Mr. Pushpinder Singh was appointed as a Member of the Committee with effect from 12th March 2021.
iii) Mr. Uttam Tibrewal was appointed as a Member of the Committee with effect from 12th March 2021.
iv) Mr. Sanjay Agarwal ceased to be Member of the Committee with effect from 12th March 2021.

Committee for Financial Inclusion

i) Ms. Jyoti Narang ceased to be Member of the Committee with effect from 12th March 2021.
ii) Mr. Sanjay Agarwal ceased to be Member of the Committee with effect from 12th March 2021.
iii) Mr. V G Kannan was appointed as a Member of the Committee with effect from 12th March 2021.
iv) Mr. Uttam Tibrewal was appointed as a Member of the Committee with effect from 12th March 2021.

Management Committee

i) Mr. Krishan Kant Rathi ceased to be Member of the Committee with effect from 12th March 2021.
ii) Mr. V G Kannan ceased to be Member of the Committee with effect from 12th March 2021.
iii) Mr. Pushpinder Singh was appointed as Member of the Committee with effect from 12th March 2021.
iv) Mr. Uttam Tibrewal was appointed as Member of the Committee with effect from 12th March 2021.

Capital Raising Committee

i) Mr. V G Kannan was designated as Chairman of the Committee with effect from 12th March 2021.

General Body Meetings

A. Location and time of last three Annual General Meetings (AGMs) and number of special resolutions passed thereat:

Sr. No	Year	Particular of Meeting	Date & Time	Location	Special Resolution passed if any
1	2019-20	25th AGM	21st July 2020 at 3.30 p.m.	Through Video Conferencing ("VC") and other audiovisual means ("OAVM")	1. To issue debt securities/bonds/other permissible instruments, in one or more tranches. 2. To approve the amendments in Employee Stock Option Scheme 2015 Plan A & B ("ESOP Scheme 2015") 3. To approve the amendments in Employee Stock Option Scheme 2016 ("ESOP Scheme 2016") 4. To approve the amendments in Employee Stock Option Scheme 2018 ("ESOP Scheme 2018") 5. Raising of funds through issue of equity shares and/or any other instruments or securities representing either equity shares and/or convertible securities linked to equity shares including through Qualified Institutions Placement/ preferential allotment or such other permissible mode or combinations thereof.
2	2018-19	24th AGM	26th July 2019 at 04:00 p.m.	Suryavanshi Mahal – Ground Floor, ITC Rajputana, Palace Road, Jaipur-302006	1. To authorise Board of Directors to borrow money in excess of paid-up capital, free reserves and securities premium of Bank u/s 180 (1) (c) of the Companies Act, 2013 2. To issue securities/bonds/other permissible instruments, in one or more tranches 3. To alter Article of Association of the Bank 4. To approve amendments in Employee Stock Option Scheme 2016
3	2017-18	23rd AGM	07th August 2018 at 03:30 p.m.	Chancellor Hall, Hotel Holiday Inn, Sardar Patel Marg, 22 Godam Circle, C– Scheme, Jaipur-302001	1. To authorise the Board to borrow money in excess of paid-up capital, free reserves, and securities premium of Bank u/s 180(1)(c) of the Companies Act, 2013 2. To approve issue of securities/bonds/other permissible instruments, in one or more tranches 3. To approve AU Small Finance Bank Limited Employee Stock Option Scheme 2018

B. Postal Ballot during the FY 2020-21

Pursuant to provisions of Section 110 of the Companies Act, 2013 read with Rule 22 of the Companies (Management and Administration) Rules, 2014 and other applicable provisions of the Companies Act, 2013, as amended from time to time, the Bank has sought shareholders' approval on 30th October 2020 and 23rd December 2020 through postal ballot by e-voting. Special Resolution on agenda was sought as below:

Sr. No.	Nature of Resolution	Agenda Heading	No. of Votes		Percentage (%) of votes	
			Favour	Against	Favour	Against
1	Special Resolution (Postal ballot dated 23rd December 2020)	To Approve AU Small Finance Bank Limited - Employees Stock Option Plan 2020	21,44,56,104	1,18,66,858	94.757%	5.243%

CS Manoj Maheshwari, Partner of M/s V.M. & Associates, Companies Secretaries was appointed as the scrutinizer for monitoring and scrutinizing remote e-Voting and postal ballot process of the Bank.

None of the special business proposed to be transacted in the Annual General Meeting Notice requires to be conducted through postal ballot.

Procedure of the Postal Ballot

The Postal Ballot procedure followed by the Bank is as stipulated under the provisions of Section 108 and Section 110 of the Companies Act, 2013 read with applicable Rules and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Secretarial Standards issued by Institute of Company Secretaries of India.

Members are provided with the facility to cast their votes through e-Voting or postal ballot. The Board of Directors of the Bank has appointed Scrutinizer for conducting the postal ballot voting process fairly and transparently. The Scrutinizer submits his report to the Company Secretary & Compliance Officer as authorised by the Board after the completion of the scrutiny of the postal ballots (including e-Voting).

Considering the results, along with the report of the Scrutinizer of the Postal Ballot the resolution is considered approved.

The necessary intimations as required under the applicable SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are submitted to the Stock Exchanges and post declarations of the results the same are displayed on the website of the Bank and of National Securities Depositories Limited. The results are also displayed at the Registered Office of the Bank.

General Shareholder Information

1	Date of Incorporation	10th January 1996
2	Corporate Identification No.	L36911RJ1996PLC011381
3	Registered office Address	19-A, Dhuleshwar Garden, Ajmer Road, Jaipur - 302001, Rajasthan, India
4	Address of Correspondence and Contact Detail	The Company Secretary & Compliance Officer AU Small Finance Bank Limited Registered Office: 19-A, Dhuleshwar Garden, Ajmer Road, Jaipur - 302001 Tel: +91-141-4110060/6660666 | Fax: +91-141-4110090 Email: investorrelations@aubank.in
5	Name of depositories	National Securities Depository Limited (NSDL) Central Depository Services (India) Limited (CDSL)
6	Listing on Stock Exchange	**BSE Limited (BSE)** P J Towers, Dalal Street, Fort, Mumbai – 400001 **National Stock Exchange of India Limited** Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051 Bank has deposited the annual listing fees to the stock exchange(s) where the securities of the Bank are listed.
7	Stock Code	BSE: **540611** NSE: **AUBANK**
8	ISIN Code	**INE949L01017**
9	Dematerialisation of Shares & liquidity	All shares of the Bank are held in dematerialized form and are available for trading in the dematerialised form under both the depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The requisite fees were duly paid to the depositories. The Bank has also appointed Link Intime India Pvt. Ltd. as the connectivity agent to provide electronic connectivity interface with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) for securities of the Bank.
10	Share Transfer System	The Bank's shares are traded under compulsory dematerialized mode and freely tradable and the share transfer process is monitored by the Registrar and Share Transfer Agent of the Bank. A half-yearly certificate of compliance with the share transfer formalities as required under Regulation 40(9) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is obtained from a Company Secretary in Practice and a copy of the certificate is filed with the Stock Exchanges within the prescribed time.
11	Registrar and Share Transfer Agent	**Link Intime India Private 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
12	Debenture Trustees	**IDBI Trusteeship Services Ltd.** Regd. Office: Asian Building, Ground Floor, 17, R Kamani Marg, Ballard Estate, Mumbai 400001 Phone: +91 22 40807000 Fax: +91 22 66311776 Email: itsl@idbitrustee.com **Catalyst Trusteeship Limited** Regd. Office: GDA House, First Floor, Plot No. 85 S. No. 94 & 95, Bhusari Colony (Right), Kothrud, Pune 411038 IN Phone: +91 22-49220555 Email: compliancectl-mumbai@ctltrustee.com
13	26th Annual General Meeting	• Date & Time: 17th August, 2021 (Tuesday), 10:30 am • Venue: Through Video Conferencing ("VC") and other audiovisual means ("OAVM")
14	Financial Year	The Bank follows the financial year starting from 1st April to 31st March, every year.

Other Disclosure

1. Code of Conduct

The Bank has laid down Code of Conduct for the Directors and Senior Management personnel (SMP). The Code is available on the website of the Bank https://www.aubank.in/investors/secretarial-policies.

Annual declaration confirming compliance of the code is obtained from every Director and SMP and with this effect a certificate is issued by the MD & CEO as annexed with this Annual Report stipulating that directors and SMPs are adhering this code.

2. Code of Conduct for Prohibition of Insider Trading

The board has adopted a code for the prohibition of insider trading to regulate, monitor and report trading by insiders/designated persons in securities of the Bank. The code inter alia requires pre-clearance for dealing in the securities and prohibits the purchase or sale of securities while in possession of unpublished price sensitive information and during the year when the trading window is closed.

The Bank periodically reviews the efficacy of its systems, controls and processes to ensure that access to unpublished price-sensitive information relating to its financial results or that of its securities is on a need-to-know basis. The Code of Fair Disclosure and Conduct is available on the website https://www.aubank.in/investors/secretarial-policies.

3. Related Party Transactions

In line with the requirements of the Companies Act, 2013 and amendment to the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, your bank has amended Policy on Related Party Transactions & Materiality:

a) All Related Party Transactions are placed before the Audit Committee for review and approval and annual omnibus approval is obtained for transactions which are of repetitive nature and/or entered in the Ordinary Course of Business.

b) All the related party transactions entered into by the Bank, during the financial year, were in its ordinary course of business and on an arm's length basis.

c) There are no materially significant related party transactions entered by the Bank with its Promoters, Key Management Personnel or other designated persons which may have potential conflict with the interest of the Bank at large.

d) The Policy intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Bank and Related Parties. The Policy on Related Party Transactions & Materiality is available on the website https://www.aubank.in/investors/secretarial-policies.

4. Whistle Blower Policy & Vigil Mechanism

The Bank promotes safe, ethical and compliant conduct of all its business activities and has put in place a mechanism for reporting illegal or unethical behavior, actual or suspected fraud or violation of the Codes of Conduct, regulatory requirements, incorrect or misrepresentation of any financial statements and such other matters. Bank is committed to adhere the highest standards of ethics, integrity, transparency and moral, and legal conduct of its business operations. To maintain these standards Bank has a Board approved Whistle Blower policy & Vigil Mechanism in compliance with the relevant provisions of Section 177(9) of the Companies Act, 2013, rules made thereunder and Regulation 4(2)(d) and Regulation 22 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with a view to provide a mechanism to employees, customer and stakeholders of the Bank to approach the Chief Vigilance Officer and thereafter Chairman of Audit Committee of the Bank in case they observe any unethical and improper practices or any other alleged wrongful conduct in the Bank. The policy aims at establishing an efficient vigil mechanism in the Bank to quickly spot aberrations and deal with it at the earliest. The Chief Vigilance Officer of the Bank has direct access to the Audit Committee. He acts as a Special Assistant/ Advisor to the MD & CEO of the Bank in the discharge of the vigilance functions.

The Bank continuously makes its customers aware of fraudulent activities prevalent in the market through various channels including SMS, e-mails, posters at branches, scroll messages on Bank website etc. During the year, no such person was denied access to the Audit Committee or its Chairman to raise his/her concern under vigil mechanism.

The Whistle Blower Policy & Vigil Mechanism have been disclosed on the website https://www.aubank.in/investors/secretarial-policies.

5. Credit Rating

The Bank's financial discipline and prudence is reflected in the strong credit ratings ascribed by rating agencies. The below table covers the Credit Ratings of the Bank as on 31st March 2021:

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

*CRISIL vide their communication dated 3rd December 2020 has assigned "FAA+/Stable" Rating for the Fixed Deposit Program of ₹40,000 crore (Rupees Forty Thousand crore).

6. Penalties

No penalties, strictures have been imposed on the Bank by the Stock Exchange(s)/SEBI or any other statutory authorities on matters relating to capital market during the last three years.

7. CEO & CFO Certification

Managing Director & CEO and CFO of the Bank have issued a certificate in terms of Regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, certifying that the financial statements do not contain any materially untrue statement and these statements represent a true and fair view of the Bank's affairs. The said certificate is annexed with the Corporate Governance Report.

8. Subsidiary Company

During the year under review, the Bank does not have any Subsidiary Companies.

9. Declaration of Independence

All independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149 (6) of the Companies Act, 2013 and Regulation 16 (1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which have been relied on by the Bank. In the opinion of the Board, the independent Directors fulfil the conditions specified in the Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and are independent of the Management.

The Terms and Conditions of appointment of Independent Directors have been hosted on the Bank's website and can be accessed through link at https://www.aubank.in/about-us/board-of-directors.

10. Accounting Treatment

The Bank has adopted accounting policies, which are in line with the Accounting Standards. The Financial Statements of the Bank have been prepared in accordance with the Indian Accounting Standards as per the Companies (Indian Accounting Standards) Rules 2015 as amended and notified under Section 133 of the Companies Act, 2013, read with relevant Rules issued thereunder and Banking Regulation Act, Guidelines issued by Reserve Bank of India and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

11. Means of Communication

The Bank has provided adequate and timely information to its member's inter-alia through the following means:

i) **Publication of Quarterly/Half Yearly/Annual Financial Results:** The quarterly/half yearly and annual financial results of the Bank are published in the English newspapers viz. Financial Express/ Economic Times and one leading newspaper of Vernacular language viz. Punjab Kesari/ Nafanuksan, the same is also reported to the stock exchanges.

ii) **Update on Official Website:** The Bank's website www.aubank.in contains a separate 'Investor' Section wherein financial results, corporate announcement, reports and presentations, Annual Reports, Quarterly Corporate Governance Report, Shareholding Pattern and other disclosures are prominently available for Bank's Investors and other stakeholders. Additionally, other press release, corporate Governance coverage, corporate social responsibility, policies and procedures and other details are also displayed on Bank's official website.

iii) **Official News, Press Release etc.:** Official press releases, performance updates, corporate presentations made to the media, analysts, institutional Investors, etc. are hosted on Bank's Website at link https://www.aubank.in/press-release as well as provided to all stakeholders through stock exchanges, social media coverage, newspaper publication, posters and hoardings etc.

iv) **Presentation to Institutional Investors or Analysts:** The presentations made to the institutional investors or analysts are uploaded on the website as well as informed to the Stock Exchanges for dissemination.

v) **Management's Discussion and Analysis Report** is annexed with this Annual Report.

vi) **Exclusive email ID for Investors:** The Bank has designated the email id investorrelations@aubank.in exclusively for Investor servicing and to resolve their grievances, the same is displayed on the Bank's website.

vii) **NSE Electronic Application Processing System (NEAPS):** All periodical and other event-based compliance filings of the bank are filed electronically on this web-based application.

viii) **BSE Listing Centre (Listing Centre):** All periodical and other event-based compliance filings of the bank are filed electronically on this web-based application.

ix) **SEBI Complaints Redress System (SCORES):** Investor complaints received by the Bank are processed at SEBI in a centralised web-based complaints redress system where investors can view online about actions taken on the complaints and their current status.

12. Utilisation of Funds

During the year under review, the fund was raised through Qualified Institutional Placement and was utilised for supporting the long-term growth aligned to Bank's internal risk appetite along with maintaining sufficient headroom over and above the regulatory capital adequacy requirements and for general corporate requirements or any other purposes, as stated in the placement document.

13. Dividend Payment

The Board of the Bank has not proposed any dividend for the financial year ended 31st March 2021.

14. Details in Relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Bank has zero tolerance towards sexual harassment at the workplace and has adopted a Prevention and Redressal of Sexual Harassment Policy in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder. The Bank believes that all employees, including other individuals who are dealing with the bank have the right to be treated with dignity.

The following is the summary of Sexual Harassment complaints received and disposed of by the bank during the FY 2020-21.

Sr. No	Description	No. of Complaint
1	Number of complaints of Sexual harassment filed during the FY 2020-21	8
2	Number of complaints disposed off during the FY 2020-21	7
3	Number of complaints pending as on the end of the FY 2020-21	1*
4	Number of complaints pending as on date of this report for FY 2020-21	0

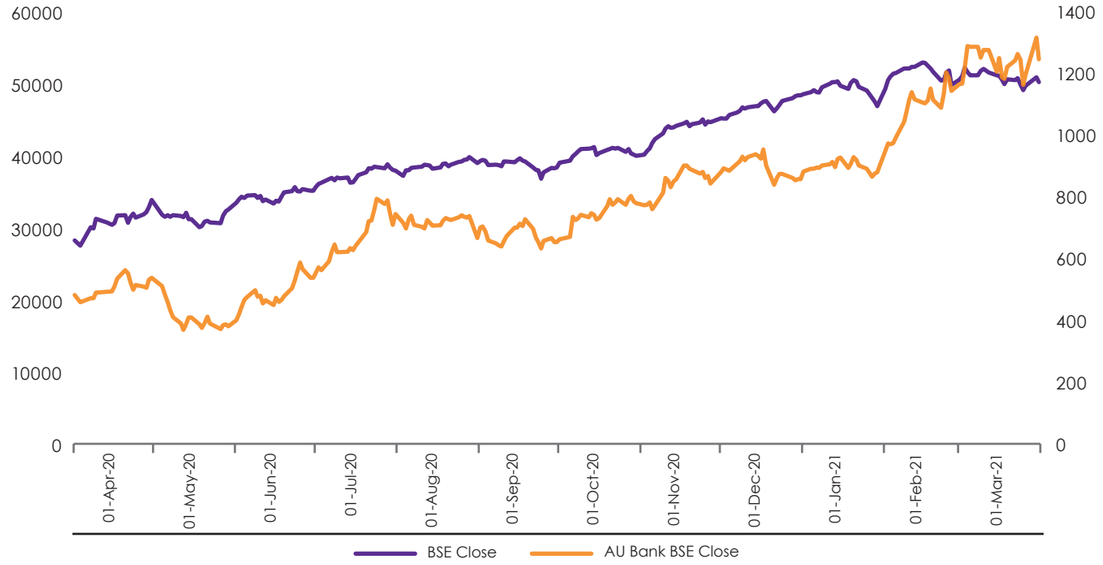
Note: *The complaint was resolved on 08th April 2021.

15. Market Price Data

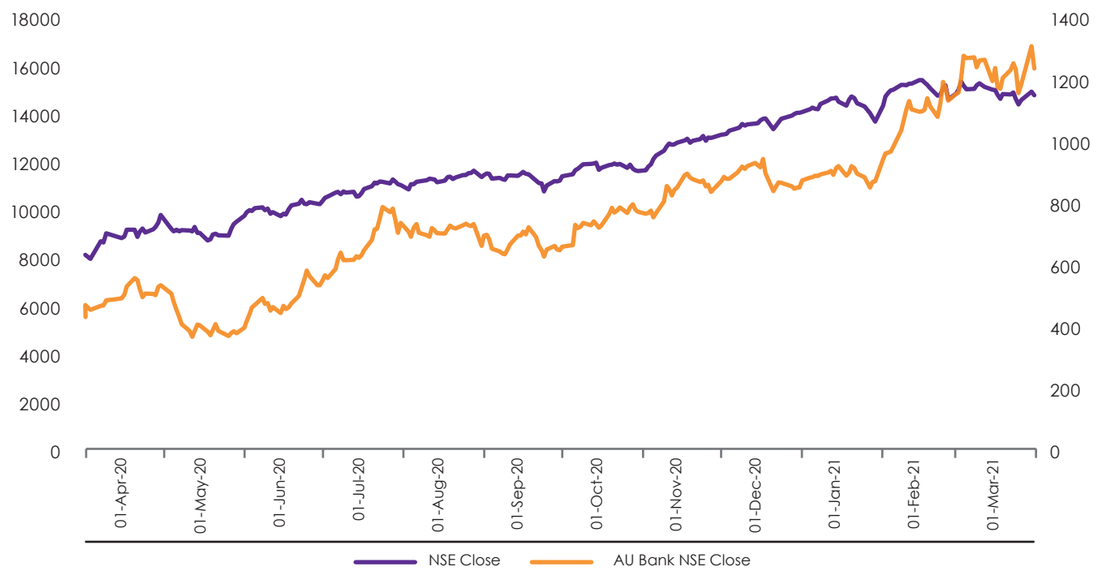
Month	NSE			BSE		
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
Apr-20	566.8	443.6	14,710,058	568.0	444.1	4,89,018
May-20	517.1	366.0	17,987,159	516.6	366.2	33,99,365
Jun-20	618.5	400.0	21,961,217	618.0	401.0	15,50,427
Jul-20	816.9	542.0	19,297,600	816.6	542.0	81,73,947
Aug-20	762.0	651.2	11,031,922	761.7	651.0	7,60,254
Sep-20	736.9	616.7	10,683,933	737.1	616.3	16,91,429
Oct-20	812.0	662.0	10,826,771	811.8	655.0	5,17,048
Nov-20	945.5	752.0	16,146,152	944.6	753.3	9,08,447
Dec-20	950.0	720.5	17,435,380	949.5	723.0	1,71,37,978
Jan-21	931.5	842.5	17,967,082	931.5	843.0	11,15,572
Feb-21	1,207.0	891.0	16,724,527	1,207.0	890.0	9,32,869
Mar-21	1,354.4	1,124.0	31,829,295	1,356.4	1,065.1	21,67,962

Comparison to Broad-Based Indices

AUBANK relative to S&P BSE SENSEX



AUBANK relative to NIFTY



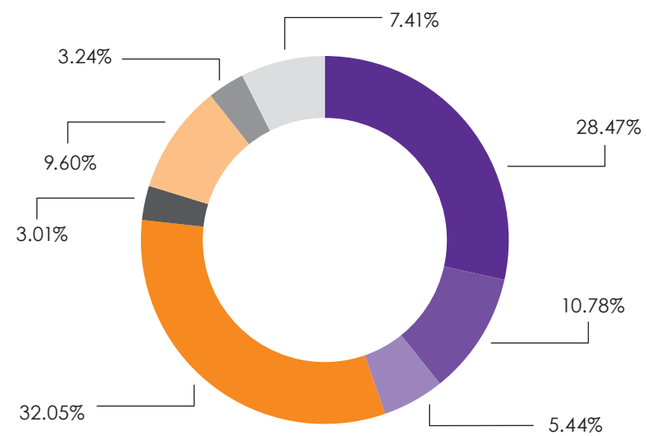
Distribution of Shareholding Based on Nominal Value (₹) as on 31st March 2021

Sr. No.	Category (No. of Shares)			Number of Shareholders	% of Total	Total Shares	Share Amount (INR)	% of Total Share Amount
1	1	to	5,000	1,17,952	99.23	1,58,97,810	15,89,78,100	5.09
2	5,001	to	10,000	285	0.24	20,23,658	2,02,36,580	0.64
3	10,001	to	20,000	190	0.15	26,76,733	2,67,67,330	0.86
4	20,001	to	30,000	84	0.07	20,62,260	2,06,22,600	0.66
5	30,001	to	40,000	33	0.03	11,49,624	1,14,96,240	0.37
6	40,001	to	50,000	29	0.03	13,49,322	1,34,93,220	0.44
7	50,001	to	1,00,000	70	0.06	49,97,337	4,99,73,370	1.60
8	1,00,001 & Above			222	0.19	28,20,56,646	282,05,66,460	90.34
Total				**1,18,865**	**100.00**	**31,22,13,390**	**312,21,33,900**	**100.00**

Categories of Shareholders as on 31st March 2021

	Particulars	No. of Shares	%
I	**Promoters & Promoter Group**		
	Sanjay Agarwal	5,67,66,359	18.18
	Shakuntala Agarwal	1,18,20,430	3.79
	Jyoti Agarwal	1,18,18,560	3.79
	Chiranji Lal Agarwal	18,29,321	0.59
	MYS Holding Private Limited	66,64,536	2.13
II	**Other Institution**		
	Mutual Fund	3,36,45,160	10.78
	Financial Institutions/Bank	254	0.00
	Insurance Companies	1,69,85,371	5.44
	Foreign Portfolio Investors	10,00,72,427	32.05
III	**Other Non-Institution**		
	Bodies Corporates	93,96,072	3.01
IV	**Individuals**		-
	(i) Individuals holding nominal share capital upto 2 lakh	1,61,79,121	5.18
	(ii) Individuals holding nominal share capital in excess of 2 lakh	1,38,04,897	4.42
V	**Employee Trusts**	1,28,744	0.04
VI	**Non-Resident Indians (Non-Repat)**	15,94,964	0.51
	Non-Resident Indians (Repat)	8,66,160	0.28
VII	**Hindu Undivided Family**	3,80,174	0.12
VIII	**Clearing Members**	33,00,430	1.06
IX	**Foreign Company**	1,01,04,364	3.24
X	**Alternative Investment Fund**	1,34,80,981	4.32
XI	**Trust**	31,65,404	1.01
XIII	**NBFCs registered with RBI**	2,09,661	0.07
	Total	**31,22,13,390**	**100.00**

Shareholding Pattern as on 31st March, 2021



List of Shareholders holding more than 1% share in the Bank as on 31st March 2021

S.No.	Name	No. of Shares	% of shares
	Promoters and Promoter Group		
1	Sanjay Agarwal	5,67,66,359	18.18
2	Shakuntala Agarwal	1,18,20,430	3.79
3	Jyoti Agarwal	1,18,18,560	3.79
4	Chiranji Lal Agarwal	18,29,321	0.59
5	MYS Holding Private Limited	66,64,536	2.13
	Others		
6	Kotak Flexicap Fund	1,27,18,983	4.07
7	Westbridge AIF I	1,17,47,967	3.76
8	Smallcap World Fund, Inc	1,07,69,200	3.45
9	Camas Investments Pte. Ltd.	1,01,04,364	3.24
10	Nomura India Investment Fund Mother Fund	89,71,897	2.87
11	HDFC Life Insurance Company Limited	69,43,644	2.22
12	Motilal Oswal Multicap 35 Fund	68,50,003	2.19
13	UTI Flexi Cap Fund	55,06,975	1.76
14	Uttam Tibrewal	49,08,135	1.57
15	Amansa Holdings Private Limited	48,51,557	1.55
16	St. James's Place Emerging Markets Equity Unit Trust Managed by Wasatch Advisors Inc	46,32,640	1.48
17	Camas Investments Pte. Ltd.	43,30,441	1.39
18	SBI Life Insurance Co. Ltd	37,64,900	1.21
19	Government of Singapore	37,45,721	1.20
20	Nippon Life India Trustee Ltd-A/C Nippon India Growth Fund	34,34,890	1.10
21	Motilal Oswal Financial Services Ltd	34,08,498	1.09
22	New World Fund Inc	33,18,252	1.06

Shareholding of the Directors of the Bank

Details of Directors Shareholding as on 31st March 2021

S.No.	Name	No. of Shares	% of Shares
1	Raj Vikash Verma	Nil	Nil
2	Krishan Kant Rathi	83,289	0.03%
3	Jyoti Narang	5,237	0.00%
4	M S Sriram	Nil	Nil
5	Pushpinder Singh	100	0.00%
6	V G Kannan	100	0.00%
7	Sanjay Agarwal	5,67,66,359	18.18%
8	Uttam Tibrewal	49,08,135	1.57%

16. Outstanding Global Depository Receipts or American Depository Receipts or warrants or any convertible instruments, conversion date and likely impact on equity:

During the year under review, the Bank does not have any outstanding GDRs/ADRs warrants that were due for conversion or any other convertible instruments having an impact on the equity of the Bank.

17. Commodity price risk or foreign exchange risk and hedging activities:

During the year under review, the Bank does not undertake trading in any commodity. However, the Bank may be exposed to commodity price risks of customers in its capacity as a lender. Bank is operating in India and is not directly exposed to foreign exchange risk and hedging activities.

18. Plant Location

As the Bank is engaged in the business of banking/ financial services, there is no plant location.

19. Recommendations of the Committees

No instances have been observed where the Board has not accepted recommendations of any of the Board committee(s).

20. Fees paid to Statutory Auditors:

Total fees for services provided by Statutory Auditor is ₹ 2.63 crore excluding taxes including all entities in the network firm of which the Statutory Auditor is a part.

21. Certificate from Company Secretary in Practice

The Bank has received a certificate from M/s V.M. & Associates, Company Secretaries, Jaipur that none of the Directors on the Board of the Bank have been debarred or disqualified from being appointed or continuing as Directors of companies by the Board/ Ministry of Corporate Affairs or any such authority. The certificate is annexed with this Annual Report. The Secretarial Auditor has certified on compliance of conditions of corporate governance of the Bank for the period under review.

22. SEBI (LODR) Regulations:

During the year under review, the Bank has complied with all the mandatory requirements of Regulation 17 to 27 and 46 and has also complied with the requirement of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 except for Regulation 24, which is not applicable as the Bank does not have any subsidiary. Further, the Bank has also adopted certain voluntary compliance requirement as stipulated in Companies Act 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and other acts, rules, regulations, and guidelines as applicable on the Bank, the details of which are covered below:

Sr. no	Requirement	Detail
1.	Shareholder & Investor Right	The audited financial results, quarterly results, and other major developments are published in one English newspaper and vernacular language newspaper and are Bank's website at https://www.aubank.in/investors The investors' presentations, call transcripts and Press releases are also posted on the Bank's website. Further, information pertaining to important developments of the Bank was bought to the knowledge of the public at large and to the shareholders through communications sent to the stock exchanges where the shares of the Company are listed.
2.	Separate office of non-executive Part-Time Chairman	The Bank has a Non-executive Part-Time Chairman who has separate office space at Bank, and he is entitled to reimbursement of expenses incurred for the performance of his duties.
3.	Reporting of internal auditor	The internal auditor (Head of Internal Audit) of the Bank reports to and has direct access to the Audit Committee.

CERTIFICATE ON COMPLIANCE WITH THE CODE OF CONDUCT & ETHICS

I confirm that the Bank has obtained from all the members of the Board and Senior Management Personnel, affirmation that they have complied with the 'Code of Conduct' for financial year 2020-21.

Place: Jaipur
Date: 29th April 2021

Sd/-
Sanjay Agarwal
Managing Director & CEO

CEO / CFO CERTIFICATION

To,
The Board of Directors
AU Small Finance Bank Limited

1. We have reviewed financial statements and the cash flow statement for the year ended on 31st March, 2021 and that to the best of our knowledge and belief:
   i. these statements do not contain any materially untrue statement or omit any material fact or contain any statements that might be misleading;
   ii. these statements together present a true and fair view of the Bank's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Bank's during the year which are fraudulent, illegal or violative of the Bank's Code of Conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting and have disclosed to the Auditors and Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or proposed to take to rectify these deficiencies.
4. We have indicated, to the Auditors and the Audit Committee:
   i. significant changes in internal control over financial reporting during the year;
   ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
   iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Bank's internal control system over financial reporting.

Place: Jaipur
Date: 29th April 2021

Sd/-
Sanjay Agarwal
Managing Director & CEO

Sd/-
Vimal Jain
Chief Financial Officer

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,
The Members,
AU Small Finance Bank Limited
19-A, Dhuleshwar Garden
Jaipur – 302 001 (Rajasthan)

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **AU Small Finance Bank Limited having CIN: L36911RJ1996PLC011381** and having registered office at **19-A, Dhuleshwar garden, Jaipur – 302 001 (Rajasthan)** (hereinafter referred to as 'the Bank'), produced before us by the Bank for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Bank and its officers, we hereby certify that none of the Directors on the Board of the Bank as stated below for the Financial Year ended on 31st March, 2021 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, Reserve Bank of India or any such other Statutory Authority.

Sr. No.	Name of Director	DIN
1.	Raj Vikash Verma	03546341
2.	Sanjay Agarwal	00009526
3.	Uttam Tibrewal	01024940
4.	Krishan Kant Rathi	00040094
5.	Jyoti Narang	00351187
6.	Mankal Shankar Sriram	00588922
7.	Kannan Gopalaraghavan Vellur	03443982
8.	Pushpinder Singh	08496066
9.	*Narendra Ostawal	06530414

* ceased from the directorship of the Bank w.e.f. October 28, 2020

Ensuring the eligibility of, for the appointment / continuity of every Director on the Board is the responsibility of the management of the Bank. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Bank nor of the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

Place: Jaipur
Date: 29th April 2021
UDIN: F003355C000208661

For V. M. & Associates
Company Secretaries
(ICSI Unique Code P1984RJ039200)
PR 581 / 2019

Sd/-
CS Manoj Maheshwari
Partner
Membership No.: FCS3355
C P No.: 1971

Annexure II

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) FOR FINANCIAL YEAR 2020-21

1. Brief Outline on CSR Policy of the Company

Our commitments and approach

Over the 4 years of our journey as a Bank, positive contribution that Banking institutions can play in reimagining and reshaping future is well realised by us. We remain committed and act responsibly by ensuring the welfare and upliftment of communities in areas of our operations. Priortising Bank's key CSR initiatives covering education, livelihood, health and financial and digital literacy is aligned with Bank's CSR Policy.

The Bank's CSR philosophy aims to make meaningful long-term impact in lives of underprivileged, vulnerable communities by promoting the accessibility to resources, providing inclusivity and equal opportunities for them. We believe that facilitating right environment, ensuring availability of knowledge, support, resources and providing solutions to problems with strong execution shall result into meaningful change in society with our efforts.

CSR Focus Areas

Your Bank is steadfast in its approach for meaningful result of its CSR efforts that could be achieved with upliftment of deprived and vulnerable communities for sustainable and better tomorrow. Bank's CSR programmes for Livelihood enhancement, Sports for Development and Financial and Digital Literacy initiatives are aimed at realising these objectives.

Bank runs its CSR activities in above areas and is mindful of the needs of the communities. It not only strives to be sustainable with the community but also works to make a positive difference and create maximum value for the society. AU Foundation (AUF), Bank's CSR arm works around the economic well-being and sustainable livelihood of the communities.

We are privileged that our wide distribution of branches enables us in assessing and identifying the areas that need our intervention. The CSR initiatives of the Bank are executed with Direct contribution, in association with implementing agencies and through AU Foundation.

AU Foundation's three key priorities for sustainable development are as follows:

AU Skills Academy



Empowering Self-Reliance

AU Udoyogini



Empowering Women Entrepreneurship

Financial and Digital Literacy

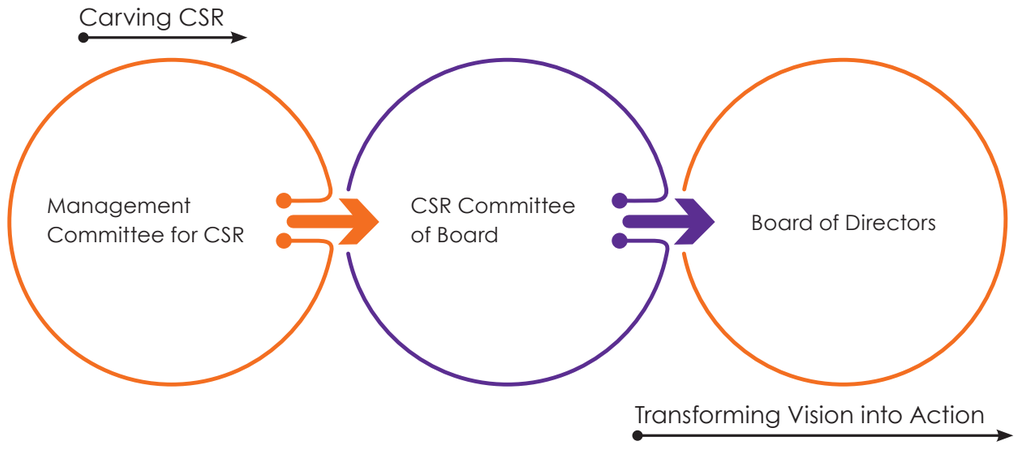


Financial Empowerment and Digital Freedom

In addition to these focus areas, the AU foundation also takes various CSR initiatives like promoting education, preventive healthcare through medical camps, making safe drinking water available and other initiatives for the development of society at large. Each implementing partner is assessed on the basis of their core competencies, experience in area which needs intervention. Accordingly, association is formed for CSR activities of the Bank.

Our CSR Governance Framework

The Bank follows a structured governance procedure to monitor CSR activities. Bank has Board approved CSR Policy, laying down guiding principles for CSR initiatives of the Bank. In terms of the Companies Act, 2013 the Board of Directors have constituted the Corporate Social Responsibility Committee ('CSR Committee') to formulate and recommend to the Board of Directors the CSR Policy, indicating activities to be undertaken as specified in Schedule VII and the amount to be incurred thereon.



The CSR Committee monitors the compliances of CSR Policy of the Bank. CSR Department monitors the status of each CSR project, programme and reports its findings to the CSR Committee periodically and seek guidance from the Committee on these matters.

Standing Tall with our Community during Crisis

FY 2020-21 was marred by the COVID-19 pandemic with distraught on several sectors that hampered both social, economic progress of India and globally, your Bank contributed generously and stood tall as COVID Warrior for COVID-19 related relief measures. While the lockdown impacted almost all businesses, daily wage earners and migrant laborers were hit the hardest. Bank stayed true to its CSR vision, 'To enhance the quality of life and economic well-being of the communities around our operations'. Bank proactively undertook multiple initiatives to help our communities in their critical hour of need. The Bank's CSR efforts included COVID-19 relief like installation of sanitiser dispensers, mask distribution, food distribution, awareness interventions and AU Humsafar an initiative for travel of migrant laborer's to their respective hometowns.

2. Composition of CSR Committee:

Sr. No.	Name of Director	Designation/ Nature of Directorship	Number of meetings of CSR Committee held during the year (Entitled to attend)	Number of meetings of CSR Committee attended during the year
1.	Mr. Krishan Kant Rathi (Refer Note i)	Independent Director & Chairman of Committee	1	1
2.	Mr. M S Sriram (Refer Note ii)	Independent Director	4	4
3.	Ms. Jyoti Narang	Independent Director	4	4
4.	Mr. Pushpinder Singh (Refer Note iii)	Independent Director	1	1
5.	Mr. Sanjay Agarwal	MD & CEO	4	4

Note:

i. Mr. Krishan Kant Rathi was appointed as a Chairman and Member of the Committee with effect from 12th March 2021.

ii. Mr. M S Sriram ceased to be Chairman of the Committee with effect from 12th March 2021 and continued as member of the Committee.

iii. Mr. Pushpinder Singh was appointed as Member of the Committee with effect from 12th March 2021.

3. Provide the web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company.

Sr. No.	Particulars	Web Link
1.	Composition of CSR committee	https://www.aubank.in/about-us/board-committee
2.	CSR Policy of the Bank	https://www.aubank.in/investors/secretarial-policies
3.	CSR Projects	https://www.aubank.in/csr

4. Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report): Not Applicable

5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any.

Sr. No.	Financial Year	Amount available for set-off from preceding financial years (in ₹)	Amount required to be set- off for the financial year, if any (in ₹)
1.		----------Not Applicable----------	
	TOTAL		

6. Average net profit of the company as per section 135(5): ₹611.95 crore

7. (a) Two percent of average net profit of the company as per section 135(5): ₹12.24 crore

(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years. NIL

(c) Amount required to be set off for the financial year, if any: NIL

(d) Total CSR obligation for the financial year (7a+7b-7c): ₹15.97 crore (This is considered after inclusion of Carried forward unspent amount, of ₹3.73 crore pertaining to FY 2019-20)

8. (a) CSR amount spent or unspent for the financial year:

Amount Unspent (in ₹)

Total Amount Spent for the Financial Year (₹ in crore)	Total Amount transferred to Unspent CSR Account as per Section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to Section 135(5)		
	Amount (₹ in crore)	Date of transfer	Name of the Fund	Amount	Date of transfer
₹12.52	₹3.46	29th April 2021	-	-	-

(b) Details of CSR amount spent against Ongoing Projects for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
Sr. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local Area (Yes /No)	Location of the Project		Project duration**	Amount allocated for the project (₹ in crore)	Amount spent in the current financial Year (₹ in crore)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (₹ in crore)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration number
1.	AU Skills Academy	(ii) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Yes	Rajasthan	Jaipur, Kota, Jodhpur Sikar, Bhilwara and Bikaner	36	3.67	1.67	2	Yes	NA	NA
2.	AU Financial and Digital Literacy	(ii) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Yes	Rajasthan, Maharashtra, Gujarat, Madhya Pradesh, Punjab, Haryana, Himachal Pradesh, Uttar Pradesh, Chandigarh, Chhattisgarh, Goa and J&K	Refer Note***	36	2.56	2.10	0.46	Yes	NA	NA
3.	AU Bank Water ATM	(i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.	Yes	Rajasthan, Maharashtra, Madhya Pradesh Haryana, Himachal Pradesh and Chhattisgarh	Jaipur, Ajmer, Tonk, Sikar, Hanumangarh, Barmer, Bhilwara, Bikaner, Nagaur, Nasik, Khargone, Raipur, Solan, Barna and Virat Nagar	36	1.24	0.24	1	Yes	NA	NA
	Total						**7.47**	**4.01**	**3.46**			

The amount in column 9 has been rounded off and accordingly, amount transfered to "Unspent CSR Account FY 2020-21 - AU Financial and Digital Literacy" includes an excess amount of ₹0.56 lakh.

**These projects are of long term & sustainable nature where Bank plans to carry out and scale up these programs in years to come.

***Note: Jaipur, Mumbai, Ahmedabad, Ahmednagar, Ajmer, Alwar, Amritsar, Chandigarh, Anand, Aravalli, Aurangabad, Balod Bazar, Banaskantha, Banswara, Barmer, Barnala, Bathinda, Bemetara, Bhandara, Bharatpur, Bhavnagar, Bhilwara, Bikaner, Bilaspur, Bundi, Chandrapur, Chhatarpur, Chhitorgarh, Chhota Udaipur, Churu, Dausa, Dewas, Dhamtari, Dhar, Dholpur, Dungarpur, Durg, Faridabad, Fatehabad, Fazilka, Firozpur, Gandhinagar, Gariaband, Gautam Buddh Nagar, Gondia, Gurgaon, Hisar, Hoshiarpur, Indore, Jaisalmer, Jalandhar, Jalna, Jalore, Jammu, Jamnagar, Janjgir Champa, Jhunjhunu, Jodhpur, Junagarh, Kabeerdham, Kachchh, Kangra, Kanker, Kanpur, Karauli, Karnal, katni, Khandwa (East Nimar), Kheda, Kolhapur, Kondagaon, Korba, Kota, Latur, Lucknow, Ludhiana, Mahasamund, Mahendragarh, Mahesana, Mahisagar, Mandsaur, Mansa, Moga, Mohali, Morbi, Muktsar, Mungeli, Nagaur, Nagpur, Nanded, Nawanshahr, Pali, Panchkulla, Panipat, Patan Pathankot, Patiala, Pratapgarh, Pune, Raigad, Raipur, Rajnandgaon, Rajsamand, Ratlam, Ratnagiri, Rewari, Sangli, Sangrur, Satara, Shimla, Sikar, Sindhudurg, Sirohi, Solan, Solapur, Sonipat, South Goa, Sriganganagar, Surendranagar, Thane, Udaipur, Ujjain, Una, Vadodara, Wardha and Yavatmal.

(c) Details of CSR amount spent against other than ongoing projects for the financial year:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sr. No.	Name of the Project	Item from the list of activities in schedule VII to the Act	Local area (Yes/ No)	Location of the project		Amount spent for the project (₹ in crore)	Mode of implementation - Direct (Yes/No)	Mode of implementation - Through implementing agency	
				State	District			Name	CSR Registration number
1.	Support for COVID - Ration and food Assistance - Mask, Sanitizer, PPE Kit Support - Medical Equipment and Medicine Support - AU Humsafar Project - COVID Jagrukta Abhiyan	(i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation] and making available safe drinking water.	Yes	Rajasthan, Maharashtra, Madhya Pradesh, Gujarat, Delhi, Punjab, Haryana, Uttar Pardesh, Himachal Pradesh, Chattisgarh Telangana, West Bengal and Karnataka	Refer note*	3.19	Yes	-	-
2.	Promoting preventive Healthcare activities - Medical Health camps - Swachh Bharat - Open Air Gym	(i) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.	Yes	Rajasthan, Maharashtra, Gujarat, Punjab and Jammu & Kashmir	Jaipur, Pune, Mumbai, Ahmedabad, Dholpur, Pali, Sikar, Indore, Nagaur, Alwar, Jalandhar, Jammu, Jhunjhunu, Kalyan, Bikaner and Shrirrampur	0.71	Yes	-	-
3.	Promoting Education - Support to Govt. Schools for the Basic Infrastructure - Scholarship to Economically backward students - Road Safety	(ii) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects.	Yes	Rajasthan, Maharashtra, Madhya Pradesh, Punjab and Haryana	Jaipur, Bhatinda, Hisar, Hoshiarpur, Jabalpur, Jodhpur, Muktsar, Mumbai, Navalpura, Pali, Rajgarh, Hanumangarh, Sawai Madhopur, Sikar, Tonk, Udaipur, Alwar, Indore, Noida, Shimla, Udaipur and Sonipat	1.42	Yes	-	-

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sr. No.	Name of the Project	Item from the list of activities in schedule VII to the Act	Local area (Yes/ No)	Location of the project		Amount spent for the project (₹ in crore)	Mode of implementation - Direct (Yes/No)	Mode of implementation - Through implementing agency	
				State	District			Name	CSR Registration number
4.	Environmental sustainability - Tree Plantation, - Animal Welfare	(iv) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga.	Yes	Rajasthan, Maharashtra, Delhi and Punjab	Jaipur, Pali, Sri Ganganagar, Alwar, Barmer, Bikaner, Muktsar, Nagpur, Shahpura and Sikar	0.99	Yes	-	-
5.	Contribution to AU Foundation for its Projects	(ii) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.	Yes	Rajasthan	Jaipur	0.85	No	AU Foundation	CSR00003894
6.	AU Udyogini	(ii) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects.	Yes	Rajasthan	Jaipur	0.32	No	a. DIS (Development Initiatives society) b. Gram Chetna Kendra c. Pure India Trust	a. CSR00000413 b. CSR00000381 c. CSR00000461
7.	Contribution for economically backward groups	(iii) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups	Yes	Rajasthan, Maharashtra, Gujarat and Punjab	Jaipur, Ajmer, Nagaur, Jhunjhunu, Jodhpur, Bikaner, Rajsamand, Jhalawar, Hanumangarh, Kota, Churu, Shri Dungargarh, Sikar, Zirakpur, Alwar, Dholpur, Ahmedabad, Amreli and Jalgaon	0.17	Yes	-	-

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sr. No.	Name of the Project	Item from the list of activities in schedule VII to the Act	Local area (Yes/ No)	Location of the project		Amount spent for the project (₹ in crore)	Mode of implementation - Direct (Yes/No)	Mode of implementation - Through implementing agency	
				State	District			Name	CSR Registration number
8.	Promoting Art and Culture	(v) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional art and handicrafts;	Yes	Rajasthan, Maharashtra and Madhya Pradesh	Jaipur, Mumbai and Khandwa	0.32	Yes	-	-
9.	Benefit of armed forces veteran	(vi) measures for the benefit of armed forces veterans, war widows and their dependents, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows	Yes	Delhi	Delhi	0.13	Yes	-	-
10.	Rural development projects	(x) Rural development projects]	Yes	Rajasthan	Jaipur	0.04	Yes	-	-
11.	Sports Promotion	(vii) Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports	Yes	Rajasthan	Jaipur	0.04	Yes	-	-
Total						**8.18**			

*Jaipur, Mumbai, Agra, Ahmedabad, Gurgaon, Akola, Alwar, Indore, Jabalpur, Bangalore, Bhatinda, Bhilwara, Bhiwadi, Bhuj, Bikaner, Chandigarh, Dholpur, Firozpur, Himmart Nagar,Hoshiarpur, Hyderabad, Jalandhar, Jodhpur, Kanpur, Khandwa, Kolkata, Kota, Lucknow, Ludhiana,Maminagar, Mohali, Muktsar, Nagaur, Nagpur, Nasrullaganj, Panchkula, Patiala, Pitampura, Raipur Salumber, Solapur Satara, Shimla, Sikar, Sirsa , Sri Ganganagar, Thane, Valsad, Vidharabh, Sirmaur, Udaipur, Una and Vadodara.

(d) Amount spent in Administrative Overheads – ₹0.31 crore

(e) Amount spent on Impact Assessment, if applicable - Not Applicable

(f) Total amount spent for the Financial Year (8b+8c+8d+8e) – ₹12.52 crore

(g) Excess amount for set off, if any -

Sr. No.	Particular	Amount (in ₹)
(i)	Two percent of average net profit of the company as per section 135(5)	Not Applicable
(ii)	Total amount spent for the Financial Year	
(iii)	Excess amount spent for the financial year [(ii)-(i)]	
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	

9. (a) Details of Unspent CSR amount for the preceding three financial years:

Sr. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (in ₹)	Amount spent in the reporting Financial Year (in ₹)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any			Amount remaining to be spent in succeeding financial years (in ₹)
				Name of the Fund	Amount (in ₹)	Date of transfer	
1.	---------- Not Applicable ----------						
	Total						

Note:

1. Provisions of Section 135 (6) of Companies Act, 2013, is applicable from 22nd January 2021, hence the above table is not applicable for previous financial years.
2. Details of unspent CSR amount of preceding financial year(s) is available in CSR Reports of the Bank available at https://www.aubank.in/investors/annual-reports
3. Bank has spent ₹12.52 crore in FY 2020-21 against the standalone CSR obligation for FY 2020-21 of ₹12.24 crore and the overall CSR obligation was of ₹15.97 crore which was inclusive of carried forward amount of ₹3.73 crore of FY 2019-20. Further, Pursuant to the amendment in CSR provisions of the Companies Act, 2013 and rules made thereunder which came into force on 22nd January 2021, Bank has transferred ₹3.46 crore in "Unspent Corporate Social Responsibility Account FY 2020-21" for carrying out expenditure on its Ongoing CSR Projects and such amount shall be spent in Compliance of CSR Policy towards CSR obligation over the period of 3 financial years.

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):

Pursuant to the amendment in CSR provisions of the Companies Act, 2013 and rules made thereunder which came into force on 22nd January 2021, Bank has categorised the CSR Activities into Ongoing Projects from FY 2020-21, hence not applicable for preceding financial year(s)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sr. No.	Project ID	Name of the Project	Financial Year in which the project was commenced	Project duration	Total amount allocated for the project (in ₹)	Amount spent on the project in the reporting Financial Year (in ₹)	Cumulative amount spent at the end of reporting Financial Year. (in ₹)	Status of the project - Completed /Ongoing
1.	---------- Not Applicable ----------							
	TOTAL							

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details). –

No capital Assets were created/acquired during FY 2020-21.

(a) Date of creation or acquisition of the capital asset(s). - Not Applicable

(b) Amount of CSR spent for creation or acquisition of capital asset - Not Applicable

(c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc. - Not Applicable

(d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset). - Not Applicable

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5)

Bank spent ₹12.52 crore in FY 2020-21 against the standalone CSR obligation for FY 2020-21 of ₹12.24 crore and the total CSR obligation was ₹15.97 crore which was inclusive of carried forward amount of ₹3.73 crore of FY 2019-20.

The Bank is continuously enhancing its capabilities by associating with more credible trusts, agencies and partners for meaningful impact and for enhanced reach of its CSR programmes in sustainable manner. Bank continue to remain committed for exploring new opportunities and incrementally investing in CSR activities to realise its CSR objectives.

Bank has always endeavoured to increase outreach and depth of its CSR programmes, but COVID-19 was a Black Swan event which took world by surprise and sudden shrinkage in demand and increased unemployment altered the business landscape, due to lockdown and government's social distancing norms Bank was confronted with several challenges to implement its CSR programmes as approved by CSR Committee & Board as part of Annual CSR Plan of FY 2020-21.

For and on behalf of Board of Directors
AU Small Finance Bank Limited

Date: 29th April 2021
Registered Office:
19-A, Dhuleshwar Garden,
Ajmer Road, Jaipur-302001

Sd/-
Krishan Kant Rathi
Chairman – CSR Committee
DIN: 00040094
Place: Mumbai

Sd/-
Sanjay Agarwal
Managing Director & CEO
DIN:00009526
Place: Jaipur

Annexure III

DISCLOSURE ON REMUNERATION

The ratio of the remuneration of each director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

Name & Designation of Directors & KMPs	Ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year	Percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary, if any, in the financial year
Mr. Raj Vikash Verma, Chairman & Independent Director	8	100
Mr. Sanjay Agarwal, MD & CEO	77	-
Mr. Uttam Tibrewal, WTD	70	-
Mr. Krishan Kant Rathi, Independent Director	4	-
Ms. Jyoti Narang, Independent Director	4	-
Mr. M S Sriram, Independent Director	4	-
Mr. Pushpinder Singh, Independent Director	4	-
Mr. V G Kannan, Independent Director	4	-
Mr. Narendra Ostawal, Non-Executive Director	-	-
Mr. Deepak Jain, COO	NA	5.97
Mr. Vimal Jain, CFO	NA	30.33
Mr. Manmohan Parnami, CS	NA	5.19

Sr. No.	Requirements	Disclosure
1.	The percentage decrease/increase in the median remuneration of employees in the financial year.	There has been increase of 6.39% in median remuneration of employees and the employees have been taken as on year end. Further, there is increase in number of employees by 5,372 as on year ended 31st March 2021, vis-a-vis as on 31st March 2020. Median has been calculated by taking remuneration on annualised basis considering the employees as on year end.
2.	The number of permanent employees on the rolls of Bank as on 31st March, 2021.	There were 22,484 employees as on 31st March 2021.
3.	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.	There was average percentile increase of 4.76% (excluding bonus, perquisites on ESOPs Exercised) in FY 2020-21 over FY 2019-20 for employees other than in managerial capacity. For managerial personnel, there was increase of 4.74% (Excluding bonus, perquisites on ESOPs Exercised) in remuneration of managerial personnel on overall basis in FY 2020-21 over FY 2019-20 and this is calculated by including Fixed Pay of FY 2020-21 which was relinquished by Mr. Sanjay Agarwal, MD & CEO. The average percentile increase is dependent on the individual's performance, promotions & overall Bank's performance.
4.	Affirmation that the remuneration is as per the remuneration policy of the Company	Yes, it is confirmed.

Notes:

1. Mr. Sanjay Agarwal- MD & CEO has voluntarily relinquished his fixed pay for FY 2020-21.
2. In above calculation, Annual CTC – Fixed Pay excluding variable pay, bonus, value of perquisites on ESOPs of employees (including MD & CEO and WTD) as at the year-end have been considered for presenting data on comparable basis.
3. Mr. Raj Vikash Verma was appointed as Part-time Chairman from 8th April 2020 at an Annual Honorarium of Rs. 20 lakh p.a. which was approved by the RBI and in FY 2019-20 he was designated as Independent Director and received an Annual profit related commission of Rs. 10 lakh p.a. in compliance of applicable RBI guidelines.
4. In terms of RBI guidelines on Compensation of Non-executive Directors of Private Sector Banks dated 1st June 2015, the profit related commission was Rs. 10 lakh p.a. for Independent Directors, other than Part-time Chairman.
5. The remuneration of Independent Directors including Part-time Chairman is exclusive of sitting fees and Executive Directors were not eligible to receive sitting fees.
6. Mr. Narendra Ostawal was Non-Executive Director and was not entitled to any remuneration or sitting fees and he ceased to be a Director w.e.f. close of business hours on 28th October 2020.
7. Mr. Deepak Jain and Mr. Vimal Jain was elevated as COO and CFO respectively w.e.f. 1st April 2020.

For and on behalf of the Board of Directors
AU Small Finance Bank Limited

Sd/-
Sanjay Agarwal
Managing Director & CEO
DIN: 00009526

Date: 8th July, 2021
Place: Jaipur

Sd/-
Uttam Tibrewal
Whole Time Director
DIN: 01024940

Date: 8th July, 2021
Place: Mumbai

Annexure IV

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH 2021

[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, the explanations and clarifications given to us and the representations made by the Management and considering the relaxations granted by the Ministry of Corporate Affairs and Securities and Exchange Board of India warranted due to the spread of the COVID-19 pandemic, we hereby report that in our opinion, the Bank has, during the audit period covering the Financial Year ended on 31st March 2021 (**'Audit Period'**) complied with the statutory provisions listed hereunder and also that the Bank has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Bank for the Financial Year ended on 31st March 2021 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):

(a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

(d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

(e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

(f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **(Not applicable to the Bank during the Audit Period);**

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; **(Not applicable to the Bank during the Audit Period);**

(i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

(j) The Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994

(iv) As confirmed, following other laws are specifically applicable to the Bank for which the Management has confirmed that the Bank has devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively:

(a) The Reserve Bank of India Act, 1934;

(b) The Banking Regulation Act, 1949 and Notifications and Circulars issued by the Reserve Bank India ('RBI') from time to time; and

(c) Guidelines issued by RBI on Small Finance Bank dated 27th November, 2014 and Operational Guidelines issued dated 6th October, 2016;

We have also examined compliance with the applicable clauses of the following:

i) Secretarial Standards issued by The Institute of Company Secretaries of India;

ii) The Listing Agreements entered into by the Bank with BSE Limited and National Stock Exchange of India Ltd.

During the period under review the Bank has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that

The Board of Directors of the Bank is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance. Further, independent director(s) were present at Board Meetings which were called at shorter notice to transact business which were considered urgent by the management in compliance of Section 173(3) of the Act. A system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the Bank commensurate with the size and operations of the Bank to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period the Bank has:

(a) Allotted 50,00,000 (Fifty Lakh) fully paid-up Equity Shares of face value of ₹10/- (Rupees Ten Only) each, fully paid-up for cash, at an issue price of ₹1,251/- (including premium of ₹1,241/-) per Equity Share aggregating to an amount of ₹6,25,50,00,000/- (Rupees Six Hundred Twenty-Five Crore and Fifty Lakh Only) to Qualified Institutional Buyers (QIBs) in accordance with the provisions of Chapter VI – Qualified Institutions Placement of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018;

(b) Allotted 30,90,063 (Thirty Lakh Ninety Thousand and Sixty-Three) equity shares upon exercise of options by its eligible employees under its various Employee Stock Option Schemes/plans;

(c) Approved the AU Small Finance Bank Limited – Employees Stock Option Scheme 2020 with options exercisable into not more than 50,00,000 (Fifty Lakh) equity shares of the Bank;

(d) Duly passed the resolution pursuant to Section 42 of the Act for approving issue of unsecured non-convertible debentures/bonds, in Indian/ foreign currencies in the domestic and/or overseas markets for an amount up to ₹12,000 crore (Rupees Twelve Thousand crore Only) on a private placement basis in one or more tranches and/or series.

(e) Altered the Employee Stock option Scheme 2015 – Plan A and B, Employee Stock option Scheme 2016 and Employee Stock option Scheme 2018; and

(f) Redeemed 700 (Seven Hundred) Non-Convertible Debentures (NCDs) having a face value of ₹10,00,000/- (Rupees Ten Lakh only) each aggregating to ₹70,00,00,000/- (Rupees Seventy crore Only) prior to its maturity (Early Redemption).

For V. M. & Associates
Company Secretaries
(ICSI Unique Code P1984RJ039200)
PR 581 / 2019

Sd/-
CS Manoj Maheshwari
Partner
Membership No.: FCS 3355
C P No.: 1971

Place: Jaipur
Date: 29th April 2021
UDIN: F003355C000208615

Note: This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

Annexure A

To,
The Members,
Au Small Finance Bank Limited
19-A, Dhuleshwar Garden
Jaipur – 302 001 (Rajasthan)

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Bank. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices we followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Bank.

4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.

5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.

6. The Secretarial Audit report is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the management has conducted the affairs of the Bank.

For V. M. & Associates
Company Secretaries
(ICSI Unique Code P1984RJ039200)
PR 581 / 2019

Sd/-
CS Manoj Maheshwari
Partner
Membership No.: FCS 3355
C P No.: 1971

Place: Jaipur
Date: 29th April 2021
UDIN: F003355C000208615

Annexure V

ANNUAL REPORT ON BUSINESS RESPONSIBILITY

(Pursuant to regulation 34(2)(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015).

Brief Background

AU Small Finance Bank as the largest Small Finance Bank (SFB), is responsibly ushering financial services to the unserved and underserved customers. With the right values, ethical business practices, Bank is making positive value addition for its stakeholders. The Bank's sustainability imperatives are also aligned to the principles of Business Responsibility prescribed by the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVG-SEE) released by the Ministry of Corporate Affairs, Government of India. This BRR is in line with requirements of regulation 34(2)(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, SEBI Circular on Business Responsibility Report and subsequent relevant notifications issued by the Ministry of Corporate Affairs from time to time.

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	1st April 2020 to 31st March 2021
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 of three key products/services that the Company manufactures/provides (as in balance sheet)	• Deposits and Other products • Wheels and Secured Business Loans • Business Banking and Treasury Operations
9.	Total number of locations where business activity is undertaken by the Company	(a) Number of international locations- None (b) Number of national locations – 744 as on 31st March 2021
10.	Markets served by the Company	Local: ✓ State: ✓ National: ✓ International: ✗

SECTION B: FINANCIAL DETAILS OF THE COMPANY AS ON 31ST MARCH 2021

1.	Paid-up Capital	₹3,12,21,33,900 (₹312.21 crore)
2.	Total Turnover (₹ in crore)	6,401.60
3.	Total Profit after Taxes (₹ in crore)	1,170.68
4.	Total spending on Corporate Social Responsibility (CSR) as percentage of Profit after Tax (%)	1.07%
5.	List of activities in which expenditure in 4 above has been incurred: • **COVID-19 Relief Measures –** FY 2020-21 was marred by the COVID-19 pandemic, which impacted several sectors and hampered both social and economic progress in India and globally. The Bank stood tall and contributed generously for COVID-19 related relief measures. The Bank's CSR efforts included several relief measures, including the installation of sanitiser dispensers, distribution of masks, PPE kits, medical equipment, medicine, food distribution, awareness programmes, and AU Humsafar Project, i.e. COVID - Transportation Assistance and others in multiple states. • **Sustainable Livelihood Programmes –** The Bank strives to promote sustainable livelihoods and works with the community to make a positive impact on society. Its exclusively designed engagement programmes are directed at training programmes of youths organised to become self-reliant and promoting women entrepreneurs through vocational and interpersonal relationship training by the AU Skills Academy and AU Udyogini respectively. • **Financial and Digital Literacy –** The Bank conducted 2,900+ financial literacy camps in the rural and semi-urban geographies and in urban slums in FY 2020-21 to promote financial and digital literacy by educating people on saving habits and other measures. • **Water Coolers (Water ATMs) –** The Bank installed 43 new water coolers in FY 2020-21 and served safe drinking water to ~13 lakh people through 180+ water coolers during the year. Note: Details of CSR initiatives form part of the CSR Report in Annexure - II of the Board's Report.	

SECTION C: OTHER DETAILS (As on 31st March 2021)

1.	Does the Company have any Subsidiary Company/Companies?	No
2.	Do the Subsidiary Company/Companies participate in the BR initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s).	Not Applicable
3.	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/ entities? [Less than 30%, 30-60%, More than 60%]	No

SECTION D: BR INFORMATION

1. Details of Director/Directors responsible for Business Responsibility (BR)

(a) Details of Director/Directors responsible for the implementation of the BR policy/policies

DIN	00009526
Name	Mr. Sanjay Agarwal
Designation	Managing Director & CEO

(b) Details of BR Head

DIN	NA
Name	Mr. Prince Tiwari
Designation	Chief of Financial Institutions Group (FIG) & Investor Relations (IR)
Telephone number	022-62490600
E-mail id	prince.tiwari@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 the relevant stakeholders?	Y	Y	Y	Y	Y	Y	-	Y	Y
3.	*Does the policy conform to any national/ international standards? If yes, specify? (50 words)	Y	Y	Y	Y	Y	Y	-	Y	Y
4.	**Has the policy been 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(s) for the policy to be viewed online?	https://www.aubank.in/notice-board https://www.aubank.in/investors/secretarial-policies								
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Policies/code that are internal documents of the Bank are accessed by employees through BIMS (an internal portal for policies and procedures) and other relevant Board approved policies have been hosted on the website of the Bank and can be accessed at the above links.								
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

*Policies of the Bank have been formulated for business requirements and for compliance of applicable regulatory requirements prescribed by MCA, RBI, SEBI & other regulators and these policies are in line with the industry best practices.

**The policies are being put up to the Board for approval after signature of respective process owner(s).

(b) If answer to the question at serial number 1 against any principle, is 'No', explain why: (Tick up to 2 options)

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 the next 6 months	-	-	-	-	-	-	-	-	-
5.	It is planned to be done within the next 1 year	-	-	-	-	-	-	-	-	-
6.	Any other reason (please specify)							@refer below		

@The Bank works closely with collective trade and industry associations and is also a member of Indian Banks' Association (IBA), Confederation of Indian Industry, Association of Small Finance Banks of India (ASFBI) and the Indian Institute of Banking & Finance. The Bank does not take part in any lobbying or policy advocacy.

Principle wise policies

P. No.	Relevant Policies/Code
P1	Fraud Risk Management Policy, Compliance Policy, Risk Based Internal Audit Policy, Anti-Bribery and Anti-Corruption Policy, Code of Conduct for Employees, Code of Conduct for Directors and Senior Management Personnel, Code of Conduct – Prohibition of Insider Trading Policy, Policy on Related Party Transactions & Materiality, Code of Fair Disclosure and Conduct and Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market.
P2	Fair Practice Code for Lenders, MSME Policy, Policy on Business Correspondents, Social Environment and Management System, Policy for Soliciting and Servicing Insurance Products and Code of Conduct for Direct Selling Agents.
P3	Learning & Development Policy, Code of Conduct for Employees, Capacity Building Policy, Compensation Policy, Whistle-blower Policy & Vigil Mechanism, Employee Leave Policy, Prevention & Redressal Against Sexual Harassment Policy and Job Rotation Policy.
P4	Investor Grievance Redressal Policy, Communications Policy, CSR Policy, Customer Service Policy, Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market, Policy for Determination of Materiality of Events/Information, Code of Conduct – Prohibition of Insider Trading Policy, Whistle-blower Policy & Vigil Mechanism and Prevention & Redressal Against Sexual Harassment Policy.
P5	Customer Compensation Policy, Customer Grievance Redressal Policy, Customer Service Policy, Citizen's Charter, Charter on Customer Rights, Anti-Bribery and Anti-Corruption Policy, Prevention & Redressal Against Sexual Harassment Policy and Fair Practices Code for Lenders.
P6	Social Environment and Management System.
P7	Bank does not have any policy/code for this principle.
P8	CSR Policy and Social Environment and Management System.
P9	Customer Service Policy, Customer Grievance Redressal Policy, Customer Compensation Policy, Citizen's Charter, Collection of Dues & Repossession of Security, Charter on Customer Rights and Fair Practice Code for Lenders.

3. Governance related to BR

(a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO assesses the BR performance of the Company? Within 3 months, 3-6 months, annually or more than 1 year?

The impact of the BR initiatives is monitored by the BR Head and it is reported at regular intervals to the management. The BR performance of the Bank is assessed annually by the Board of Directors.

The Bank's CSR activities are reviewed by the CSR Committee of the Board; the CSR Committee meets four times in a year. The Bank also onboarded an external consultant to assess its CSR strategy and identify avenues to strengthen the impact of CSR initiatives.

(b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently is it published?

Yes, the Bank publishes its BR Report annually.

Hyperlink: https://www.aubank.in/reports

SECTION E: PRINCIPLE-WISE PERFORMANCE

PRINCIPLE 1: BUSINESSES SHOULD CONDUCT AND GOVERN THEMSELVES WITH ETHICS, TRANSPARENCY AND ACCOUNTABILITY

1. Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/No. Does it extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

No, the policy for this principle extends to all stakeholders including vendors, service providers of the Bank. The Bank has 'zero-tolerance' approach towards bribery and corruption and has put in place an Anti-Bribery and Anti-Corruption Policy, which sets forth obligations on part of every employee and Director(s) for the prevention, detection and reporting of any act of bribery or corruption and for upholding the Bank's values. The Bank is cognisant of its responsibility to ensure the protection of all its stakeholders' interests and has adopted the highest governance standards to develop a culture of self-regulation and accountability at all levels in the Bank.

Under the Bank's Anti-Bribery and Anti-Corruption Policy for vendor mechanism and outsourcing mechanism, the Bank ensures that a culture of transparency and the highest ethical standards are followed while transacting and dealing with all external stakeholders, including vendors and suppliers.

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.

During the reporting period, the Bank has not received any complaints from shareholders through SCORES or through other modes and queries; requests of the shareholders have been satisfactorily resolved in time.

The Bank is committed to treat its customers fairly; details of customer complaints have been disclosed in Schedule no. 18 (12) of the notes to accounts of the Audited Financial Statements for FY 2020-21.

PRINCIPLE 2: GOODS AND SERVICES THAT ARE SAFE AND CONTRIBUTE TO SUSTAINABILITY THROUGHOUT THEIR LIFECYCLE

1. List up to three of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

The Bank duly acknowledges that it has a vital role to play in furthering India's socio-economic and developmental agenda towards achieving financial inclusion and sustainable development.

Our wide range of products supports the financial aspirations of our customers, delivering services to the unbanked and covering credit, savings, payments, insurance and investment needs among others.

The following products of the Bank incorporate social and environmental concerns:

- Lending Products: Financing to MSMEs, vehicle finance, Agri – SME Loans, healthcare and other sectors.
- Inclusive Banking: Offering world-class banking experience and banking the unbanked with a special focus on banking for millennials. The Pradhan Mantri Jan Dhan Yojana (PMJDY) and Pradhan Mantri Mudra Yojana (PMMY) ensure that the under-banked section of the population is brought into formal financial service channels.
- Digital Banking: The Bank has strengthened the foundation to build a 'tech-led' Bank by introducing multiple user interfaces for its customers such as Internet Banking, Mobile Banking, Video Banking, Missed Call Banking, Whatsapp Banking, Chatbot 'auro', AU Abhi, Tab Banking, AU Positive Pay, UPI and QR code etc.

The Bank takes into consideration environmental and social (E&S) risks and, as part of its credit assessment framework, ensures that lending activities are carried out responsibly.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional)

A. Reduction during sourcing/production/distribution achieved since the previous year throughout the value chain?

B. Reduction during usage by consumers (energy, water) has been achieved since the previous year?

The Bank promotes sustainability and 'go green' philosophy and has set up and implemented the required systems and processes to conserve energy aligned to its nature of business. The Bank is using energy efficient cooling systems for its operations and has also implemented IT architecture for paperless transactions so as to achieve internal natural resource consumption efficiencies and while simultaneously minimising its carbon footprint.

The Bank has adopted various measures by integration of revolutionary technology to digitise its services with several unique propositions for Savings and Current Account, paperless and digital customer acquisitions, no 'home branch' concept, no slips for cash deposits or withdrawal and no form for Real Time Gross Settlement (RTGS) transactions, Internet Banking, Mobile Banking, WhatsApp Banking, Banking through Missed Call, Chatbot and Video Banking, thereby reducing paper consumption, customer time as well as fuel consumption.

3. Does the Company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

Given the nature of the Bank's business activities, sustainable sourcing of inputs is not significant in the Bank's operations.

However, the Bank attempts to reduce the environmental impact of its operations through digitisation, tech-led innovations and recycling to the extent possible.

The Bank does not utilise raw materials/resources directly, yet ESP star ratings are taken into consideration while procuring equipment and products for its branches/offices to save electricity. In bigger offices, the Bank has invested in making its office buildings more energy and resource efficient, focusing on improved lighting, efficient use of water and better waste management.

4. Has the Company taken any steps to procure goods and services from local and small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

Yes, being a service-oriented entity, the Bank does not procure goods for further processing but for consumption. Further, the Bank avails outsourcing services, and the procurement procedures cover quality assurance review of the vendors while procuring/ordering goods and services, wherein small and local vendors are given preference in the procurement of daily use items and services such as stationary, food and beverages, consumables etc.

The Bank also endeavours for the upliftment of local and small vendors by providing them easy access to loans including working capital loans for their businesses.

5. Does the Company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.

Given the nature of the Bank's business activities, our products are intangible in nature and cannot be recycled. Hence, Bank has limited scope for using recycled material as processed inputs. The Bank follows e-waste disposal guidelines through eligible vendors for the disposal of fairly old systems and equipments in an environment-friendly manner.

PRINCIPLE 3: BUSINESSES SHOULD PROMOTE THE WELLBEING OF ALL EMPLOYEES

1. Please indicate the total number of employees.

22,484

2. Please indicate the total number of employees hired on temporary/contractual/casual basis.

744

3. Please indicate the number of permanent women employees.

1,242

4. Please indicate the number of permanent employees with disabilities.

5

5. Do you have an employee association that is recognised by the management?

No

6. What percentage of your permanent employees are 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 labour	0	0
2.	Sexual harassment	7	1*
3.	Discriminatory employment	0	0

*The complaint was resolved on 8th April, 2021

8. What percentage of your undermentioned employees were given safety and skill up- gradation training in the last year?

a. Permanent Employees: **88%**

b. Permanent Women Employees: **94%**

c. Casual/ Temporary/ Contractual Employees: **55%**

d. Employees with Disabilities: **100%**

PRINCIPLE 4: BUSINESSES SHOULD RESPECT THE INTERESTS OF, AND BE RESPONSIVE TOWARDS ALL STAKEHOLDERS, ESPECIALLY THOSE WHO ARE DISADVANTAGED, VULNERABLE AND MARGINALISED

1. Has the Company mapped its internal and external stakeholders? Yes/No

Yes

2. Out of the above, has the Company identified the disadvantaged, vulnerable and marginalised stakeholders?

As a Small Finance Bank, our commitment to financial inclusion remains unwavering, and goes beyond regulatory requirements. We continue to focus on the priority sector by lending to small and marginal farmers, to the weaker sections and supporting them with government-led initiatives to improve access to financial services; we provide insurance and pension plans to the disadvantaged, vulnerable and marginalised stakeholders.

Internally, the Bank carries out data mining for analysing its existing customers and classifying them under suitable categories.

Further, our commitment is supported by imparting financial literacy and digital education to drive financial inclusion in its true sense in the country.

3. Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalised stakeholders? If so, provide details thereof, in about 50 words or so.

Yes, the Bank's business model is aimed at promoting inclusive banking by engaging with the under-banked and unbanked populations in rural and urban India, and supporting the marginalised sections of society, who are still not entirely integrated into India's mainstream economy, by offering them simplified banking solutions.

Further, through its CSR programmes, the Bank focuses on financial literacy, skill development of women and students in rural, semi-urban and urban slums to help them become self-reliant.

Your Bank is leading key government financial inclusion initiatives such as, Pradhan Mantri Jan Dhan Yojana, and various other insurance and pension schemes as part of its efforts to support the disadvantaged, vulnerable and marginalised populations of India.

PRINCIPLE 5: BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS

1. Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/Suppliers / Contractors /NGOs/Others?

The Bank recognises that human rights are inherent to all human beings and upholds the dignity of each and every individual engaged or associated with it. The Bank's policies and conduct with customers and other stakeholders outline the Bank's philosophy of upholding human rights first.

- The Bank's Code of Conduct lays down acceptable employee behaviour on various professional and ethical aspects and its Whistle-blower Policy helps in maintaining the highest standards of ethics, integrity, accountability, transparency by providing safeguards to various stakeholders, including shareholders, depositors and employees.
- The Bank offers doorstep banking and support to senior citizen customers; its branches have a ramp for giving easy access to physically challenged customers.
- The banking outlets and business correspondents of the Bank in rural and other areas offer doorstep banking services and enhance these services further by reaching out and offering remittance, transfer and deposit–withdrawal services to customers.
- In view of the lock down, rural customers, borrowers and marginal savers were the worst affected; the Bank supported them well by taking banking services to their doorstep.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

No complaints with respect to human rights violations were reported during the period under review.

PRINCIPLE 6: BUSINESS SHOULD RESPECT, PROTECT, AND MAKE EFFORTS TO RESTORE THE ENVIRONMENT

1. Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/Suppliers/ Contractors/ NGOs/others?

Yes, the Bank strives to constantly preserve the environment by investing in energy efficient equipment, focusing on improved lighting, efficient water usage and better waste management.

The Bank complies with applicable environmental guidelines in its operations to the extent applicable and understands its role in creating awareness among its vendors and suppliers about the policies that govern the Bank. The Bank also focuses on ensuring that its supplier base operates in complete compliance with all environmental regulatory requirements.

The Bank has a Social Environment Management System (SEMS) in place that includes environment and social risk considerations into its lending decisions. Further, the Bank's CSR focus, as communicated in its CSR Policy, also includes environmental sustainability, wherein the Bank, directly or through its implementation partners, works on several initiatives to create positive impact on the environment.

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, in addressing the environmental issues, the Bank ensures that it complies with the applicable environmental regulations for its operations. Further, the Bank's SEMS sets guidelines to refrain from financing any activity that does not comply with social and environment regulations applicable in India.

4. Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

Not applicable

5. Has the Company undertaken any other initiatives on clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc?

The Bank is adopting various strategies to enhance its positive impact through its lending activities, internal operations, and CSR activities.

The digitisation of the Bank's products and services has helped to make it more convenient for customers and also helped to reduce the amount of resources consumed in banking operations. Further, through CSR activities, the Bank is running several environmental sustainability initiatives, such as tree plantation, that have a positive environmental impact.

Further, the Bank has designed energy efficient infrastructure to save energy and makes optimal utilisation of resources at its branches and other offices. Also, the Bank has installed solar rooftop system in its offices to make clean energy and to reduce its carbon footprint.

6. Are the emissions/waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?

Yes, the Bank's emissions and waste are within permissible limits of the laws as 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

1. Is your Company a member of any trade and chamber or association? If Yes, name only those major ones that your business deals with:

The Bank is a member of various trade bodies and associations such as the Indian Banks' Association, Confederation of Indian Industry, Association of Small Finance Banks of India (ASFBI) and the Indian Institute of Banking & Finance among others.

The Senior Management of the Bank participates in the programmes organised by the above and other institutions to present views and highlight issues that are relevant for the banking sector and that are of common interests.

2. Have you advocated/lobbied through the above associations for the advancement or improvement of public good? Yes/ No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)

Not applicable

PRINCIPLE 8: BUSINESSES SHOULD SUPPORT INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT

1.	**Does the Company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof?** Yes, the Bank offers a wide range of services to promote inclusive and equitable growth by contributing to the upliftment of marginalised communities, youths, women, partially disabled and others. Your Bank has taken several initiatives to redefine the boundaries of social good through inclusive banking in areas where it operates, by empowering people and making them aware of their financial rights and duties. The Bank is a firm believer that every individual deserves equal opportunities irrespective of their socio-economic background, geography and the Bank is dedicated to empowering people by making them realise their true potential and helping them to become self-reliant by banking with us. • The Bank's finance for revenue generating activities is aimed at helping people realise their dreams of a better livelihood. • The Bank through its CSR arm, AU Foundation, continues to work towards providing sustainable livelihoods and creating value through its varied, integrated programmes such as AU Udyogini and AU Skills Academy.
2.	**Are the programmes/projects undertaken through in-house team/own foundation/ external NGO/ government structures/ any other organisation?** The Bank undertakes several projects/programmes through in-house teams, AU Foundation and with the assistance of implementation partners, as part of its overall strategy.
3.	**Have you done any impact assessment of your initiative?** The Bank's initiatives cover comprehensive programmes for inclusive growth and evaluation with regard to the progress made in providing skills training, financial and digital literacy, women entrepreneurship programmes and access to banking and financial services to the underprivileged and the impact of the same is assessed at regular intervals by the Bank's CSR Team.
4.	**What is your Company's direct contribution to community development projects amount in INR and the details of the projects undertaken?** The details of the Bank's contribution to community development projects are covered in the CSR Report as Annexure - II of the Board's Report.
5.	**Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words or so.** The Bank through AU Foundation encourages active engagement of key stakeholders such as government, NGOs, and other local institutions to develop and build community ownership, to ensure successful adoption and sustainability of the social development programmes. All projects and programmes developed under the CSR initiatives are largely focused on maximum community participation and capacity building in rural and semi-urban, urban slums and other areas. Further, while designing the products and financial services delivery model, and the priority sector lending guidelines, the unbanked and under-banked population in rural and urban are considered as key constituents for achieving financial inclusion meaningfully in the country.

PRINCIPLE 9:BUSINESSES SHOULD ENGAGE WITH AND PROVIDE VALUE TO THEIR CUSTOMERS AND CONSUMERS IN A RESPONSIBLE MANNER

1.	**What percentage of customer complaints/ consumer cases are pending as on the end of financial year?** 1.71% of total customer complaints received by the Bank during the year were pending as on 31st March 2021.
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)** The Bank's products are intangible in nature and thus, product labelling is not applicable. However, the Bank complies with the disclosure requirements relevant for its products and services in all its communication. Additionally, details of the Bank's products, services offered are disclosed through various modes viz. brochures, website, print media and social media etc. for information of the customers and other stakeholders.
3.	**Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year? If so, provide details thereof, in about 50 words or so.** In the ordinary course of business, some customers and borrowers have had differences with the Bank, which could result in their filing of suits in courts alleging deficiencies of service(s). In order to reduce such instances, the Bank's customer experience team has taken several initiatives for engagement with customers for the timely resolution of their issues.
4.	**Did your Company carry out any consumer survey/consumer satisfaction trends?** Yes, the Bank believes that the culture of best-in-class customer experience can be achieved by listening to the customer's voice, acting and closing the loop with resolution, which leaves a smile on the customer's face. The Bank is using customer experience measurement tools for conducting customer surveys through AU Mobile App, Phone Banking, Branch Servicing, Service Request Resolution Feedback, and ATM Services etc. The feedback received from customers through different surveys is analysed, collated and shared with respective teams for incorporation of suggestions to improve our products and services.

Note: Details about our commitment towards environmental, social and governance (ESG) aspects is covered in the ESG and other sections of the Annual Report.

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, 2021, 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, 2021, its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Bank in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Emphasis of Matter

We draw attention to Note 2 of the Schedule 17 to the financial statements, which describes the extent to which the COVID-19 pandemic will impact the Bank's operations and its financial metrics which are dependent on uncertain future developments. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended March 31, 2021. 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.

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, 2021, 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, 2021, its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Bank in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Emphasis of Matter

We draw attention to Note 2 of the Schedule 17 to the financial statements, which describes the extent to which the COVID-19 pandemic will impact the Bank's operations and its financial metrics which are dependent on uncertain future developments. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters	How our audit addressed the key audit matter
Identification of Non-Performing Advances and provisioning for Advances including compliance with COVID-19 related regulatory guidelines issued by RBI and pronouncements made by Honorable Supreme Court of India: (Refer Schedule 17.4 to the financial statements)	
Advances constitute a major portion of the Bank's assets and the quality of the Bank's loan portfolio is measured in terms of the proportion of non-performing assets (NPAs) to the total loans and advances. As at March 31, 2021, the Bank has reported total gross advances of ₹ 35,356 crore (March 31, 2020: ₹ 27,233 crore), gross non-performing advances of ₹ 1,503 crore (March 31, 2020: ₹ 458 crore) and a corresponding provision for non-performing advances of ₹ 747 crore (March 31, 2020: ₹ 240 crore). Identification and provisioning of advances is governed by the prudential norms, guidelines relating to COVID-19 Regulatory Package, Resolution Framework for COVID-19-related Stress, Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances issued by the Reserve Bank of India (RBI) and directions issued by Supreme Court of India and related circulars issued by RBI. These norms prescribe rule based and qualitative criteria for advances to be classified as NPA including overdue aging, moratorium on advances extension of asset classification benefit for specific advances. Given the volume and variety of loans, judgement is involved in the application of RBI norms for classification of loans as NPA. In view of the significance of this area to the overall audit of financial statements, it has been considered as a key audit matter.	Our audit procedures included, among others the following: • Considered the Bank's accounting policies for NPA identification and provisioning and assessing compliance with the prudential norms prescribed by the RBI read with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020, April 17, 2020, May 23, 2020, Resolution Framework for COVID-19-related Stress and Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances dated August 6, 2020 and directions issued by Supreme Court of India and RBI circular on Asset Classification and Income Recognition following the expiry of COVID-19 regulatory package dated April 7, 2021. • Tested the operating effectiveness of the controls (including application and IT dependent controls) for borrower wise classification of loans in the respective asset classes viz., standard, sub-standard, doubtful and loss with reference to IRAC norms. • Performed test of details to test on provisioning rates applied for respective asset classes to agree such rates with the Bank's accounting policies. • Tested on sample basis, the compliance with COVID-19 RBI Regulatory packages. • Read and assessed the Bank's policy with respect to one-time restructuring (OTR) facility to borrowers impacted by COVID-19 pandemic and tested the implementation of such policy on a sample basis. • Performed inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a particular loan account or any product category which need to be considered as NPA. Examined the early warning reports generated by the Bank's credit team on a monthly basis to identify loan accounts with credit stress. • Considered the special mention accounts (SMA) reports submitted by the Bank to the RBI's central repository of information on large credits (CRILC) to assess whether any accounts from such reporting need to be considered as non-performing. • Performed analytical procedures on various financial and non-financial parameters to test the completeness of accounts identified as NPA. • We made inquiries with management regarding any effects considered on the NPA identification and / or provisioning, resulting from observations raised by the RBI during their annual inspection of the Bank's operations. • Tested the arithmetical accuracy of computation of provision for Advances. • Assessed disclosures included in the financial statements in respect of asset classifications and provisioning, including specific disclosures made with regard to impact of COVID-19 pandemic and related RBI circulars.

Key audit matters	How our audit addressed the key audit matter
IT systems and controls	
The reliability and security of IT systems plays a key role in the business operations of the Bank. Since large volume of transactions are processed daily, the IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. These systems also play a key role in the financial accounting and reporting process of the Bank. Further, the Bank made changes to its IT systems to give effect to the policy approved by its Board of Directors, in response to and as required by the COVID-19 Regulatory Package provided by RBI, including moratorium on instalments due on Loans Implementation of the moratorium involves significant level of judgement, changes to IT systems, etc. Due to the pervasive nature and complexity of the IT environment and considering that changes in key processes have been implemented in recent past, we have ascertained IT systems and controls as a key audit matter. Our areas of audit focus included user access management, developer access to the production environment and changes to the IT environment. These are key to ensuring IT dependent and application based controls are operating effectively.	Our audit procedures included the following, among others: • For testing the IT general controls, application controls and IT dependent manual controls, we included specialized IT auditors as part of our audit team. The specialized team also assisted in testing the accuracy of the information produced by the Bank's IT systems. • Tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting. • Tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were reviewed and authorized. • We considered the control environment relating to various interfaces, configuration and other application controls identified as key to our audit. • In addition to the above, we tested the design and operating effectiveness of certain automated controls that were considered as key internal controls over financial reporting. • Where deficiencies were identified, we tested compensating controls or performed alternate procedures.

Information Other than the Financial Statements and Auditor's Report Thereon

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read with the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank provision of section 29 of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by Reserve Bank of India ("RBI") from time to time.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014.

2. As required sub section (3) of section 30 of the Banking Regulation Act, 1949 and the appointment letter dated June 05, 2020, we report that:

   a. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

   b. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

   c. The financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches. We performed procedures necessary for the purpose of our walkthrough of processes and test of controls at branches by inspection of documents obtained from branches. We have visited (physically and virtually via video call) 25 branches as part 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 and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;

   d. In our opinion, the aforesaid financial statements comply with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI;

   e. On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 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, 2021 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.J and Schedule 18A – Note 32 to the financial statements;

      ii. The Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

For **S.R. BATLIBOI & ASSOCIATES LLP**
Chartered Accountants
Firm's Registration No.: 101049W/E300004

per Sarvesh Warty
Partner
Membership Number: 121411
UDIN: 21121411AAAADN4035

Place of Signature: Mumbai

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, 2021 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, 2021, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S.R. BATLIBOI & ASSOCIATES LLP**
Chartered Accountants
Firm's Registration No.: 101049W/E300004

per Sarvesh Warty
Partner
Membership Number: 121411

Place: Mumbai

Balance Sheet

as at March 31, 2021

(₹ in '000)

Particulars	Schedule	As at March 31, 2021	As at March 31, 2020
CAPITAL & LIABILITIES			
Capital	1	31,22,134	30,41,233
Employees stock options outstanding		10,31,171	5,21,240
Reserves & Surplus	2	5,85,98,853	4,02,05,638
Deposits	3	35,97,93,142	26,16,39,285
Borrowings	4	7,02,96,957	10,33,53,236
Other Liabilities and Provisions	5	2,30,70,802	1,26,70,078
Total		**51,59,13,059**	**42,14,30,710**
ASSETS			
Cash and Balances with Reserve Bank of India	6	1,56,93,478	1,04,96,369
Balances with banks and Money at Call and Short Notice	7	3,21,19,877	2,32,00,417
Investments	8	10,81,54,139	10,66,82,153
Advances	9	34,60,89,142	26,99,24,154
Fixed Assets	10	48,23,685	44,79,983
Other Assets	11	90,32,738	66,47,634
Total		**51,59,13,059**	**42,14,30,710**
Contingent Liabilities	12	1,22,08,441	1,36,00,492
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 Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Date : April 29, 2021

For and on behalf of the Board of Directors
AU Small Finance Bank Limited

Raj Vikash Verma
(Non-Executive Independent Part Time Chairman)
DIN : 03546341
Place: Gurugram

Sanjay Agarwal
(Managing Director and CEO)
DIN : 00009526
Place : Jaipur

Uttam Tibrewal
(Whole Time Director)
DIN : 01024940
Place: Mumbai

Vimal Jain
(Chief Financial Officer)
Place : Jaipur

Manmohan Parnami
(Company Secretary)
Membership No. F9999
Place : Jaipur

Profit and Loss Account

for the year ended March 31, 2021

(₹ in '000)

Particulars	Schedule	Year Ended March 31, 2021	Year Ended March 31, 2020
I. INCOME			
Interest earned	13	4,95,00,515	4,28,58,843
Other income	14	1,45,15,466	70,60,920
Total Income		**6,40,15,981**	**4,99,19,763**
II. EXPENDITURE			
Interest expended	15	2,58,46,097	2,37,69,440
Operating expenses	16	1,65,84,252	1,41,78,585
Provisions & contingencies (refer note 9- schedule 18A)		98,78,786	52,23,893
Total Expenditure		**5,23,09,135**	**4,31,71,918**
III. PROFIT/LOSS			
Net profit/ (loss) for the year		1,17,06,846	67,47,845
Add: Balance in Profit/Loss Account brought forward from previous year		1,88,73,181	1,57,20,275
Total		**3,05,80,027**	**2,24,68,120**
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		29,26,712	16,86,961
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 (refer schedule 2.III)		7,70,000	6,70,000
Transfer to Capital Reserve		2,88,747	69,252
Transfer to / (from) Investment Fluctuation Reserve		(3,16,451)	9,04,349
Dividend paid (includes tax on dividend)		-	2,64,377
Balance carried over to Balance Sheet		2,69,11,019	1,88,73,181
Total		**3,05,80,027**	**2,24,68,120**
V. EARNING PER SHARE (refer note 5- schedule 18B)			
Basic (₹)		38.19	22.78
Diluted (₹)		37.86	22.32
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 Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Date : April 29, 2021

For and on behalf of the Board of Directors
AU Small Finance Bank Limited

Raj Vikash Verma
(Non-Executive Independent Part Time Chairman)
DIN : 03546341
Place: Gurugram

Sanjay Agarwal
(Managing Director and CEO)
DIN : 00009526
Place : Jaipur

Uttam Tibrewal
(Whole Time Director)
DIN : 01024940
Place: Mumbai

Vimal Jain
(Chief Financial Officer)
Place : Jaipur

Manmohan Parnami
(Company Secretary)
Membership No. F9999
Place : Jaipur

Cash Flow Statement

for the year ended March 31, 2021

(₹ in '000)

Particulars	Year Ended March 31, 2021	Year Ended March 31, 2020
Cash Flow From Operating Activities		
Profit after tax	**1,17,06,846**	**67,47,845**
Add: Provision for tax	28,78,236	23,91,907
Net Profit Before Taxes	**1,45,85,082**	**91,39,752**
Adjustments for :-		
Employee Stock Options Expense	7,67,915	2,37,378
Depreciation on Bank's Property	10,43,685	8,86,177
Amortization of Premium on HTM Investments	3,56,451	2,35,808
Provision for Employee Expenses	(88,187)	1,89,123
Provision for Non Performing Assets, Standard Assets and Other Provisions	56,82,866	23,13,919
Loss on sale of Fixed Assets	9,304	11,114
Operating profit before working capital changes	**2,23,57,116**	**1,30,13,271**
Movement in working capital		
Decrease / (Increase) in Investments (other than HTM Investments)	63,66,180	(2,35,33,319)
Decrease / (Increase) in Advances	(8,12,33,914)	(4,23,85,306)
Decrease / (Increase) in Other Assets	(17,86,122)	(17,98,640)
(Decrease) / Increase in Deposits	9,81,53,857	6,74,14,929
(Decrease) / Increase in Other Liabilities and Provisions	98,47,181	(34,26,003)
Cash Flow from Operating Activities	**5,37,04,298**	**92,84,932**
Direct Taxes Paid (Net of refunds)	(31,43,287)	(26,89,189)
Net Cash Flow from Operating Activities (A)	**5,05,61,011**	**65,95,743**
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(14,12,263)	(9,21,990)
Proceeds from Sale of Fixed Assets	15,570	15,018
Investments in HTM securities (Net)	(85,00,756)	(1,17,67,548)
Net cash flow used in Investing Activities (B)	**(98,97,449)**	**(1,26,74,520)**
Cash Flow from Financing Activities		
Proceeds from /(Repayment of) borrowings	(3,30,56,279)	1,72,19,649
Money received on exercise of Stock Options / Issue of Shares	65,79,785	54,57,152
Share Issue Expenses	(70,499)	(38,796)
Dividend paid (includes tax on dividend)	-	(2,64,376)
Net cash flow from / (used in) Financing Activities (C)	**(2,65,46,993)**	**2,23,73,629**
Net Increase in Cash and Cash Equivalents (A + B + C)	**1,41,16,569**	**1,62,94,852**

Cash Flow Statement

for the year ended March 31, 2021

(₹ in '000)

Particulars	Year Ended March 31, 2021	Year Ended March 31, 2020
Cash and Cash Equivalents at the beginning of the year (Refer Note Below)	3,36,96,786	1,74,01,934
Cash and Cash Equivalents at the end of the year (Refer Note Below)	**4,78,13,355**	**3,36,96,786**
Note:		
Balance with Banks in India in Fixed Deposit (As per Sch 7 I (i) (b))	22,14,111	20,89,157
Balance with Banks in India in Current Account (As per Sch 7 I (i) (a))	9,55,766	1,61,260
Money at Call and Short Notice in India (as per Sch 7 I (ii))	2,89,50,000	2,09,50,000
Cash in hand (including foreign currency notes) (As per Sch 6 I)	41,82,772	32,56,790
Balance with RBI in Current Accounts (As per Sch 6 II)	1,15,10,706	72,39,579
Cash and Cash Equivalents at the end of the year	**4,78,13,355**	**3,36,96,786**

As per our attached Report of even date.

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration No.: 101049W/E300004

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Date : April 29, 2021

For and on behalf of the Board of Directors
AU Small Finance Bank Limited

Raj Vikash Verma
(Non-Executive Independent Part Time Chairman)
DIN : 03546341
Place: Gurugram

Sanjay Agarwal
(Managing Director and CEO)
DIN : 00009526
Place : Jaipur

Uttam Tibrewal
(Whole Time Director)
DIN : 01024940
Place: Mumbai

Vimal Jain
(Chief Financial Officer)
Place : Jaipur

Manmohan Parnami
(Company Secretary)
Membership No. F9999
Place : Jaipur

Schedules
forming part of the Balance Sheet as at March 31, 2021

SCHEDULE 1 : CAPITAL

(₹ in '000)

Particulars	As at March 31, 2021	As at March 31, 2020
Authorized shares		
35,00,00,000 (March 31, 2020: 35,00,00,000) equity shares of ₹ 10/- each	35,00,000	35,00,000
Issued Subscribed and paid up capital		
I. 30,41,23,327 equity shares of ₹ 10/- each (March 31, 2020: 29,23,57,486 equity shares)	30,41,233	29,23,575
II. Add: 30,90,063 equity shares of ₹ 10/- each (March 31, 2020: 16,61,477 equity share) in pursuant to exercise of employee stock option	30,901	16,615
III. Add: 50,00,000 equity shares of ₹ 10/- each (March 31, 2020: NIL equity shares) in pursuant to QIP allotment	50,000	-
IV. Add: NIL equity shares of ₹ 10/- each (March 31, 2020: 1,01,04,364 equity shares) in pursuant to conversion of share warrants	-	1,01,043
Total	**31,22,134**	**30,41,233**

SCHEDULE 2 : RESERVES & SURPLUS

(₹ in '000)

Particulars	As at March 31, 2021	As at March 31, 2020
I. Statutory Reserve		
Opening Balance*	62,90,463	46,03,502
Additions during the year under the Banking Regulation Act, 1949	29,26,712	16,86,961
Deductions during the year	-	-
Sub-Total	**92,17,175**	**62,90,463**

**Opening balance of Statutory Reserve includes ₹291.89 crore represents transfer of twenty percent of net profit after tax in accordance with the provision of Section 45-IC of Reserve Bank of India Act, 1934 pursuant to NBFC Regulations.*

II. Share Premium		
Opening Balance	1,25,66,577	53,70,306
Add: Allotment of equity shares	67,56,868	72,35,067
Less: Utilised for share issue expenses	70,499	38,796
Sub-Total	**1,92,52,946**	**1,25,66,577**
III. Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		
Opening Balance	12,53,000	5,83,000
Additions during the year	7,70,000	6,70,000
Deductions during the year	-	-
Sub-Total	**20,23,000**	**12,53,000**
IV. Capital Reserve		
Opening Balance	96,868	27,616
Additions during the year	2,88,747	69,252
Deductions during the year	-	-
Sub-Total	**3,85,615**	**96,868**

Schedules
forming part of the Balance Sheet as at March 31, 2021

SCHEDULE 2 : RESERVES & SURPLUS (CONTD.)

(₹ in '000)

Particulars	As at March 31, 2021	As at March 31, 2020
V. Investment Fluctuation Reserve		
Opening Balance	11,25,549	2,21,200
Additions during the year	-	9,04,349
Deductions during the year (Excess of 2% of AFS and HFT portfolio)	3,16,451	-
Sub-Total	**8,09,098**	**11,25,549**
VI. Balance in Profit and Loss Account		
Balance in Profit and Loss Account	2,69,11,019	1,88,73,181
Sub-Total	**2,69,11,019**	**1,88,73,181**
Total	**5,85,98,853**	**4,02,05,638**

SCHEDULE 3 : DEPOSITS

(₹ in '000)

Particulars	As at March 31, 2021	As at March 31, 2020
A.I Demand Deposits		
(i) From Banks	3,49,642	2,80,388
(ii) From Others	1,59,72,597	1,08,59,088
Sub-Total	**1,63,22,239**	**1,11,39,476**
A.II Savings Bank Deposits	**6,64,32,170**	**2,67,33,587**
A.III Term Deposits		
(i) From Banks	5,67,51,950	4,68,74,602
(ii) From Others	22,02,86,783	17,68,91,620
Sub-Total	**27,70,38,733**	**22,37,66,222**
Total	**35,97,93,142**	**26,16,39,285**
B.I Deposits of branches in India	35,97,93,142	26,16,39,285
B.II Deposits of branches outside India	-	-
Total	**35,97,93,142**	**26,16,39,285**

SCHEDULE 4 : BORROWINGS

(₹ in '000)

Particulars	As at March 31, 2021	As at March 31, 2020
I. Borrowings in India		
(i) Reserve Bank of India	-	31,00,000
(ii) Other Banks	34,39,092	1,31,95,467
(iii) Other Institutions and Agencies	6,68,57,865	8,70,57,769
Sub-Total	**7,02,96,957**	**10,33,53,236**
II. Borrowings outside India	-	-
Total	**7,02,96,957**	**10,33,53,236**
Secured Borrowings (Includes Refinance) other than CBLO, Tri-Party Repo, Repo and LAF Borrowings included in I above	5,89,57,865	7,17,08,067
Tier II Debt included in I above	61,50,000	69,50,000
Tier II Debt included in II above	-	-

Schedules
forming part of the Balance Sheet as at March 31, 2021

SCHEDULE 5 : OTHER LIABILITIES AND PROVISIONS

(₹ in '000)

Particulars		As at March 31, 2021	As at March 31, 2020
I.	Bills Payable	9,68,530	2,92,006
II.	Interest Accrued	33,38,804	31,72,803
III.	Provision for Taxation	2,03,463	1,43,910
IV.	Standard Asset provision (refer note 4.6 - schedule 18A)	18,81,293	12,10,314
V.	Others (including Provisions)*	1,66,78,712	78,51,045
	Total	**2,30,70,802**	**1,26,70,078**

**March 31, 2021: including contingency provisions of ₹ 101.88 crore as at March 31, 2021, for the accounts restructured under RBI Resolution framework and against any further potential impact of COVID-19.*

March 31, 2020: Including general provision of ₹ 138.38 crore made by Bank in respect of accounts in default but standard against the potential impact of COVID-19.

SCHEDULE 6 : CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in '000)

Particulars		As at March 31, 2021	As at March 31, 2020
I.	Cash in Hand	41,82,772	32,56,790
	(including Foreign Currency Notes - NIL)		
II.	Balances with Reserve Bank of India		
	a. in Current Account	1,15,10,706	72,39,579
	b. in Other Account	-	-
	Total	**1,56,93,478**	**1,04,96,369**

SCHEDULE 7 : BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE

(₹ in '000)

Particulars		As at March 31, 2021	As at March 31, 2020
I.	**In India**		
	i) Balances with banks in		
	(a) Current Accounts	9,55,766	1,61,260
	(b) Other Deposit Accounts	22,14,111	20,89,157
	ii) Money at call and short Notice		
	(a) with Banks	2,89,50,000	2,09,50,000
	(b) with Other Institutions	-	-
	Sub-Total	**3,21,19,877**	**2,32,00,417**
II.	**Outside India**		
	i) in Current Accounts	-	-
	ii) in Other Deposit Accounts	-	-
	iii) in Money at Call and Short Notice	-	-
	Sub-Total	**-**	**-**
	Total	**3,21,19,877**	**2,32,00,417**

Schedules
forming part of the Balance Sheet as at March 31, 2021

SCHEDULE 8 : INVESTMENTS

(₹ in '000)

Particulars		As at March 31, 2021	As at March 31, 2020
I.	**Investments in India in (net of Provision)**		
	i) Government Securities	7,78,07,715	7,64,32,096
	ii) Other Approved Securities	-	-
	iii) Shares	88,106	8,93,210
	iv) Debentures and Bonds	2,23,36,920	2,13,79,868
	v) Subsidiaries and /or Joint Venture	-	-
	vi) Others [Units, Mutual Fund, Certificate of Deposits (CD), Commercial Paper (CP), Pass Through Certificates (PTC), Security Receipts (SR)]	79,21,398	79,76,979
	Sub-Total	**10,81,54,139**	**10,66,82,153**
II.	**Investments outside India (net of provision)**	-	-
	Total	**10,81,54,139**	**10,66,82,153**

SCHEDULE 9 : ADVANCES

(₹ in '000)

Particulars		As at March 31, 2021	As at March 31, 2020
A	i) Bills Purchased and Discounted	1,09,588	44,202
	ii) Cash Credits Overdrafts and Loans repayable on Demand	3,78,83,647	2,49,19,739
	iii) Term loans	30,80,95,907	24,49,60,213
	Total	**34,60,89,142**	**26,99,24,154**
B	i) Secured by Tangible Assets (includes advances against Book debts)	32,50,23,352	26,15,91,546
	ii) Covered by Bank / Government Guarantees (includes Advance to Banks)	56,58,677	2,70,177
	iii) Unsecured	1,54,07,113	80,62,431
	Total	**34,60,89,142**	**26,99,24,154**
C. I	**Advances in India**		
	i) Priority Sectors*	24,33,89,369	20,01,27,151
	ii) Public Sector	-	36,485
	iii) Banks	54,23,021	3,80,536
	iv) Others	9,72,76,752	6,93,79,982
	Total	**34,60,89,142**	**26,99,24,154**
C. II	**Advances outside India**	-	-
	Total	**34,60,89,142**	**26,99,24,154**

**Priority sectors includes ₹ 14,700.00 crore (previous year : ₹ 15,504.75 crore), in respect of which the Bank has sold Priority Sector Lending Certificates (PSLC).*

Above Advances are net of provisions.

SCHEDULE 10 : FIXED ASSETS

(₹ in '000)

Particulars		As at March 31, 2021	As at March 31, 2020
I.	**Premises (including Land)**		
	Gross Block		
	At Cost as on 31st March of the preceding year	5,89,876	5,87,444
	Additions during the year	42,527	2,432
	Deductions during the year	-	-
	Sub-Total	**6,32,403**	**5,89,876**

Schedules
forming part of the Balance Sheet as at March 31, 2021

SCHEDULE 10 : FIXED ASSETS (CONTD.)

(₹ in '000)

Particulars		As at March 31, 2021	As at March 31, 2020
	Depreciation		
	As at 31st March of the preceding year	21,776	15,451
	Add: charge during the year	6,558	6,325
	Deductions during the year	-	-
	Sub-Total	**28,334**	**21,776**
	Net Block	**6,04,069**	**5,68,102**
II.	**Other Fixed Assets (including Furniture & Fixtures)**		
	Gross Block		
	At Cost as on 31st March of the preceding year	59,99,930	51,78,785
	Additions during the year	14,17,186	8,95,694
	Deductions during the year	82,764	74,549
	Sub-Total	**73,34,352**	**59,99,930**
	Depreciation		
	As at 31st March of the preceding year	21,85,450	13,54,015
	Add: charge during the year	10,37,127	8,79,852
	Deductions during the year	57,890	48,417
	Sub-Total	**31,64,687**	**21,85,450**
	Net Block	**41,69,665**	**38,14,480**
III.	**Capital Work in Progress**	49,951	97,401
	Total	**48,23,685**	**44,79,983**

SCHEDULE 11 : OTHER ASSETS

(₹ in '000)

Particulars		As at March 31, 2021	As at March 31, 2020
i)	Interest Accrued	49,99,528	41,35,137
ii)	Tax paid in Advance / Tax Deducted at Sources (Net of Provisions)	46	99,845
iii)	Deferred Tax Assets (Net)	10,05,729	4,06,748
iv)	Advance for expenses	2,52,390	2,67,483
v)	Security Deposits	3,66,543	2,88,186
vi)	Others	24,08,502	14,50,235
	Total	**90,32,738**	**66,47,634**

SCHEDULE 12 : CONTINGENT LIABILITIES

(₹ in '000)

Particulars		As at March 31, 2021	As at March 31, 2020
I.	Claims against the Bank not acknowledged as Debts	1,88,660	1,64,982
II.	Guarantees given on behalf of Constituents		
	a) In India	67,28,556	75,38,833
	b) Outside India	-	-
III.	Acceptances Endorsements and Other Obligation	3,18,662	1,16,577
IV.	Other items for which the Bank is Contingently Liable		
	(a) Credit enhancements provided by the Bank towards assets assignment/securitisation	38,26,375	50,77,390
	(b) Capital commitments not provided	10,40,853	6,00,126
	(c) Other Guarantees	1,05,335	1,02,584
	Total	**1,22,08,441**	**1,36,00,492**

Schedules
forming part of the Profit and Loss Account for the Year Ended March 31, 2021

SCHEDULE 13 : INTEREST EARNED

(₹ in '000)

Particulars		Year Ended March 31, 2021	Year Ended March 31, 2020
I.	Interest / Discount on Advances / Bills	3,94,73,625	3,41,48,376
II.	Income on Investments	77,30,430	61,34,691
III.	Interest on Balances with RBI and Other Inter-Bank Funds	8,50,066	2,58,040
IV.	Others	14,46,394	23,17,736
	Total	**4,95,00,515**	**4,28,58,843**

SCHEDULE 14 : OTHER INCOME

(₹ in '000)

Particulars		Year Ended March 31, 2021	Year Ended March 31, 2020
I.	Commission, Exchange and Brokerage	42,82,869	42,91,437
II.	Profit / (Loss) on sale of Investments (net)	88,48,149	17,25,732
III.	Profit / (Loss) on sale of Land Building & Other Assets (net)	(9,304)	(11,114)
IV.	Miscellaneous Income (refer note 47- schedule 18A)	13,93,752	10,54,865
	Total	**1,45,15,466**	**70,60,920**

SCHEDULE 15 : INTEREST EXPENDED

(₹ in '000)

Particulars		Year Ended March 31, 2021	Year Ended March 31, 2020
I.	Interest on Deposits	1,85,72,104	1,60,54,668
II.	Interest on Reserve Bank of India /Inter Bank Borrowings	4,95,916	8,12,950
III.	Others	67,78,077	69,01,822
	Total	**2,58,46,097**	**2,37,69,440**

SCHEDULE 16 : OPERATING EXPENSES

(₹ in '000)

Particulars		Year Ended March 31, 2021	Year Ended March 31, 2020
I.	Payments to and Provision for Employees	98,01,731	75,96,184
II.	Rent, Taxes and Lighting	9,89,303	9,88,022
III.	Printing and Stationery	1,04,157	1,19,237
IV.	Advertisement and Publicity	2,33,865	2,41,075
V.	Depreciation on Bank's Property	10,43,685	8,86,177
VI.	Directors' fees- allowances and expenses	18,151	13,726
VII.	Auditors' Fee and expenses	14,082	17,186
VIII.	Law charges (includes Professional Fees)	2,26,204	2,21,261
IX.	Postages, Telegrams, Telephones etc.	3,81,873	2,88,609
X.	Repairs and Maintenance (includes AMC)	9,23,072	8,10,838
XI.	Insurance	3,21,718	1,99,549
XII.	Direct marketing expenses (Payout expenses)	9,27,848	10,20,083
XIII.	Travelling & Conveyance	3,26,035	4,29,832
XIV.	Other Expenditure	12,72,528	13,46,806
	Total	**1,65,84,252**	**1,41,78,585**

Schedules
forming part of the Financial Statements for the year ended March 31, 2021

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 as amended from time to time in so far as they apply to banks. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

Consequent to the outbreak of the COVID-19 pandemic, the Indian government announced a lockdown in March 2020. Subsequently, the national lockdown was lifted by the government, but regional lockdowns continue to be implemented in areas with a significant number of COVID-19 cases. The impact of COVID-19, including changes in customer behaviour and pandemic fears, as well as restrictions on business and individual activities, has led to significant volatility in global and Indian financial markets and a significant decrease in global and local economic activities. The slowdown during the year led to a decrease in loan originations, the sale of third-party products and collection efficiency.

The extent to which the COVID-19 pandemic, including the current "second wave" that has significantly increased the number of cases in India, will continue to impact the Bank's provision on assets and future results will depend on future developments, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated or elected by Bank.

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Bank has granted a moratorium of three months on the payment of all instalments and / or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 to all eligible borrowers. In line with the additional Regulatory Package guidelines dated May 23, 2020, the Bank granted a second three-month moratorium on instalments or interest, as applicable, due between June 1, 2020 and August 31, 2020. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Assets Classification and Provisioning norms).

The Honourable Supreme Court of India (Hon'ble SC), in a public interest litigation (Gajendra Sharma Vs. Union of India & Anr), vide an interim order dated September 03, 2020 ("Interim Order"), had directed that accounts which were not declared NPA till

Schedules
forming part of the Financial Statements for the year ended March 31, 2021

SCHEDULE 17 : BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

August 31, 2020 shall not be declared as NPA till further orders. Basis the said interim order, the Bank did not classify any account which was not NPA as at August 31, 2020 as per the RBI IRAC norms, as NPA after August 31, 2020.

The interim order granted to not declare accounts as NPA stood vacated on March 23, 2021 vide the judgement of the Hon'ble SC in the matter of Small Scale Industrial Manufacturers Association vs. UOI & Ors. and other connected matters. In accordance with the instructions in paragraph 5 of the RBI circular dated April 07, 2021 issued in this connection, the Bank has continued with the asset classification of borrower accounts as per the extant RBI instructions / IRAC norms.

3. Use of estimates

The preparation of the financial statements in conformity with Indian GAAP as applicable to Banks requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses for the reporting period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ due to these estimates. Any revision in the accounting estimates is recognized prospectively in the current and future periods.

Change in estimates

The Bank has revised its estimates related to standard assets provisioning for loan portfolio of Farm Credit, Micro & Small Enterprises and NBFC portfolio. As a result of such change, provision of ₹ 40.00 crore is released. The Bank has followed a policy for maintaining required standard assets provision as requirement of the RBI Master Circular on Prudential Norms issued vide Notification No. RBI/2015-16/101 DBR.No.BP.BC.2/21.04.048/ 2015-16 dated July 01, 2015 as applicable to banks.

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. Provisions in respect of credit card receivables classified into sub-standard and doubtful assets are made at rates which are higher than those prescribed by the RBI.

The Bank has applied following provisioning rates on advances (except Credit Card):

Overdue buckets	% of provision as per Bank policy	
	(Secured)	(Unsecured)
0-89	As mentioned below	
90-180	15%	25%
181-365	30%	30%
366-455	60%	60%
456-730	60%	100%
>730	100%	100%
Loss asset	100%	100%

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advances / securities, which would generally include, among others, alteration of repayment

Schedules
forming part of the Financial Statements for the year ended March 31, 2021

SCHEDULE 17 : BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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 at 5.00%, commercial real estate-residential housing at 0.75%, housing loans (which have adequate Loan to Value (LTV) ratio as prescribed by RBI) at 0.25% and for other sectors at 0.40%. Provision made against standard assets in accordance with RBI guidelines as above is disclosed separately under Other Liabilities and not netted off against Advances.

Provision for unhedged Foreign Currency Exposure of borrowers is made as per the RBI guidelines.

B. Securitisation and transfer of assets

The Bank securitises out its receivables to Special Purpose Vehicles ('SPVs') in securitisation transactions. Such securitised-out receivables are de-recognised in the Balance Sheet when they are sold (true sale criteria as defined in RBI Circular, being fully met with) and consideration is received by the Bank. In respect of receivable pools securitised-out, the Bank provides liquidity facility and credit enhancements, as specified by the rating agencies, in the form of cash collaterals / guarantees and / or by subordination of cash flows in line with RBI guidelines. The Bank also acts as a servicing agent for receivable pools securitised-out.

The Bank enters into transactions for transfer of standard assets through the direct assignment of cash flows, which are similar to asset-backed securitisation transactions through the SPV route, except that such portfolios of receivables are assigned directly to the purchaser and are not represented by Pass Through Certificates ('PTCs').

The RBI issued addendum guidelines on securitisation of standard assets vide its circular dated May 7, 2012. Accordingly, the Bank does not provide liquidity facility or credit enhancements on the direct assignment transactions undertaken subsequent to these guidelines. The Bank amortises any profit received for every individual securitisation or direct assignment transaction based on the method prescribed in these guidelines.

The Bank enters into transactions for the sale or purchase of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Bank sells the fulfilment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfilment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recorded as 'Miscellaneous Income' and the fee paid for purchase of the PSLCs is recorded as 'Other Expenditure' in the Profit and Loss Account. These are amortised on quarterly basis.

The Bank invests in PTCs issued by other SPVs. These are accounted for at the deal value and are classified as investments. The Bank also buys loans through the direct assignment route which are classified as advances. These are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised over the tenor of the loans.

In accordance with RBI guidelines on sale of nonperforming advances, if the sale is at a price below the net book value (i.e., book value less provisions held), the shortfall is charged to the Profit and Loss Account and if the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year the amounts are received.

The Bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances. Advances exclude derecognised securitised advances, inter-bank participation certificates issued.

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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 from investments" as per the RBI guidelines.

Bank recognises any diminution, other than temporary, in the value of their investment under HTM category for each investment individually.

Investments classified as AFS and HFT are marked to-market on a periodic basis as per relevant RBI guidelines. The securities are valued scrip-wise and any depreciation / appreciation is aggregated for each category. Net appreciation in each category, if any, is ignored, while net depreciation is provided for. The book value of individual securities is not changed consequent to the periodic valuation of investments.

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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.

Security receipts are valued as per the net asset value provided by the issuing Asset Reconstruction Company from time to time.

In case of unquoted bonds, debentures and preference shares where interest / dividend is received regularly (i.e., not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by Fixed Income Money Market and Derivatives Association of India (FIMMDA)/ Financial Benchmark India Pvt. Ltd ('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. In case the latest balance sheet is not available the shares are to be valued at Re.1 per company, as per relevant RBI guidelines.

Investment in mutual fund units are valued at latest available re-purchase price or Net Asset Value (where re-purchase price is not available) as declared by the mutual fund is 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.

(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

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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 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

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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. 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.

xii) Credit card annual fees are recognized on accrual basis.

G. Credit Card Reward Points

The Bank estimates the probable redemption of credit card reward points and cost per point using an actuarial method by employing an independent actuary, which includes assumptions such as mortality, redemption and spends.

H. 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.

I. Taxation

Tax expenses comprises of current income tax and deferred tax.

Income tax

Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in Profit and Loss Account.

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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.

J. 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.

Provisions for liabilities on the outstanding reward points on credit card are made based on an independent actuarial valuation as at the Balance Sheet date and included in other liabilities and provisions.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises 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.

K. 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.

L. 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.

M. Fixed Assets

Property, Plant and Equipment/ Software/ Capital work-in-progress/ Software under development, Depreciation and Impairment

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(i) Property, Plant and Equipment (PPE) and software

Property, Plant and Equipment and software are carried at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price and directly attributable cost of bringing the asset to its working condition for the intended use.

Gains or losses arising from derecognition of Property, Plant and Equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Profit and Loss Account when the asset is derecognized.

(ii) Depreciation on Property, Plant and Equipment (PPE) and software:

Leasehold land is amortised on a straight-line basis over the period of lease.

Depreciation on Property, Plant, Equipment and software is charged on a straight-line basis using the rates arrived at, based on the useful lives estimated by the management as given below. The useful lives have been estimated by the management based on technical advice obtained. Determination of useful life of an asset is a matter of judgment and based on various factors such as type and make of an item, its place and pattern of usage, nature of technology, obsolescence factors, availability of spares, etc. and makes a significant impact on the useful life of an asset.

Particulars	Useful Life (years)
Premises owned by the Bank	60
Furniture and Fixture	10
Vehicles	8
Software	4-7
Computer, Printer, servers and other office equipment	3-6
ATMs	10
Safe, Locker and locker gate	15

Addition to lease hold premises are charged off over the remaining period of lease subject to maximum of 10 years.

Items individually costing up to ₹ 5,000 /- are fully depreciated in the year of installation/purchase. as the management estimates the useful life of such assets as one year.

Depreciation on assets acquired/sold during the period is recognised on a pro-rata basis to the Profit and Loss Account from/upto the date of acquisition/sale.

The residual values, useful 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.

N. Segment Reporting

Part A: Business segments

Business segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organisation structure, the internal business reporting system and the

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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 and income from credit card operation etc. expenses of this segment primarily comprise interest expense on deposits, commission paid to retail assets sales agents infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses of specialist product groups, processing units and support groups.

(c) Wholesale banking
The wholesale banking segment provides loans and transaction services to large corporates, emerging corporates, public sector units, government bodies, financial institutions and medium scale enterprises. Revenues of the wholesale banking segment consist of interest earned on loans made to customers etc. The principal expenses of the segment consist of interest expense on funds borrowed from external sources, interest on deposits, personnel costs, other direct overheads and allocated expenses of delivery channels, specialist product groups, processing units and support groups.

(d) Other banking business
This segment includes income from para banking activities such as third party product distribution and the associated costs.

(e) Unallocated
All items which are reckoned at an enterprise level are classified under this segment. This includes unallocable assets and liabilities such as deferred tax, prepaid expenses, etc.

Segment revenue includes earnings from customers. Segment result includes revenue less interest expense less operating expense and provisions, if any, for that segment. Segment-wise income and expenses include certain allocations. Segment capital employed represents the net assets in that segment.

Part B: Geographic segments

The Bank operates in a single geographic segment i.e. domestic.

O. Share Issue Expenses

Share issue expenses are adjusted from Securities Premium Account as permitted by Section 52 of the Companies Act, 2013.

P. 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.

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SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

Amounts in notes forming part of the financial statements for the year ended March 31, 2021 are denominated in rupee crore to conform to extant RBI guidelines.

A. Disclosures as Laid Down by RBI Circulars

1 Capital Adequacy Ratio

The Capital adequacy ratio ("CAR") has been computed as per operating guideline for Small Finance Bank in accordance with RBI Circular No. RBI/2016-17/81DBR. NBD.No.26/16.13.218/2016-17 dated October 6, 2016.

The Bank has followed Basel II standardized approach for credit risk in accordance with the Operating Guideline issued by the Reserve Bank of India for Small Finance banks. Further, the RBI vide its circular No. DBR.NBD.No. 4502/16.13.218/2017-18 dated November 8, 2017 has provided an exemption to all small Finance banks whereby no separate capital charge is prescribed for market risk and operational risk.

The total Capital Adequacy ratio of the Bank as at March 31, 2021 is 23.37% (previous year: 21.99%) against the regulatory requirement of 15.00% as prescribed by RBI.

The Bank has also considered an additional Risk Weight of 25% on assets under lien for its "grandfathered" legacy borrowings as per instructions received from RBI.

No Capital Conservation Buffer and Counter - Cyclical Capital Buffer is applicable on Small Finance Bank (SFB) as per operating guidelines issued on SFB by RBI.

The following table set forth, for the year indicated, computation of Capital adequacy:

(₹ in crore)

Sr. No.	Particulars	March 31, 2021	March 31, 2020
(i)	Common Equity Tier 1 capital ratio (%)	21.53%	18.36%
(ii)	Tier I capital ratio (%)	21.53%	18.36%
(iii)	Tier II capital ratio (%)	1.84%	3.63%
(iv)	Total Capital Ratio (CRAR) (%)	23.37%	21.99%
(v)	Percentage of the shareholding of the Government of India in public sector banks	-	-
(vi)	Amount of equity capital raised*	657.98	545.72
(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:		
	Preferential capital instrument	-	-
	Shares (PCPS)/Redeemable Non-Cumulative Preference Shares (RNCPS)/Redeemable Cumulative Preference Shares	-	-

** During the year ended March 31, 2021, the Bank has received an amount of ₹ 625.50 crore upon allotment of 50,00,000 equity shares of face value ₹ 10 each, at an issue price of ₹ 1,251 per share pursuant to Qualified Institutional Placement (QIP).*

During the year ended March 31, 2020, the Bank has received an amount of ₹ 525.00 crore (the "Balance Consideration") upon allotment of equity shares against 1,01,04,364 convertible warrants pursuant to exercise of option by the warrant holder. These warrants are converted into 1,01,04,364 equity share of the Bank of face value ₹ 10 each, at an issue price of ₹ 692.77 per share aggregating to ₹ 700.00 crore out of which ₹ 175.00 crore (the "Upfront Consideration") was received during the year ended March 31, 2019.

Further the Bank allotted 30,90,063 equity shares (previous year: 16,61,477 equity shares) aggregating to paid up share capital of ₹ 3.09 crore (previous year: ₹ 1.66 crore) and the reserves of the Bank have increased by ₹ 29.39 crore (previous year: ₹ 19.06 crore) in respect of stock options exercised.

Schedules
forming part of the Financial Statements for the year ended March 31, 2021

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

2 Investments

2.1 Detail of Investments

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	10,846.04	10,668.24
(b) Outside India	-	-
(ii) Provisions for Depreciation		
(a) In India	30.63	0.02
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	10,815.41	10,668.22
(b) Outside India	-	-
(2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	0.02	0.05
(ii) Add: Provisions made during the year*	30.63	0.02
(iii) Less: Write off / write back of excess provisions during the year*	0.02	0.05
(iv) Closing balance	30.63	0.02

**Movement of provisions held towards depreciation on investment on net basis during the year.*

2.2 Repo Transactions

Details of repo / reverse repo deals (in face value terms) (Including LAF and TREPS) entered during the year ended March 31, 2021

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2021
Securities sold under repo :				
i. Government securities				
a. LAF Repo*	-	610.00	321.61	-
b. Triparty Repo (TREPS)	-	1,449.65	1,143.79	-
ii. Corporate debt securities	-	-	-	-
Securities purchased under reverse repo :				
i. Government securities				
a. LAF Repo	304.00	4,000.00	1,874.41	2,795.00
b. Triparty Repo (TREPS)	-	99.98	1.31	-
ii. Corporate debt securities	-	-	-	-

** LAF Repo also includes borrowing done from RBI under LTRO and TLTRO*

Schedules
forming part of the Financial Statements for the year ended March 31, 2021

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

Details of repo / reverse repo deals (in face value terms) (Including LAF and TREPS) entered during the year ended March 31, 2020

(₹ in crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2020
Securities sold under repo :				
i. Government securities				
a. LAF Repo	-	310.00	37.10	310.00
b. Triparty Repo (TREPS)	-	474.84	140.01	449.97
ii. Corporate debt securities	-	25.19	0.14	-
Securities purchased under reverse repo :				
i. Government securities				
a. LAF Repo	-	2,700.00	191.59	2,095.00
b. Triparty Repo (TREPS)	-	239.96	3.14	-
ii. Corporate debt securities	-	-	-	-

2.3 Non-SLR investment portfolio

i) Issuer composition of Non SLR investments

Issuer-wise composition of non-SLR investments as at March 31, 2021:

(₹ in crore)

Sr. No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities*	Extent of 'Unlisted' Securities**
1	2	3	4	5	6	7
(i)	Public sector undertakings	305.22	98.21	-	-	-
(ii)	Financial institutions[$]	2,289.27	600.01	-	-	-
(iii)	Banks	104.17	74.51	-	-	-
(iv)	Private corporates	203.29	-	-	-	50.86
(v)	Subsidiaries / Joint Ventures	-	-	-	-	-
(vi)	Others[#]	132.69	132.69	-	-	-
(vii)	Provision held towards depreciation	-	-	-	-	-
	Total	**3,034.64**	**905.42**	**-**	**-**	**50.86**

Amounts reported under column 4, 5, 6 and 7 above are not mutually exclusive.

** Excludes investments in equity shares in line with extant RBI guidelines.*

*** Excludes investments in equity shares, Pass Through Certificates (PTC), Certificate of Deposit (CD), Security Receipts (SR) and Commercial Paper (CP) in line with extant RBI guidelines.*

[$] NBFC and Mutual Funds are included in Financial Institutions.

[#] Others includes PTC, Security Receipts (Net) and Equity Investment.

Schedules
forming part of the Financial Statements for the year ended March 31, 2021

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

Issuer-wise composition of non-SLR investments as at March 31, 2020:

(₹ in crore)

Sr. No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities*	Extent of 'Unlisted' Securities**
1	2	3	4	5	6	7
(i)	Public sector undertakings	354.36	-	-	-	-
(ii)	Financial institutions	1,857.59	417.79	-	-	-
(iii)	Banks	154.64	94.98	-	-	-
(iv)	Private corporates	402.76	-	-	-	50.00
(v)	Subsidiaries / Joint Ventures	-	-	-	-	-
(vi)	Others**	255.66	255.66	-	-	-
(vii)	Provision held towards depreciation	-	-	-	-	-
	Total	**3,025.01**	**768.43**	**-**	**-**	**50.00**

Amounts reported under column 4, 5, 6 and 7 above are not mutually exclusive.

** Excludes equity shares, units of equity-oriented mutual fund, units of venture capital fund, pass through certificates (PTC), security receipts, commercial papers, certificates of deposit, non-convertible debentures (NCDs) with original or initial maturity up to one year issued by corporate (including NBFC), unlisted convertible debentures and securities acquired by way of conversion of debt.*

*** Others include Investment in Pass Through Certificates (PTC).*

ii) Non performing Non-SLR investments

The Bank does not have any Non performing Non-SLR investment as on March 31, 2021 and March 31, 2020.

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:

(₹ in crore)

Particular	As at March 31, 2021				As at March 31, 2020			
	HFT	AFS	HTM	Total	HFT	AFS	HTM	Total
Government securities	4.89	975.32	6,800.56	7,780.77	10.47	2,592.25	5,040.49	7,643.21
Other approved securities	-	-	-	-	-	-	-	-
Shares	-	8.81	-	8.81	-	89.32	-	89.32
Debentures and bonds	-	2,233.69	-	2,233.69	-	2,137.99	-	2,137.99
Subsidiary/Joint ventures	-	-	-	-	-	-	-	-
Others*	-	792.14	-	792.14	300.00	497.70	-	797.70
Total	**4.89**	**4,009.96**	**6,800.56**	**10,815.41**	**310.47**	**5,317.26**	**5,040.49**	**10,668.22**

**Others Investment includes Certificate of Deposits amounting of ₹ 173.71 crore (previous year: ₹ 94.98 crore), Commercial Papers of ₹ 293.45 crore (previous year: ₹ 147.07 crore), Mutual fund Units of ₹ 199.99 crore (previous year: ₹ 300.00 crore), PTC of ₹ 122.92 crore (previous year: ₹ 255.66 crore) and Security receipts ₹ 2.07 crore (previous year: ₹ Nil).*

Figures Reported above are Net of Provision (Depreciation/NPI)

Schedules
forming part of the Financial Statements for the year ended March 31, 2021

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

2.5 Sale and Transfers to / from HTM Category

During the year ended March 31, 2021 and the previous year ended March 31, 2020 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, 2021 and March 31, 2020.

4 Asset Quality

4.1 Movement in NPAs (On fund based portfolio)

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
(i) Net NPAs to Net Advances (%)	2.18%	0.81%
(ii) Movement of NPAs (Gross)		
Gross NPAs as on 1st April (opening balance)	457.78	470.14
Additions (Fresh NPAs) during the year*	1,285.78	617.03
Sub-total (A)	**1,743.56**	**1,087.17**
Less: Reductions during the year		
(i) Upgradations*	96.52	525.73
(ii) Recoveries (excluding recoveries made from upgraded accounts)	29.60	56.53
(iii) Technical / Prudential Write-offs	-	2.05
(iv) Write-offs other than those under (iii) above	114.61	45.08
Sub-total (B)	**240.73**	**629.39**
Gross NPAs as on 31st March (closing balance) (A-B)	**1,502.83**	**457.78**
(iii) Movement of Net NPAs		
(a) Opening balance	217.30	294.50
(b) Additions during the year	604.21	402.65
(c) Reductions during the year	(66.05)	(479.85)
(d) Closing balance	**755.46**	**217.30**
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	240.48	175.64
(b) Provisions made during the year	681.57	214.38
(c) Write-offs / Write-back of excess provisions	(174.68)	(149.54)
(d) Closing balance	**747.37**	**240.48**

**Additions and deletions does not include loans which have become NPA during the month and subsequently moved out of NPA in the same month.*

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

4.2 Disclosure on accounts subjected to restructuring for the year ended March 31, 2021:

(₹ in crore, except numbers)

Sr. No.	Type of Restructuring / Asset Classification → / Details ↓		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
			Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1 of the FY (opening figures)*	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	2	5	-	7	-	2	5	-	7
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	0.06	0.97	-	1.03	-	0.06	0.97	-	1.03
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	0.01	0.97	-	0.98	-	0.01	0.97	-	0.98
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	2	543	4	1	550	2	543	4	1	550
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	61.30	59.31	0.25	0.12	120.98	61.30	59.31	0.25	0.12	120.98
		Provision thereon	-	-	-	-	-	-	-	-	-	-	3.05	29.58	0.22	0.12	32.97	3.05	29.58	0.22	0.12	32.97
3	Upgradations to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	1	-	(1)	-	-	1	-	(1)	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.19	-	(0.20)	-	(0.01)	0.19	-	(0.20)	-	(0.01)
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.01	-	(0.20)	-	(0.19)	0.01	-	(0.20)	-	(0.19)
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	(3)	3	-	-	-	(3)	3	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	(0.09)	0.08	-	(0.01)	-	(0.09)	0.08	-	(0.01)
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	(0.03)	0.07	-	0.04	-	(0.03)	0.07	-	0.04
6	Write-offs of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts as on March 31 of the year (closing figures)*	No. of borrowers	-	-	-	-	-	-	-	-	-	-	3	542	11	1	557	3	542	11	1	557
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	61.49	59.28	1.10	0.12	121.99	61.49	59.28	1.10	0.12	121.99
		Provision thereon	-	-	-	-	-	-	-	-	-	-	3.06	29.56	1.06	0.12	33.80	3.06	29.56	1.06	0.12	33.80

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

** Excluding the figures of Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances and restructuring due to COVID-19 (Refer Note No. 39 and 50 respectively).*

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

4.2 Disclosure on accounts subjected to restructuring for the year ended March 31, 2020:

(₹ in crore, except numbers)

Sr. No.	Type of Restructuring / Asset Classification → / Details ↓		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
			Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1 of the FY (opening figures)*	No. of borrowers	-	-	-	-	-	-	-	-	-	-	3	-	5	-	8	3	-	5	-	8
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	0.48	-	1.04	-	1.52	0.48	-	1.04	-	1.52
		Provision thereon	-	-	-	-	-	-	-	-	-	-	0.02	-	0.39	-	0.41	0.02	-	0.39	-	0.41
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	2	-	-	2	-	2	-	-	2
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	0.06	-	-	0.06	-	0.06	-	-	0.06
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	0.01	-	-	0.01	-	0.01	-	-	0.01
3	Upgradations to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	(3)	-	-	-	(3)	(3)	-	-	-	(3)
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	(0.48)	-	-	-	(0.48)	(0.48)	-	-	-	(0.48)
		Provision thereon	-	-	-	-	-	-	-	-	-	-	(0.02)	-	-	-	(0.02)	(0.02)	-	-	-	(0.02)
5	Downgradations of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	(0.07)	-	(0.07)	-	-	(0.07)	-	(0.07)
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	0.58	-	0.58	-	-	0.58	-	0.58
6	Write-offs of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts as on March 31 of the year (closing figures)*	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	2	5	-	7	-	2	5	-	7
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	0.06	0.97	-	1.03	-	0.06	0.97	-	1.03
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	0.01	0.97	-	0.98	-	0.01	0.97	-	0.98

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

Schedules
forming part of the Financial Statements for the year ended March 31, 2021

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

4.3 Details of Financial Assets sold during the year to Securitisation / Reconstruction Companies (SC/RC) for Asset Reconstruction

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
No. of Accounts	2,479	-
Aggregate value (net of provisions) of accounts sold to SC / RC	7.99	-
Aggregate consideration	30.89	-
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Aggregate gain/(loss) over net book value	22.90	-

4.4 Details of book value of investment in security receipts (SRs) backed by NPAs year ended March 31, 2021

(₹ in crore)

Particulars	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago	Total
(i) Backed by NPAs sold by the bank as underlying	**24.97**	**-**	**-**	**24.97**
Provision held against (i)	22.90	-	-	22.90
(ii) Backed by NPAs sold by other banks / financial institutions /non banking financial companies as underlying	**-**	**-**	**-**	**-**
Provision held against (ii)	-	-	-	-
Total book value of investments in security receipts (i+ii)	**24.97**	**-**	**-**	**24.97**

Details of book value of investment in security receipts (SRs) backed by NPAs year ended March 31, 2020

(₹ in crore)

Particulars	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago	Total
(i) Backed by NPAs sold by the bank as underlying	**-**	**-**	**-**	**-**
Provision held against (i)	-	-	-	-
(ii) Backed by NPAs sold by other banks / financial institutions /non banking financial companies as underlying	**-**	**-**	**-**	**-**
Provision held against (ii)	-	-	-	-
Total book value of investments in security receipts (i+ii)	**-**	**-**	**-**	**-**

4.5 Details of non-performing assets purchased/sold excluding those sold to SC/RC

The Bank did not sell / buy non-performing assets during the year and previous year (Does not includes clean up call option exercised on Securitised portfolio).

Schedules
forming part of the Financial Statements for the year ended March 31, 2021

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

4.6 Provisions on Standard Assets

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
Provision towards Standard Assets*	188.13	121.03

**March 31, 2021: Excluding contingency provisions of ₹ 101.88 crore as at March 31, 2021, for the accounts restructured under RBI Resolution framework and against any further potential impact of COVID-19.*

March 31, 2020: Excluding general provision of ₹ 138.38 crore made by Bank in respect of accounts in default but standard against the potential impact of COVID-19.

5 Business Ratios

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
i. Interest Income as a percentage to Working Funds	11.01%	11.91%
ii. Non interest income as a percentage to Working Funds	3.23%	1.96%
iii. Operating Profit as a percentage to Working Funds	4.80%	3.33%
iv. Return on Assets	2.50%	1.81%
v. "Business" (deposits plus advances) per employee (₹ in crore)	2.93	3.00
vi. Profit per employee (₹ in crore)	0.06	0.05

Definitions of certain items in Business ratios / information:

1. *Working funds to be reckoned as monthly average of total assets (excluding accumulated losses, if any) as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949.*
2. *Operating profit = (Interest Income + Other Income – Interest expenses – Operating expenses).*
3. *Return on Assets has been calculated on yearly average of total assets.*
4. *"Business" is the total of monthly average of net advances and deposits (net of inter-bank deposits).*
5. *Productivity ratios (Business per employee and Profit per employee) are based on monthly average of employees count.*

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system/reports and has been furnished by the Management which has been relied upon by the auditors.

Schedules
forming part of the Financial Statements for the year ended March 31, 2021

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

6 Asset Liability Management

Maturity pattern of certain items of assets and liabilities

As at March 31, 2021

(₹ in crore)

Particulars	Day 1	2 to 7 days	8 to 14 days	15-30 days	31 days & upto 2 months	More than 2 months and upto 3 months	Over 3 months & upto 6 months	Over 6 month & upto 1 year	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Deposits	175.51	1,792.06	1,484.88	1,213.48	1,776.92	1,262.08	3,477.58	8,994.13	15,361.24	317.05	124.38	35,979.31
Advances	16.97	454.41	579.55	361.79	825.03	919.59	2,417.18	4,530.84	13,380.38	5,622.26	5,500.91	34,608.91
Investments	2,720.16	136.93	236.32	268.85	330.88	525.44	1,109.69	1,510.83	3,763.82	120.63	91.86	10,815.41
Borrowings	1.51	251.26	379.01	95.20	742.50	276.38	1,370.22	1,310.58	1,793.54	764.04	45.46	7,029.70
Foreign Currency assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-	-	-	-

As at March 31, 2020

(₹ in crore)

Particulars	Day 1	2 to 7 days	8 to 14 days	15-30 days	31 days & upto 2 months	More than 2 months and upto 3 months	Over 3 months & upto 6 months	Over 6 month & upto 1 year	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Deposits	100.96	947.85	1,034.59	824.86	1,744.82	1,980.83	3,631.26	8,110.79	7,594.92	165.91	27.14	26,163.93
Advances	1.23	20.44	50.03	43.44	28.40	1,204.18	2,181.50	4,043.39	11,500.66	4,300.83	3,618.30	26,992.42
Investments	2,788.50	555.21	176.67	367.32	339.13	416.54	997.81	1,888.14	2,930.07	43.68	165.14	10,668.22
Borrowings	7.94	694.97	75.76	145.20	467.70	596.97	1,168.45	1,872.77	4,280.14	525.42	500.00	10,335.32
Foreign Currency assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-	-	-	-

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.

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forming part of the Financial Statements for the year ended March 31, 2021

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

7 Exposures

7.1 Exposure to real estate sector

(₹ in crore)

Category	March 31, 2021	March 31, 2020
(a) Direct exposure		
(i) Residential Mortgages–	1,234.02	450.22
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, 2021 ₹ 916.80 crore and as at March 31, 2020 ₹ 340.69 crore)		
(ii) Commercial Real Estate–	1,301.64	900.01
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)	**2,535.66**	**1,350.23**
(b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	913.16	1,028.68
Total (B)	**913.16**	**1,028.68**
Total Exposure to Real Estate Sector (A+B)	**3,448.82**	**2,378.91**

Out of the total loans given against the mortgage of any real estate, only those loans have been classified as an exposure to commercial real estate, the prospects for repayment in respect of which depend primarily on the cash flows generated by such mortgaged asset.

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system/reports which has been furnished by the Management and has been relied upon by the auditors.

7.2 Exposure to Capital Market

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
(i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt.	8.81	89.32
(ii) Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity oriented mutual funds.	-	-
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security.	-	-
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances.	-	-
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers.	83.05	136.00
(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.	-	-

Schedules
forming part of the Financial Statements for the year ended March 31, 2021

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

7.2 Exposure to Capital Market (contd.)

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
(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	**91.86**	**225.32**

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system/reports which has been furnished by the Management and has been relied upon by the auditors.

7.3 Details of risk category wise country exposure

The Bank does not have any country risk exposure other than "home country exposures" and accordingly, no provision is maintained with regard to country risk exposure (Previous year Nil).

7.4 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the bank

During the year ended March 31, 2021 and March 31, 2020, 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 ₹ 1,540.71 crore (Previous year: ₹ 806.24 crore) as disclosed in Schedule 9 are without any collateral security.

8 Penalties levied by the RBI

During the year ended March 31, 2021, RBI has not imposed any penalty (Previous year: ₹ 0.001 crore for not exchanging soiled notes at a branch).

9 Breakup of "Provisions and Contingencies" recognised in the Profit and Loss Account comprise:

(₹ in '000)

Sr. No.	Particulars	March 31, 2021	March 31, 2020
(i)	Provision for Non performing advances#	506.80	64.75
(ii)	Provision for Depreciation on Investments	30.61	(0.04)
(iii)	Provision for Income Tax	347.72	268.92
(iv)	Provision for Deferred Tax	(59.90)	(29.73)
(v)	Non performing Advances written off	131.87	51.80
(vi)	Provision on Standard Advances	67.10	27.83
(vii)	Other Provision and Contingencies*	(36.32)	138.86
Total Provisions and Contingencies		**987.88**	**522.39**

#Consequent to outbreak of the COVID-19 pandemic, including the current "second wave" that has significantly increased the number of cases in India. Accordingly, the Bank has made accelerated provision amounting to ₹ 279.07 crore on existing Gross Non-Performing Assets as on March 31, 2021.

**March 31, 2021: Includes contingency provisions of ₹ 101.88 crore as at March 31, 2021 for the accounts restructured under RBI Resolution framework and against any further potential impact of COVID-19, netted off with general provision of ₹ 138.38 crore made by Bank as on March 31,2020.*

March 31, 2020: Includes general provision of ₹ 138.38 crore made by Bank in respect of accounts in default but standard against the potential impact of COVID-19.

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SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

10 Floating provision

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
(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, 2021 and March 31, 2020 other than those disclosed under Schedule 2. Share premium has been utilised for share issue expenses as per RBI approval received before adoption of financial statement.

12 Disclosure for Customer Complaints

(A) Complaints received by the bank from its customers

(i) Customer complaints other than ATM transaction disputes:

Sr. No.	Particulars	March 31, 2021	March 31, 2020
1	No. of complaints pending at the beginning of the year	204	763
2	No. of complaints received during the year	8,453	18,002
3	No. of complaints redressed during the year	8,402	18,561
3.1	No. of complaints rejected by the bank (out of point 3)	2,889	2,703
4	No. of complaints pending at the end of the year	255	204

(ii) ATM transaction disputes relating to the Bank's customers on bank's ATMs:

Sr. No.	Particulars	March 31, 2021	March 31, 2020
1	No. of complaints pending at the beginning of the year	1	6
2	No. of complaints received during the year	4,412	3,682
3	No. of complaints redressed during the year	4,384	3,687
3.1	No. of complaints rejected by the bank (out of point 3)	330	106
4	No. of complaints pending at the end of the year	29	1

(iii) ATM transaction disputes relating to the Bank's customers on other bank's ATMs:

Sr. No.	Particulars	March 31, 2021	March 31, 2020
1	No. of complaints pending at the beginning of the year	32	126
2	No. of complaints received during the year	9,502	9,370
3	No. of complaints redressed during the year	9,435	9,464
3.1	No. of complaints rejected by the bank (out of point 3)	1,793	1,538
4	No. of complaints pending at the end of the year	99	32

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SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

(iv) Total customer complaints and ATM transaction disputes [total of tables (i), (ii) and (iii) above]:

Sr. No.	Particulars	March 31, 2021	March 31, 2020
1	No. of complaints pending at the beginning of the year	237	895
2	No. of complaints received during the year	22,367	31,054
3	No. of complaints redressed during the year	22,221	31,712
3.1	No. of complaints rejected by the bank (out of point 3)	5,012	4,347
4	No. of complaints pending at the end of the year	383	237

Includes complaints received from Banking Ombudsman (BO) and out of 383 (previous year : 237) pending complaints, all redressed before Board meeting except 24 (previous year : 3) complaints.

(B) Maintainable complaints received by the bank from OBOs

Sr. No.	Particulars	March 31, 2021	March 31, 2020
1	Number of maintainable complaints received by the bank from OBOs	89	111
1.1	Of point 1, number of complaints resolved in favour of the bank by BOs	88	111
1.2	Of point 1, number of complaints resolved through conciliation / mediation / advisories issued by BOs	1	0
1.3	Of point 1, number of complaints resolved after passing of Awards by BOs against the bank.	Nil	Nil
2	Number of Awards unimplemented within the stipulated time (other than those appealed)	Nil	Nil

(C) Top five grounds of complaints received by the bank from customers

For the year ended March 31, 2021

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
ATM/Debit Cards	133	19,050	-22%	318	4
Internet /Mobile / Electronic Banking	0	251	-95%	0	0
Loans and advances	1	93	-54%	3	0
Staff behaviour	1	61	33%	0	0
Account opening /difficulty in operation of accounts	0	47	-28%	3	0
Others	102	2,865	182%	59	15
Total	**237**	**22,367**	**-28%**	**383**	**19**

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forming part of the Financial Statements for the year ended March 31, 2021

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

For the year ended March 31, 2020

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
ATM/Debit Cards	840	24,351	5%	133	1
Internet /Mobile / Electronic Banking	46	5,352	49%	0	0
Loans and advances	1	204	-63%	1	0
Levy of charges without prior notice/ excessive charges/ foreclosure charge	0	66	-49%	1	0
Account opening /difficulty in operation of accounts	1	65	-89%	0	0
Others	7	1,016	25%	102	3
Total	**895**	**31,054**	**7%**	**237**	**4**

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, 2021 and March 31, 2020.

14 Provisioning Coverage Ratio

The Provision Coverage Ratio (PCR) (excluding standard assets provision and general provision on advances due to COVID-19) of the Bank is 49.81% as at March 31, 2021 (previous year: 52.78%).

15 Bancassurance Business

Commission, Exchange and Brokerage in Schedule 14 include the following fees earned on Bancassurance business:

(₹ in crore)

Nature of Income	March 31, 2021	March 31, 2020
Towards selling of life insurance policies	19.56	17.55
Towards selling of non life insurance policies	12.62	13.02
Towards selling of mutual fund and other products*	2.60	0.48

**Includes income earned from Atal Pension Yojana (APY) of ₹ 0.10 crore (Previous Year: NIL) and National Pension Scheme (NPS) of ₹ 0.0005 crore (Previous Year: NIL)*

16 Concentration of deposits, advances, exposures and NPAs

(i) Concentration of Deposits

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
Total Deposits of twenty largest depositors*	5,884.45	6,125.75
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	16.36%	23.41%

**Includes certificate of deposits*

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SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

(ii) Concentration of Advances

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
Total Advances to twenty largest borrowers	1,255.07	1,026.32
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	3.35%	3.79%

Advances comprise of credit exposure (funded and non-funded credit limits) excluding other exposure of security placed with CCIL on account of limit for TREPS transaction of ₹ 440 crore.

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

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
Total Exposure to twenty largest borrowers / customers	2,884.01	2,420.45
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the bank on borrowers / customers	7.12%	8.05%

Exposures comprise of credit exposure (funded and non-funded credit limits) and investment exposure excluding other exposure of security placed with CCIL on account of limit for TREPS transaction of ₹ 440 crore.

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

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
Total Exposure to top four NPA accounts	29.83	26.97

17 Sector wise advances

(₹ in crore)

Sr. No.	Sector	March 31, 2021		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
A	**Priority Sector***			
1	Agriculture and allied activities	6,738.20	213.14	3.16%
2	Advances to industries sector eligible as priority sector lending	2,830.95	94.83	3.35%
	Wood and Wood Products	313.16	10.72	3.42%
	Engineering	518.29	25.00	4.82%
	Gems and Jewellery	443.31	11.72	2.64%
	Infrastructure	410.36	15.08	3.67%
3	Services	14,537.45	919.19	6.32%
	Transport Operators	2,832.25	266.95	9.43%
	Trade	5,844.52	370.68	6.34%
4	Personal loans	832.28	5.84	0.70%
	Housing Loan	832.14	5.84	0.70%
	Sub-total (A)	**24,938.88**	**1,233.00**	**4.94%**

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forming part of the Financial Statements for the year ended March 31, 2021

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

17 Sector wise advances (contd.)

(₹ in crore)

Sr. No.	Sector	March 31, 2021		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
B	**Non Priority Sector**			
1	Agriculture and allied activities	-	-	0.00%
2	Industry	252.17	5.81	2.30%
	Wood and Wood Products	28.28	0.60	2.12%
	Engineering	44.73	0.97	2.17%
	Gems and Jewellery	34.00	0.52	1.53%
	Infrastructure	2.03	-	0.00%
3	Services	6,887.53	186.81	2.71%
	Transport Operators	681.48	55.12	8.09%
	Trade	2,747.81	35.70	1.30%
4	Personal loans	3,277.71	77.21	2.36%
	Housing Loan	287.46	2.43	0.85%
	Vehicle Loans	1,444.22	47.87	3.31%
	Advances against Fixed Deposits	865.53	-	0.00%
	Sub-total (B)	**10,417.41**	**269.83**	**2.59%**
	Total (A+B)	**35,356.29**	**1,502.83**	**4.25%**

(₹ in crore)

Sr. No.	Sector	March 31, 2020		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
A	**Priority Sector***			
1	Agriculture and allied activities	3,815.27	67.17	1.76%
2	Advances to industries sector eligible as priority sector lending	2,111.06	27.17	1.29%
	Wood and Wood Products	212.40	3.44	1.62%
	Engineering	385.93	4.75	1.23%
	Gems and Jewellery	325.08	1.97	0.61%
	Infrastructure	386.62	2.25	0.58%
3	Services	13,944.70	276.24	1.98%
	Transport Operators	2,736.76	60.13	2.20%
	Trade	6,883.74	144.18	2.09%
4	Personal loans	341.84	0.91	0.27%
	Housing Loan	340.69	0.91	0.27%
	Advances against Fixed Deposits	1.00	-	0.00%
	Sub-total (A)	**20,212.87**	**371.49**	**1.84%**
B	**Non Priority Sector**			
1	Agriculture and allied activities	-	-	0.00%

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forming part of the Financial Statements for the year ended March 31, 2021

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

17 Sector wise advances (contd.)

(₹ in crore)

Sr. No.	Sector	March 31, 2020		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
2	Industry	67.78	0.32	0.47%
	Wood and Wood Products	9.93	0.06	0.62%
	Engineering	9.83	0.02	0.23%
	Gems and Jewellery	6.16	0.01	0.21%
	Infrastructure	2.36	-	0.00%
3	Services	4,348.18	74.71	1.72%
	Transport Operators	591.99	6.16	1.04%
	Trade	447.63	14.98	3.35%
4	Personal loans	2,604.07	11.26	0.43%
	Housing Loan	109.54	-	0.00%
	Vehicle Loans	1,125.33	8.88	0.79%
	Advances against Fixed Deposits	809.54	-	0.00%
	Sub-total (B)	7,020.03	86.29	1.23%
	Total (A+B)	**27,232.90**	**457.78**	**1.68%**

**Priority sector outstanding total advances includes ₹ 14,700.00 crore (previous year : ₹ 15,504.75 crore), in respect of which the Bank has sold Priority Sector Lending Certificates (PSLC).*

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system/reports which has been 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:

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
Opening balance of technical / prudential write-offs	2.41	-
Add: Technical / Prudential write-offs during the year	-	2.41*
Sub-total (A)	**2.41**	**2.41**
Less: Recoveries made from previously technically / prudentially written-off accounts during the year **(B)**	-	-
Closing balance of technical / prudential write-offs **[(A)-(B)]**	2.41	2.41

** Includes two loans which direclty classified into technical written off from standard assets classification during the year amounting to ₹ 0.36 crore.*

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SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (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

Qualitative Disclosures:

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

In compliance of Companies Act 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Banking Regulation Act 1949 and other guidelines as applicable, the Board of Directors has constituted Nomination and Remuneration Committee (NRC) to oversee the framing, review, and implementation of the Compensation Policy of the Bank. This committee works in coordination with Risk Management Committee & Audit Committee of the Board, for achieving effective alignment between risk and remuneration.

As on March 31, 2021, the Nomination and Remuneration Committee consist of Non-Executive (independent) Directors and the said composition is in line with the applicable guidelines.

The Composition of NRC committee is as follows:

- Mr. M S Sriram - Independent Director (Chairman)
- Mr. Krishan Kant Rathi - Independent Director
- Ms. Jyoti Narang - Independent Director

Note:

- The composition of NRC committee was revised on 12th March 2021, Mr. M S Sriram was designated as Chairman & member of the NRC committee, Mr. Raj Vikash Verma ceased to be member and Mr. Krishan Kant Rathi was designated as member in place of Chairman of the committee w.e.f. 12th March 2021.
- All members of Nomination & Remuneration Committee are also member of Risk Management Committee of the Board.

The roles and responsibilities of the Nomination and Remuneration Committee (NRC) are as under:

(i) Assist the Board in formulation and implementation of compensation policy and lay down the criteria for remuneration of directors, Key Management Personnel (KMPs) and Senior Management Personnel (SMPs), Material Risk Takers (MRTs), Control Function Staff and other employees.

(ii) Take inputs from the Risk Management Committee of the Board to ensure balance between remuneration and risks as required. The committee shall ensure that the mix of Fixed and Variable forms of compensation is consistent with risk alignment and objectives of the Bank.

(iii) Lay down the comprehensive criteria for assessment in terms of qualifications, positive attributes, independence, professional experience, track record, integrity and considering other parameters for appointment of directors, KMPs and SMPs.

(iv) Develop policies and lay down criteria for appointment/removal/reappointment of the Directors of the Board capturing the statutory and regulatory requirements.

(v) Assist in defining the performance evaluation criteria for Directors and other KMPs and ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

(vi) Ensure that the compensation policy formulated for remuneration of Directors, KMPs and SMPs is reasonable and sufficient

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SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

to attract, retain and motivate quality talent required to run the Bank.

(vii) 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.

(viii) Ensure that the compensation for directors, KMPs, SMPs is a mix of fixed and variable pay and such compensation that reflects short and long-term performance objectives appropriate to the working and the goals of the Bank.

(ix) Ensure that appropriate procedures are in place to assess Board effectiveness and also provide the suggestions on governance to the Board of directors.

(x) Review and oversee the Employee Benefits program of the Bank including deferred benefits and

(xi) Assessing the integrity and suitability, financial position, cross check of any criminal records, civil actions undertaken, refusal of admission to or expulsion from professional bodies, sanctions applied by regulators or similar bodies and previous questionable business practice are considered for a candidate.

(b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy:
Designing and structuring of Remuneration process is governed by the Compensation Policy of the Bank, and below are the key features and objectives of the policy :

- Establish standards on compensation/ remuneration including fixed and variable pay covering share-linked instruments, which are in alignment with the applicable rules and regulations and is based on the trends and practices of remuneration prevailing in the industry.
- Retain, motivate, and promote talent and to ensure long term sustainability of talented Director, KMP, SMP, MRT, Control Function Staff and other employees as applicable.
- Define internal guidelines for payment of other reimbursement to the Directors and KMPs.
- Institutionalize a mechanism for the appointment/ removal/ resignation/ evaluation of performance of Directors
- Perform such functions as are required to be performed by the Nomination and Remuneration committee under the SEBI (Share Based Employee Benefits) Regulations, 2014, including the following:
  (a) administering the ESOP plans;
  (b) determining the eligibility of employees to participate under the ESOP plans;
  (c) granting options to eligible employees and determining the date of grant;
  (d) determining the number of options to be granted to an employee;
  (e) determining the exercise price under the ESOP plans and
- Ensure compliance with applicable laws, rules, and regulations as well as 'Fit and Proper criteria' of directors before their appointment.

(c) Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks:
The Key parameters taken into account for the structuring of remuneration covering fixed pay and variable pay are mentioned below:

(i) Risk factors that are significant to the Banking operations of the Bank are taken into consideration in devising the remuneration structure and it is symmetric to the risk outcomes.

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(ii) Compensation payout is scheduled in manner where sensitivity to time horizon of risks is taken into consideration in the review process.

(iii) Individual performance is reviewed on the basis of Key Responsibility Areas (KRAs) and the review is carried out under the Annual Performance Review (APR) of the Bank.

(iv) Industry Benchmarking, inflation and increase of cost of living.

In addition, it includes a 'malus' and 'clawback' option to take care of any disciplinary issue or future drop in performance of individual/ business/ Bank.

(d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration:
Individual performances are assessed in line with business/ individual delivery of the Key responsibility Areas (KRAs), top priorities of business, budgets, and overall contribution to the organisation etc. The goal sheet is in place in Human Capital Management (HCM) Software and the evaluation of annual performance is carried out in the same.

In linking the performance and level of remuneration, the job roles, levels, business budgets, risk factors, achievement of individual KRAs are taken into consideration for taking decision in this regard.

(e) A discussion of the Bank's policy on deferral and vesting of variable remuneration and a discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting:
In compliance of RBI Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff dated 4th November 2019 Bank has formulated Compensation Policy that covers all aspects of the compensation structure such as Fixed pay, Variable Pay and deferral pay.

The Variable Pay of senior executives, including WTDs, and other employees who are MRTs shall be deferred over the period so that compensation is adjusted for all types of risks that organisation may be exposed to.

The deferral period shall be a minimum of three years. This would be applicable for both the cash and non-cash components of the variable pay:

a) A minimum of 60% of the total variable pay must invariably be under deferral arrangements.

b) If cash component is part of variable pay, at least 50% of the cash bonus shall also be deferred and where the cash component of variable pay is under ₹ 0.25 crore in a year, deferral requirements shall not be applicable.

c) Deferred remuneration should either vest fully at the end of the deferral period or be spread out over the course of the deferral period. The first such vesting should be not before one year from the commencement of the deferral period and shall not take place more frequently than on a yearly basis.

d) The vesting should be no faster than on a pro rata basis.

The adjustment of Variable Pay before and after the vesting shall be considered in the event of subdued or negative financial performance of the bank and/or the relevant line of business in any year and the malus/clawback arrangements shall be invoked subject to due assessment.

(f) Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms:
The Variable pay consist of Cash, Share linked Instrument and same is decided considering risk factors, job profile, level of performance and industry norms to ensure that employee

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SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

morale is high and to promote consistency in performance over the time horizon.

The breakup of variable remuneration is the follows:

Variable Pay: Variable pay compensation is paid depending upon the performance of the Employees against set key responsibility areas (KRAs) and it is ensured that there is a proper balance between fixed pay and variable pay while devising the remuneration structure.

(a) A substantial proportion of compensation i.e., at least 50%, should be variable and paid on the basis of individual, business performance & other parameters and this shall not be applicable on risk control function staff.

(b) In case variable pay is:

- Up to 200% of the fixed pay, a minimum of 50% of the variable pay should be via non-cash instruments.
- Above 200%, a minimum of 67% of the variable pay should be via non-cash instruments.
- shall be limited to a maximum of 300% of the fixed pay; (for the relative performance measurement period).

(c) In the event that an executive is barred by statute or regulation from grant of share-linked instruments, his/her variable pay will be capped at 150% of the fixed pay but shall not be less than 50% of the fixed pay.

(d) The deterioration in the financial performance of the Bank shall generally lead to a contraction in the total amount of variable compensation, which can even be reduced to zero and the proportion of variable pay shall be higher depending on the higher responsibility at higher level.

Share-linked Instruments: Share-linked Instruments consisting of ESOPs or other linked instruments which shall be forming part of variable pay.

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SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

Quantitative Disclosures:

Sr. No.	Subject	March 31, 2021	March 31, 2020
(g)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members	Number of meetings: 8 Remuneration paid: Sitting fee of ₹ 30,000 for each meeting attended	Number of meetings: 5 Remuneration paid: Sitting fee of ₹ 30,000 for each meeting attended
(h)	Number of employees having received a variable remuneration award during the financial year	13 Employees	12 Employees (As identified in FY 2020-21)
	Number and total amount of sign-on/joining bonus made during the financial year	Nil	Nil
	Details of severance pay, in addition to accrued benefits, if any	Nil	Nil
(i)	Total amount of outstanding deferred remuneration, split into cash, types of share-linked instruments and other forms	**Cash:** • Variable Pay (Performance bonus) of ₹ 1.32 crore for FY 2019-20 for Mr. Sanjay Agarwal, MD & CEO is pending with RBI for approval. • Variable Pay (Performance bonus) of ₹ 0.86 crore for FY 2019-20 for Mr. Uttam Tibrewal, WTD is pending with RBI for approval. **ESOP:** Outstanding ESOPs : 15,41,744 ESOPs	**Cash:** ₹ 0.26 crore variable pay is pertaining to performance of Mr. Uttam Tibrewal for FY 2017-18 and the same was pending to be released as on March 31, 2020 and ₹ 0.30 crore variable pay is pertaining to performance of him for FY 2018-19 and the same is to be paid in FY 2020-21 **ESOP:** Outstanding ESOPs : 18,77,067 ESOPs
	Total amount of deferred remuneration paid out in the financial year	**Cash:** Mr. Uttam Tibrewal WTD was paid Variable Pay (performance bonus) of ₹ 0.30 crore and ₹ 0.26 crore in FY 2020-21 pertaining to his performance FY 2018-19 and FY 2017-18 respectively. **ESOP:** ESOPs exercised : 22,91,142 ESOPs	**Cash:** ₹ 0.45 crore variable pay is pertaining to performance of Mr. Sanjay Agarwal for FY 2017-18 and ₹ 0.91 crore, ₹ 0.39 crore and ₹ 0.45 crore is variable pay pertaining to performance of Mr. Uttam Tibrewal for FY 2016-17, 2017-18 and 2018-19 respectively. **ESOP:** ESOPs exercised : 2,46,721 ESOPs
(j)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	**Total fixed salary:** • ₹ 13.97 crore (inclusive of fixed pay of Mr. Sanjay Agarwal- MD & CEO which has been voluntary relinquished by him). **Deferred Variable Pay:** • ESOPs granted during the financial year: 2,32,376 ESOPs amounting to ₹ 7.89 crore. (inclusive of 99,800 ESOPs under ESOP Scheme 2018 that were granted to Mr. Uttam Tibrewal for performance of FY 2019-20 and which is pending with RBI for approval).	**Total fixed salary :** • ₹ 13.28 crore **Deferred Variable Pay:** • ESOPs granted during the financial year: 2,77,355 ESOPs amounting to ₹ 5.95 crore.

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SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

Sr. No.	Subject	March 31, 2021	March 31, 2020
		• The Variable Pay (performance bonus) of ₹ 0.30 crore and ₹ 0.26 crore for FY 2018-19 and FY 2017-18 respectively paid in FY 2020-21 to Mr. Uttam Tibrewal. • The Bank has granted 38,702 and 10,18,758 stock options on October 27, 2017 under Plan A3 and Plan B5, respectively, to WTD which were pending for RBI Approval. During the year ended March 31, 2021, RBI pursuant to its letter intimated the Bank that the ESOPs granted to WTD pertains to the period prior to his appointment as the whole-time director of the Bank and thus, the approval of RBI is not required, and the Board of Directors of the Bank may take appropriate decision in this regard subject to adherence to statutory norms, as applicable. Pursuant to this letter, associated cost of ₹ 58.95 crore pertaining to these ESOPs has been charged to profit and loss account for the year ended March 31, 2021. **Non - Deferred Variable Pay**: • Remuneration award of ₹ 3.59 crore paid during FY 2020-21 related to performance of FY 2019-20. • Variable Pay (Performance bonus) of Mr. Sanjay Agarwal – MD & CEO for FY 2019-20 amounting to ₹ 1.32 crore is pending with RBI for approval. • Variable Pay (Performance bonus) of ₹ 0.86 crore for FY 2019-20 for Mr. Uttam Tibrewal is pending with RBI for approval. • The Variable pay pertaining to FY 2020-21 is yet to be reviewed and approved by the NRC, accordingly limits given in the RBI Circular will be reviewed in next financial year.	• Post RBI approval ₹ 0.30 crore will be paid for FY 2018-19 to Mr. Uttam Tibrewal in FY 2020-21 and remaining were paid in FY 2019-20. • 10,00,000 ESOPs under ESOP Scheme 2018 for FY 2018-19 were granted to Mr. Uttam Tibrewal after RBI Approval dated June 17, 2019. • Earlier for FY 2017-18, 38,702 ESOPs under ESOP Scheme 2015 - Plan A and 10,18,758 ESOPs under ESOP Scheme 2015 - Plan B were granted and revised proposal has been submitted to RBI and the approval of the RBI is pending as at year end FY 2019-20. **Non - Deferred Variable Pay:** Remuneration award of ₹ 2.97 crore paid during FY 2019- 20 was related to FY 2018-19.

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SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

Sr. No.	Subject	March 31, 2021	March 31, 2020
(k)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.	Nil	Nil
	Total amount of reductions during the financial year due to ex- post explicit adjustments.	Nil	Nil
	Total amount of reductions during the financial year due to ex- post implicit adjustments.	Nil	Nil
(l)	Number of MRTs identified	14 Employees	14 Employees (As identified in FY 2020-21)
(m)	Number of cases where malus has been exercised.	Nil	Nil
	Number of cases where clawback has been exercised.	Nil	Nil
	Number of cases where both malus and clawback have been exercised.	Nil	Nil

General Quantitative Disclosures:

Sr. No.	Subject	March 31, 2021	March 31, 2020
(n)	The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay.	• Total Mean pay of the Bank as a whole (Excluding Sub-Staff) is: ₹ 0.04 crore calculated on annualized basis. • Deviation in the fixed Pay for Mr. Sanjay Agarwal, MD & CEO and Mr. Uttam Tibrewal, WTD from the mean pay is 47 and 43 times respectively wherein Mr. Sanjay Agarwal- MD & CEO which has been voluntary relinquished his fixed pay for FY 2020-21.	• Total Mean pay of the Bank as a whole (Excluding Sub- Staff) is: ₹ 0.04 crore calculated on annualized basis. • Deviation in the fixed Pay for Mr. Sanjay Agarwal, MD & CEO and Mr. Uttam Tibrewal, WTD from the mean pay is 50 and 45 times respectively.

The Bank has made the disclosures for current as well as the previous reporting year as per the new requirement of the RBI Circular RBI/2019-20/89 DOR.Appt.BC.No.23/29.67.001/2019-20 dated November 4, 2019.

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SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

22 Credit default swaps

The Bank has not transacted in credit default swaps during the period ended March 31, 2021. (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, 2021 and March 31, 2020 the Bank was not required to transfer any amount to Depositor Education and Awareness Fund.

25 Unhedged foreign currency exposure

RBI, through its circular dated January 15, 2014 had advised banks to create incremental provision on standard loans and advances to entities with unhedged foreign currency exposure (UFCE). The Bank assesses the UFCEs of the borrowers through its credit appraisal and internal ratings process. The Bank also undertakes reviews of such exposures through thematic reviews evaluating the impact of exchange rate fluctuations on the Bank's portfolio on an yearly basis.

The Bank made provision amounting to ₹ 0.02 crore during the year ended March 31, 2021 (year ended March 31, 2020: Nil). The Bank held no incremental capital on March 31, 2021 on advances to borrowers with UFCE (March 31, 2020: Nil).

26 Disclosures relating to Securitisation

(i) Information of assignment/securitisation activity as an originator:

(₹ in crore)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Total number of loan assets assigned/securitized (in Nos.)	-	1,02,268
Total book value of loan assets assigned/securitized	-	4,007.02
Sale consideration received for loan assets assigned/securitized	-	4,007.02
Income recognised in Profit and Loss Account (including income on MRR)	100.54	163.71

(ii) Information with respect to outstanding credit enhancements and liquidity support:

(₹ in crore)

Particulars	Transactions at PAR		Transactions at PREMIUM	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Outstanding credit enhancements (first loss):				
Cash collaterals (placed as bank deposits)	25.47	69.11	-	0.23
Guarantees provided by banks on behalf of the Bank	113.28	113.28	-	5.81
Outstanding credit enhancements (second loss):				
Cash collaterals (placed as bank deposits)	-	70.95	-	-
Guarantees provided by banks on behalf of the Bank	242.78	234.87	-	-
Liquidity facility (utilised)	38.26	32.42	-	-
Liquidity facility (unutilised)	1.11	19.30	-	-

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SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

(iii) Disclosure as per RBI guidelines for securitisation transactions:

(₹ in crore)

Particulars	As at March 31, 2021	As at March 31, 2020
No. of SPVs sponsored by the Bank for securitisation transactions (in Nos.)	9	20
Total amount of securitised assets as per books of the SPVs sponsored by the Bank (outstanding as on balance sheet date)	1,932.22	3,300.46
Total amount of exposures retained by the Bank to comply with minimum retention requirement (MRR) as on the date of balance sheet		
a) Off balance sheet exposures		
First Loss	113.28	113.28
Others	-	-
b) On balance sheet exposures		
First Loss	25.47	69.11
Others	122.86	211.59
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)	242.78	234.87
II) Exposure to Third party securitisations		
First Loss	-	-
Others	-	-
b) On balance sheet exposures		
I) Exposure to own securitisations		
First Loss	-	-
Others (Cash collateral placed in lieu of bank guarantee)	-	70.95
II) Exposure to Third party securitisations		
First Loss	-	-
Others	-	-

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

27 Liquidity Coverage ration (LCR)

i) Quantitative disclosure on Liquidity Coverage Ratio (LCR) for period ended March 31, 2021:

(₹ in crore)

Particulars	Quarter ended March 31, 2021		Quarter ended December 31, 2020		Quarter ended September 30, 2020		Quarter ended June 30, 2020	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets								
1 Total High Quality Liquid Assets (HQLA)		8,851.65		8,680.54		9,153.13		9,626.83
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:								
(i) Stable deposits	2,945.04	147.25	2,553.08	127.65	2,172.56	108.63	1,860.01	93.00
(ii) Less stable deposits	12,066.36	1,206.64	10,483.27	1,048.33	9,153.64	915.36	7,681.62	768.16
3 Unsecured wholesale funding, of which:								
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non operational deposits (all counterparties)	7,852.97	6,094.21	7,147.86	5,808.64	6,634.09	5,397.08	7,288.09	5,885.27
(iii) Unsecured debt	381.80	381.80	351.50	351.50	350.36	350.36	440.60	440.60
4 Secured wholesale funding		18.89		-		-		16.48
5 Additional requirements, of which :								
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6 Other contractual funding obligations	841.09	841.09	745.37	745.37	556.49	556.49	526.00	526.00
7 Other contingent funding obligations	4,505.50	195.69	4,292.19	187.42	4,326.54	192.10	4,298.86	192.44
8 Total Cash Outflows		**8,885.57**		**8,268.91**		**7,520.02**		**7,921.95**
Cash Inflows								
9 Secured lending (e.g. reverse repos)	1,845.80	-	1,743.49	-	1,874.45	-	1,919.08	-
10 Inflows from fully performing exposures	1,274.48	990.27	1,180.29	910.27	1,458.12	1,284.02	862.60	836.64
11 Other cash inflows	508.72	254.36	462.91	231.46	319.36	159.68	113.91	56.95
12 Total Cash Inflows		**1,244.63**		**1,141.73**		**1,443.70**		**893.59**
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
13 Total HQLA		**8,851.65**		**8,680.54**		**9,153.13**		**9,626.83**
14 Total Net Cash Outflows		**7,640.94**		**7,127.18**		**6,076.32**		**7,028.36**
15 Liquidity Coverage Ratio (%)		**116%**		**122%**		**151%**		**137%**

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

27 Liquidity Coverage ration (LCR)(contd.)

i) Quantitative disclosure on Liquidity Coverage Ratio (LCR) for period ended March 31, 2020:

(₹ in crore)

Particulars	Quarter ended March 31, 2020		Quarter ended December 31, 2019		Quarter ended September 30, 2019		Quarter ended June 30, 2019	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets								
1 Total High Quality Liquid Assets (HQLA)		6,419.21		5,017.92		4,815.21		4,600.14
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:								
(i) Stable deposits	1,564.46	78.22	977.23	48.86	902.37	45.12	837.58	41.88
(ii) Less stable deposits	7,125.41	712.54	7,064.55	706.46	6,253.29	625.33	5,434.03	543.40
3 Unsecured wholesale funding, of which:								
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non operational deposits (all counterparties)	7,294.59	5,686.14	6,131.52	4,673.21	5,566.21	4,294.85	5,759.21	4,493.62
(iii) Unsecured debt	486.80	486.80	341.42	341.42	543.11	543.11	274.28	274.28
4 Secured wholesale funding		36.52		-		-		25.27
5 Additional requirements, of which :								
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6 Other contractual funding obligations	760.21	760.21	627.02	627.02	622.97	622.97	517.51	517.51
7 Other contingent funding obligations	4,211.58	187.29	3,539.03	159.96	3,010.26	135.41	2,535.97	118.42
8 Total Cash Outflows		**7,947.72**		**6,556.93**		**6,266.79**		**6,014.38**
Cash Inflows								
9 Secured lending (e.g. reverse repos)	540.62	-	115.46	-	87.00	-	31.80	-
10 Inflows from fully performing exposures	1,665.16	1,412.20	1,320.56	1,080.01	1,178.27	962.38	1,386.89	1,180.28
11 Other cash inflows	412.51	206.26	389.10	194.55	349.72	174.86	323.15	161.58
12 Total Cash Inflows		**1,618.46**		**1,274.56**		**1,137.24**		**1,341.86**
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
13 Total HQLA		**6,418.93**		**5,017.92**		**4,815.21**		**4,600.14**
14 Total Net Cash Outflows		**6,329.26**		**5,282.37**		**5,129.55**		**4,672.53**
15 Liquidity Coverage Ratio (%)		**101%**		**95%**		**94%**		**98%**

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SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

27 Liquidity Coverage ration (LCR)(contd.)

ii) Qualitative disclosure on Liquidity Coverage Ratio (LCR):

To assess Bank's resilience in liquidity stress scenario of 30 days with its high-quality liquid assets, Banks need to compute Liquidity Coverage Ratio (LCR) as per RBI – Basel III Framework on Liquidity Standards. High Ratio signifies Bank has enough liquid assets which it can use to fulfil its liquidity obligations in acute stress scenario. Ratio to compute as below :

$$LCR = \frac{\text{Stock of High Quality Liquid Assets (HQLA)}}{\text{Net Cash Outflows over a 30 days period}}$$

Stock of High Quality Liquid Asset is total funds liquid assets could generate in stress scenario. Net Cash outflows is the difference as derived by multiplying the outstanding balances of various categories or types of liabilities by the outflow run-off rates and cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in.

Minimum Requirement for Small Finance Banks (as per operating guidelines for Small Finance Banks RBI/2016-17/81 DBR.NBD.No.26/16.13.218/2016-17 dated Oct 06, 2016 & RBI circular RBI/2019-20/217 DOR.BP.BC. No.65/21.04.098/2019-20 dated Apr 17,2020) is as below:

Till December 31, 2017	From January 1, 2018	From January 1, 2019	From January 1, 2020	From April 17, 2020	From October 1, 2020	From April 1, 2021
60%	70%	80%	90%	80%	90%	100%

The Bank has implemented LCR framework and has consistently maintained the LCR percentage well above the regulatory threshold limit. The average LCR for the quarter ended March 31, 2021 was 116% which is above the regulatory limit of 90%. For the quarter ended March 31, 2021 HQLA stood at ₹ 8,852 crore.

Asset Liability Committee (ALCO) of the Bank is the primary governing body for Liquidity Risk Management, Treasury is entrusted with the responsibility, under the guidance of the ALCO 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:-

(a) the additional provisioning for NPAs assessed by RBI exceeds 10 per cent of the reported profit before provisions and contingencies for the reference period, and

(b) the additional Gross NPAs identified by RBI exceed 15 per cent of the published incremental Gross NPAs for the reference period.

There has been no material divergence observed by the RBI for the financial year 2019-20 (as per assessment by the RBI during financial year 2020-21) in respect of the Bank's asset classification and provisioning under the extant prudential norms on income recognition asset classification and provisioning (IRACP) which require such disclosures.

The Bank has not been subjected to any assessment by the RBI during the financial year 2019-20 in respect of Financial year 2018-19.

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SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

29 Details of Priority Sector Lending Certificates (PSLCs)

(₹ in crore)

Type of PSLCs	For the year ended March 31, 2021		For the year ended March 31, 2020	
	PSLC bought during the year	PSLC sold during the year	PSLC bought during the year	PSLC sold during the year
Agriculture	-	1,225.00	-	960.00
Small and Marginal farmers	-	1,850.00	-	1,150.00
Micro Enterprises	-	11,625.00	-	12,139.75
General	-	-	-	1,255.00
Total	**-**	**14,700.00**	**-**	**15,504.75**

30 Provision pertaining to fraud accounts

(₹ in crore)

Particular	March 31, 2021	March 31, 2020
No. of frauds reported during the year	38	95
Amount involved in fraud	1.01	1.09
Amount involved in fraud net of recoveries / write-offs as at the end of the year	0.23	0.80
Provisions held as at the end of the year	0.23	0.80
Amount of unamortised provision debited from "other reserves" as at the end of the year	-	-

31 Provision for credit card and debit card reward points

The following table sets forth,for the period indicated, movement in provision for credit cards and debit cards rewards points:

(₹ in crore)

Particular	March 31, 2021	March 31, 2020
Opening provision for reward points	-	-
Provision for reward points made during the year	0.08*	-
Utilisation/write off of provision for reward points	-	-
Closing provision for reward points	0.08	-

* Provision for reward points made during the year is based on management estimation.

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, 2021

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

33 Corporate social responsibility

(₹ in crore)

Particular	March 31, 2021	March 31, 2020
(a) Gross amount required to be spent by the Bank during the year (including deficit of previous year)	15.97	16.38
(b) Amount spent during the year		
On purposes other than construction/acquisition of any asset		
Paid in Cash	12.52	12.65
Yet to be Paid in Cash	-	-
Total	**12.52**	**12.65**

Pursuant to Section 135 (5) & (6) of Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014, Bank shall transfer ₹ 3.45 crore in "Unspent CSR Account FY 2020-21" within a period of 30 days from the end of financial year for the CSR Ongoing projects which will be spent over the period of 3 years.

34 Small and micro industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

35 Proposed dividend

The Reserve Bank of India (RBI), vide notification dated December 4, 2020, stated that in view of the ongoing stress and heightened uncertainty on account of COVID-19, banks should continue to conserve capital to support the economy and absorb losses. The notification also stated that in order to further strengthen the banks' balance sheets, while at the same time support lending to the real economy, banks shall not make any dividend payment on equity shares from the profits pertaining to the financial year ended March 31, 2020. The Bank did not declare final dividend for the financial year ended March 31, 2020.

Given that the current "second wave" has significantly increased the number of COVID-19 cases in India and uncertainty remains, the Board of Directors of the Bank, at its meeting held on April 29, 2021, has considered it prudent to currently not propose dividend for the financial year ended March 31, 2021.

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, 2021.(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, 2021. (Previous year: Nil)

38 Resolution of Stressed Assets – Revised Framework

The Bank is having one loan account for resolution of stressed Assets (Revised framework) amounting to ₹ 0.76 crore as on March 31,2021 (Previous year : ₹ 41.67 crore) as per RBI Circular RBI/2017-18/131DBR.No.BP.BC.101/21.04.048/2017-18 and RBI/2018-19/203 DBR.No.BP.BC.45/21.04.048/2018-19 where resolution plan has been submitted by one of the lead Banker on March 30, 2020.

Schedules
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SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

39 Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances

The Bank has restructured the account as per RBI Circular DBR.No.BP.BC.100/21.04.048/2017-18 dated February 07, 2018, DBR.No.BP.BC.108/21.04.048/2017-18 dated June 06, 2018, DBR.No.BP.BC.18/21.04.048/2018-19 dated January 01, 2019, DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020 and DOR.No.BP.BC/4/21.04.048/2020-21 dated August 06, 2020.

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
No. of Account Restructured	6,699	-
Amount	624.16	-

40 Disclosures on Strategic Debt Restructuring Scheme (SDR):

The Bank does not have any accounts under SDR as on March 31, 2021. (Previous year: Nil)

41 Disclosures on Change in Ownership outside SDR Scheme:

The Bank does not have any account which are currently under the scheme of Change in Ownership Outside SDR as on March 31, 2021. (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, 2021.(Previous year: Nil)

43 Details of factoring exposure:

The factoring exposure of the Bank as at March 31, 2021 is Nil.(Previous year: Nil)

44 Inter-bank Participation with risk sharing:

During the year the Bank has entered into inter-bank participation with risk sharing amounting to ₹ 142.12 crore. (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

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
Remuneration by way of sitting fees to the Non-Executive Directors for attending meetings of the Board and its committees	1.05	0.64
Profit related commission to all Non-Executive Directors other than the Chairperson	0.54	0.47

47 Miscellaneous income recoveries from loans written off, income from dealing in Priority Sector Lending Certificates (PSLC) etc.

Schedules
forming part of the Financial Statements for the year ended March 31, 2021

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

48 Details of payments of Audit Fees

(₹ in crore)

Particular	March 31, 2021	March 31, 2020
Statutory Audit fees and other related services*	1.41	1.72
Other Matters*#	0.67	-
Total	**2.08**	**1.72**

* Includes out of pocket expenses.
# towards professional fees pursuant to Qualified Institutional Placement (QIP).

49 COVID-19 Regulatory Package - Asset Classification and Provisioning

The RBI on March 27, 2020, April 17, 2020, and May 23, 2020, announced 'COVID-19 Regulatory Package' on asset classification and provisioning. In terms of these RBI guidelines, the Bank has granted a moratorium of six months on payment of all instalments / interest as applicable, falling due between March 1, 2020 and August 31, 2020 ('moratorium period') to all eligible borrowers classified as standard, even if overdue, as on February 29, 2020. In respect of such accounts that were granted moratorium, the asset classification remained standstill during the moratorium period.

The disclosures as required by RBI circular dated April 17, 2020 are given below:

(₹ in crore)

Sr. No.	Particular	Amount
1	Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended in terms of paragraph 2 and 3 of the Circular#	1,884.75
2	Respective amount where asset classification benefits is extended*	-
3	Provisions made in terms of paragraph 5 of the Circular	263.22
4	Provisions adjusted during the respective accounting periods against slippages in terms of paragraph 6 of the Circular	-
5	Residual provisions as of March 31, 2021 in terms of paragraph 6 of the circular	263.22

 # excludes amounts in SMA/overdue categories, where the moratorium/deferment was extended on securitized portfolio amounting to ₹ 156.37 crore. Provision of ₹ 14.89 crore was made there on during quarter ended March 31, 2020, which remains residual as on March 31, 2021.

**As of March 31, 2021 In respect of such accounts.*

Consequent to outbreak of the COVID-19 pandemic, including the current "second wave" that has significantly increased the number of cases in India. Accordingly, the Bank has made accelerated provision amounting to ₹ 279.07 crore on existing Gross Non-Performing Assets as on March 31, 2021.

Schedules
forming part of the Financial Statements for the year ended March 31, 2021

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

50 Disclosures of restructuring due to COVID

Details of resolution plan implemented under the Resolution Framework for COVID-19-related Stress as per RBI circular dated August 6, 2020 are given below.

(₹ in crore except number of accounts)

Type of Borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) Exposure to accounts mentioned at (A) before implementation of the plan*	(C) of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution^
Personal Loans	244	16.96	-	-	1.88
Corporate persons	-	-	-	-	-
of which MSMEs	-	-	-	-	-
Others	-	-	-	-	-
Total	**244**	**16.96**	**-**	**-**	**1.88**

*As of March 31, 2021.
^ Provision held as on March 31, 2021

51 Disclosure related to Refund/adjustment of "Interest on interest"

In accordance with RBI notification dated April 7, 2021, the Bank is required to refund/adjust 'interest on interest' to borrowers. As required by the RBI notification, the methodology for calculation of such interest on interest has recently been circulated by the Indian Banks' Association. The Bank is in the process of suitably implementing this methodology. At March 31, 2021, the Bank has created a liability towards estimated interest relief of ₹ 5 crore and reduced the same from the interest income.

52 The Code on Social Security, 2020

The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified and the final rules/interpretation have not yet been issued. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

B. Other Disclosures

1 Fixed Assets as per Schedule 10 relating to purchase of software and system development expenditure which are as follows:

(₹ in crore)

Particular	March 31, 2021	March 31, 2020
Gross Block		
At cost on 31st March of the preceding year	141.55	124.79
Additions during the year	37.67	19.20
Deductions during the year	0.77	2.44
Total (a)	**178.45**	**141.55**
Depreciation / Amortisation		
As at 31st March of the preceding year	52.64	33.86
Charge for the year	25.12	20.49
Deductions during the year	0.18	1.71
Total (b)	**77.58**	**52.64**
Net Value (a-b)	**100.87**	**88.91**

Schedules
forming part of the Financial Statements for the year ended March 31, 2021

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

2 Segment reporting

Part A: Business segments:

Segment reporting for the year ended March 31, 2021 and March 31, 2020 is given below:

(₹ in crore)

Sr. No.	Particulars	March 31, 2021	March 31, 2020
1	**Segment revenue**		
(a)	Treasury	1,744.96	819.95
(b)	Retail banking	4,243.81	3,616.37
(c)	Wholesale banking	378.00	524.61
(d)	Other banking operations	34.83	31.05
(e)	Unallocated	-	-
	Income from operations	**6,401.60**	**4,991.98**
2	**Segment results**		
(a)	Treasury	802.47	163.76
(b)	Retail banking	517.87	563.15
(c)	Wholesale banking	103.34	156.02
(d)	Other banking operations	34.83	31.04
	Total Segment results	**1,458.51**	**913.97**
	Less: Unallocated expenses	-	-
	Total Profit Before Tax	**1,458.51**	**913.97**
	Provision for Tax (Including deferred tax)	287.83	239.19
	Total Profit After Tax	**1,170.68**	**674.78**
3	**Segment Assets**		
(a)	Treasury	14,513.96	13,040.65
(b)	Retail banking	32,264.56	24,564.95
(c)	Wholesale banking	3,538.69	3,751.73
(d)	Other banking operations	6.65	2.72
(e)	Unallocated	1,267.45	783.02
	Total Assets	**51,591.31**	**42,143.07**
4	**Segment Liabilities**		
(a)	Treasury	4,140.24	5,151.12
(b)	Retail banking	20,529.27	15,755.57
(c)	Wholesale banking	20,577.59	16,839.33
(d)	Other banking operations	0.02	0.00
(e)	Unallocated	68.97	20.24
	Capital and Other Reserves	**6,275.22**	**4,376.81**
	Total Liabilities including Capital and Other Reserves	**51,591.31**	**42,143.07**

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.

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forming part of the Financial Statements for the year ended March 31, 2021

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

3 Related Party Disclosures:

A. Related Parties :

Key management personnel (KMP)	Mr. Sanjay Agarwal, Managing Director and CEO
	Mr. Uttam Tibrewal, Whole Time Director
	Mr. Deepak Jain, Chief Operating Officer
	Mr. Vimal Jain, Chief Financial Officer (w.e.f. April 1, 2020)
	Mr. Manmohan Parnami, Company Secretary
Enterprises over which KMP / relatives of KMP have control / significant influence	Abhiyan Bharat Foundation
	AU Bank Employees Group Gratuity Trust
	AU Small Finance Bank Employees Welfare Trust
	AU Foundation
	BIFCO Private Limited
	Deepak Tarachand HUF
	DS Speciality Product LLP
	Durga Automation & Control Private Limited
	Durga Bearings (Mumbai) Private Limited
	Jyoti Sanjay Family Trust
	Kalinga Agencies
	Kalinga Mercantile Private Limited
	Kalinga Extrusions India Private Limited
	Khushi Buildhome Private Limited
	Manmohan Parnami HUF
	MYS Holdings Private Limited
	Namokar Mining Industries LLP
	Sanjay And Jyoti Agarwal Foundation
	Shivgyan Mines and Minerals Private Limited
	Shree Dham Mining Industries LLP
	Speciality Stones Private Limited
	Below are w.e.f. April 1, 2020:
	Pradeep Kumar Jain HUF
	VS and Sons HUF
Relatives of KMP	Ms. Jyoti Agarwal
	Mr. Chirinjee Lal Agarwal
	Ms. Shakuntala Agarwal
	Mr. Yuvraj Agarwal
	Ms. Mallika Agarwal
	Mr. Ajay Agarwal
	Ms. Pinki Agarwal
	Ms. Pooja Tibrewal
	Mr. Devi Prasad Tibrewal
	Ms. Geeta Devi Tibrewal
	Mr. Vaibhav Tibrewal
	Mr. Subhash Tibrewal
	Ms. Manju Agarwal
	Ms. Uma Bagaria
	Ms. Suman Sultania

Schedules
forming part of the Financial Statements for the year ended March 31, 2021

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

3 Related Party Disclosures: (contd.)

Relatives of KMP	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
	Ms. Jaisvi Parnami
	Mr. Mahinder Parnami
	Ms. Kavita Sukhija
	Ms. Shikha Taneja
	Below relatives are w.e.f. April 1, 2020:
	Ms. Sinku Jain
	Mr. Dhairya Jain
	Mr. Pradeep Kumar Jain
	Mr. Dilip Kumar Jain
	Ms. Suman Lata Jain
	Ms. Renu Kataria
	Ms. Rekha Jain
	Ms. Ladh Devi Jain

B. The Bank's related parties balances and transactions for the year ended are summarised as follows:

1. Deposits

(₹ in crore)

Particular	As at March 31, 2021		As at March 31, 2020	
	Closing balance	Highest balance during the year	Closing balance	Highest balance during the year
Key Management Personnel (KMP)	84.65	95.11	6.62	24.66
Relatives of KMP	79.10	144.76	26.62	46.38
Enterprise over which KMP/Relative of KMP have control / significant influence	2.41	35.04	2.52	22.89

Schedules
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SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

2. Interest Paid on Deposits

(₹ in crore)

Particular	Year ended March 31, 2021	Year ended March 31, 2020
Key Management Personnel (KMP)	0.59	0.40
Relatives of KMP	4.82	1.19
Enterprise over which KMP/Relative of KMP have control / significant influence	0.54	0.02

1. Income including miscellaneous charges received from all the related parties are less than ₹ 100,000/- hence not shown separately.

2. Bank has also given Overdraft Facility against Fixed Deposit placed with the Bank of KMP, relatives of KMP and enterprise over which KMP/Relative of KMP have control / significant influence - Balance as on 31st March 2021 is Nil. (Highest balance during the year is ₹ 25.16 Cr.) and Interest earned during the year is ₹ 0.38 Cr.

3. Remuneration

(₹ in crore)

Particular	Year ended March 31, 2021	Year ended March 31, 2020
Mr. Sanjay Agarwal, Managing Director and CEO	-	2.31
Mr. Uttam Tibrewal, Executive Director	2.24	3.43
Mr. Deepak Jain, Chief Operating Officer	1.62	1.65
Mr. Vimal Jain, Chief Financial Officer	0.93	NA
Mr. Manmohan Parnami, Company Secretary	0.50	0.48
Total	**5.29**	**7.87**

1. Remuneration paid excludes value of employee stock options exercised during the year.

2. The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Bank as a whole.

4. Loans given and repayment

There is no other loan related transaction except disclosed above with the related parties during the year (Previous year : Nil).

5. Other transaction

(₹ in crore)

Name of related party	Nature of transactions	Year ended March 31, 2021	Year ended March 31, 2020
Mr. Uttam Tibrewal	Issue of Equity Shares of the Bank	4.28	-
Mr. Deepak Jain	Issue of Equity Shares of the Bank	7.53	6.64
Mr. Vimal Jain	Issue of Equity Shares of the Bank	0.09	NA
Mr. Manmohan Parnami	Issue of Equity Shares of the Bank	0.02	0.02
Key Management Personnel (KMP)	Dividend Paid	-	4.61
Relatives of KMP	Dividend Paid	-	2.32
Enterprises over which KMP/ relatives of KMP have control/ significant influence	Dividend Paid	-	0.73
AU Bank Employees Group Gratuity Trust	Contribution to Fund	17.21	3.30
AU Foundation	Donation	0.85	4.05

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SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

4 Leases

The Bank has taken various premises under operating lease. The future minimum lease payments are given below:

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
Not later than one year	76.15	70.73
Later than one year and not later than five years	272.46	263.90
Later than five years	52.09	89.78
Total	**400.70**	**424.41**
The total of minimum lease payments recognized in the Profit and Loss Account for the year	81.68	67.59
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)

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
Profit/ (loss) after tax **(A)**	1,170.68	674.78
Less: Exceptional item	-	-
Net profit excluding exceptional item **(B)**	1,170.68	674.78
Weighted average number of equity shares in calculating basic EPS **(C)**	30,65,03,477	29,61,61,899
Add: Effect of dilution - Stock option granted to employees	26,87,023	61,75,606
Weighted average number of equity shares in calculating diluted EPS **(D)**	30,91,90,500	30,23,37,505
Earning per share including exceptional item		
Basic (In ₹) **(A / C)**	38.19	22.78
Diluted (In ₹) **(A / D)**	37.86	22.32
Nominal value per share (In ₹)	10.00	10.00
Earning per share excluding exceptional item		
Basic (In ₹) **(B / C)**	38.19	22.78
Diluted (In ₹) **(B / D)**	37.86	22.32
Nominal value per share (In ₹)	10.00	10.00

The dilutive impact is due to options granted to employees.

6 Deferred taxes

Other assets include deferred tax asset (net). The break-up of the same is as follows:

(₹ in crore)

Particulars of Asset/ (Liability)	March 31, 2021	March 31, 2020
Provision for NPA and general provision on standard assets	147.07	69.86
Expenditure allowed on payment basis	6.53	8.60
Depreciation	(8.15)	(10.79)
Deduction u/s. 36(1)(viii) of the Income Tax Act, 1961	(50.16)	(31.54)
Others	5.28	4.54
Net Deferred Tax Asset	**100.57**	**40.67**

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SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (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, Plan D and Plan E. The numerical A1, A2, A3, B1, B2, B3, B4, B5, B6, B7, C1, C2, C3, C4, C5, C6, C7, C8, C9, C10, D1, D2, D3, D4, D5, D6, D7, D8, D9, E1 and E2 represents different grants made under these plans. During the year ended March 31, 2021, the following series were in operation:

Particulars	Plan A1	Plan A2	Plan A3	Plan B1	Plan B2	Plan B3	Plan B4	Plan B5	Plan B6	Plan B7	Plan C1	Plan C2	Plan C3	Plan C4	Plan C5	Plan C6
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	Jan 27, 2021	Nov 11, 2016	Jan 24, 2017	Feb 22, 2017	May 13, 2017	Jan 30, 2018	Apr 25, 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	Jan 27, 2021	Nov 11, 2016	Jan 24, 2017	Feb 22, 2017	May 13, 2017	Jan 30, 2018	Apr 25, 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	12,000	11,700	1,85,900	70,700	4,99,800	10,53,901	2,919
Method of settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Graded vesting period:																
1st vesting "12 months from the date of grant or on the date of proposed initial public offer of Bank's equity shares whichever is later"	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	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"	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	20%	20%	20%	20%	20%	20%
1st vesting "12 months from the date of grant	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2nd vesting "On expiry of one year from the 1st vesting date"	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	20%	20%
3rd vesting "On expiry of two years from the 1st vesting date"	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	30%	30%
4th vesting "On expiry of 3 years from the 1st vesting date"	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	30%	30%
Exercise period	4 years from the 1st vesting date										6 years from the 1st vesting date					
Vesting conditions	Continuous service															
Weighted average remaining contractual life (years)	0.28	0.40	1.58	0.28	0.40	0.62	0.82	1.58	2.35	4.83	3.28	3.28	3.28	3.28	3.84	4.07
Weighted average exercise price per option (₹)	10.11	10.11	10.11	33.37	33.37	33.37	33.37	33.37	33.37	33.37	140.00	140.00	140.00	140.00	140.00	140.00

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

7 Accounting for employee share based payments (contd.)

Particulars	Plan C7	Plan C8	Plan C9	Plan C10	Plan D1	Plan D2	Plan D3	Plan D4	Plan D5	Plan D6	Plan D7	Plan D8	Plan D9	Plan E1	Plan E2
Date of grant	Aug 6, 2018	Aug 30, 2018	Oct 13, 2018	Oct 24, 2020	Aug 30, 2018	Nov 22, 2018	Jan 17, 2019	Apr 22, 2019	Jun 17, 2019	Jul 25, 2019	Oct 21, 2019	Jan 22, 2020	Oct 24, 2020	Jan 27, 2021	Mar 27, 2021
Date of Board / Compensation Committee approval	Aug 6, 2018	Aug 30, 2018	Oct 13, 2018	Oct 24, 2020	Aug 30, 2018	Nov 22, 2018	Jan 17, 2019	Apr 22, 2019	Jun 17, 2019	Jul 25, 2019	Oct 21, 2019	Jan 22, 2020	Oct 24, 2020	Jan 27, 2021	Mar 27, 2021
Number of Options granted	5,480	27,600	50,865	9,95,960	18,56,950	1,54,541	2,437	2,500	10,00,000	16,05,415	40,276	54,000	4,48,138	62,177	55,000
Method of settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Graded vesting period:															
1st vesting "12 months from the date of grant or on the date of proposed initial public offer of Bank's equity shares whichever is later"	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	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%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
1st vesting "12 months from the date of grant	NA	NA	NA	NA	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
2nd vesting "On expiry of one year from the 1st vesting date"	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
3rd vesting "On expiry of two years from the 1st vesting date"	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
4th vesting "On expiry of 3 years from the 1st vesting date"	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Exercise period	6 years from the 1st vesting date														
Vesting conditions	Continuous service														
Weighted average remaining contractual life (years)	4.35	4.42	4.54	6.57	4.42	4.65	4.80	5.06	5.22	5.32	5.56	5.82	6.57	6.83	6.99
Weighted average exercise price per option (₹)	140.00	140.00	140.00	614.00	664.00	643.00	622.00	589.00	664.00	630.00	668.00	724.00	614.00	791.00	929.00

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

7 Accounting for employee share based payments (contd.)

Particulars	March 31, 2021														
	Plan A1	Plan A2	Plan A3	Plan B1	Plan B2	Plan B3	Plan B4	Plan B5	Plan B6	Plan B7	Plan C1	Plan C2	Plan C3	Plan C4	Plan C5	Plan C6
Options outstanding at the beginning of the year	9,60,172	2,09,256	2,42,000	10,89,929	92,166	-	24,000	36,255	1,146	-	1,800	64,530	13,600	32,210	6,43,053	1,135
Granted during the year	-	-	38,702	-	-	-	-	10,18,758	-	12,000	-	-	-	-	-	-
Forfeited during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercised during the year	(9,53,338)	(2,09,256)	(1,21,500)	(10,68,829)	(56,870)	-	(9,000)	(12,255)	(573)	-	(1,800)	(47,570)	(11,100)	(26,860)	(2,09,022)	(284)
Expired during the year	-	-	-	-	-	-	-	-	-	-	-	(1,350)	(2,500)	(1,500)	(33,753)	-
Outstanding at the end of the year	6,834	-	1,59,202	21,100	35,296	-	15,000	10,42,758	573	12,000	-	15,610	-	3,850	4,00,278	851
Exercisable at the end of the year	6,834	-	1,59,202	21,100	35,296	-	15,000	10,42,758	-	-	-	15,610	-	3,850	1,58,074	-

Particulars	March 31, 2021														
	Plan C7	Plan C8	Plan C9	Plan C10	Plan D1	Plan D2	Plan D3	Plan D4	Plan D5	Plan D6	Plan D7	Plan D8	Plan D9	Plan E1	Plan E2
Options outstanding at the beginning of the year	3,184	26,960	10,865	-	15,35,831	1,13,346	2,437	2,500	10,00,000	15,38,866	36,276	54,000	-	-	-
Granted during the year	-	-	-	9,95,960	-	-	-	-	-	-	-	-	4,48,138	62,177	55,000
Forfeited during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercised during the year	(796)	(6,800)	(2,506)	-	(2,56,969)	(10,314)	(237)	(500)	-	(81,208)	(1,576)	(900)	-	-	-
Expired during the year	-	-	(4,800)	(5,426)	(34,462)	(9,948)	-	-	-	(81,813)	(3,300)	(1,750)	(17,610)	-	-
Outstanding at the end of the year	2,388	20,160	3,559	9,90,534	12,44,400	93,084	2,200	2,000	10,00,000	13,75,845	31,400	51,350	4,30,528	62,177	55,000
Exercisable at the end of the year	-	3,600	640	-	2,13,071	26,004	737	-	2,00,000	2,12,795	5,578	9,550	-	-	-

Particulars	March 31, 2020												
	Plan A1	Plan A2	Plan A3	Plan B1	Plan B2	Plan B3	Plan B4	Plan B5	Plan B6	Plan C1	Plan C2	Plan C3	Plan C4
Options outstanding at the beginning of the year	14,95,591	2,09,256	3,10,400	13,90,652	4,49,495	18,000	24,000	40,008	1,146	5,040	1,06,160	36,160	64,400
Granted during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Forfeited during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercised during the year	(5,29,440)	-	(68,400)	(2,97,407)	(3,52,031)	-	-	(3,753)	-	(1,080)	(25,490)	(9,420)	(20,730)
Expired during the year	(5,979)	-	-	(3,316)	(5,298)	(18,000)	-	-	-	(2,160)	(16,140)	(13,140)	(11,460)
Outstanding at the end of the year	9,60,172	2,09,256	2,42,000	10,89,929	92,166	-	24,000	36,255	1,146	1,800	64,530	13,600	32,210
Exercisable at the end of the year	9,60,172	2,09,256	61,500	10,89,929	92,166	-	24,000	15,000	229	-	11,780	-	810

Schedules
forming part of the Financial Statements for the year ended March 31, 2021

Schedules
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SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

7 Accounting for employee share based payments (contd.)

Particulars	March 31, 2020									
	Plan C5	Plan C6	Plan C7	Plan C8	Plan C9	Plan D1	Plan D2	Plan D3	Plan D4	Plan D5	Plan D6	Plan D7	Plan D8
Options outstanding at the beginning of the year	8,09,336	1,419	3,980	27,600	50,865	18,17,392	1,47,119	2,437	-	-	-	-	-
Granted during the year	-	-	-	-	-	-	-	-	2,500	10,00,000	16,05,415	40,276	54,000
Forfeited during the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercised during the year	(1,19,104)	(284)	(796)	(640)	-	(2,23,737)	(9,165)	-	-	-	-	-	-
Expired during the year	(47,179)	-	-	-	(40,000)	(57,824)	(24,608)	-	-	-	(66,549)	(4,000)	-
Outstanding at the end of the year	6,43,053	1,135	3,184	26,960	10,865	15,35,831	1,13,346	2,437	2,500	10,00,000	15,38,866	36,276	54,000
Exercisable at the end of the year	1,24,174	-	-	4,880	2,173	1,28,321	15,299	487	-	-	-	-	-

Details of stock options granted during the year:

Plan A, B, C, D and E: The weighted average fair value of stock options granted during the year was ₹ 857.79 (Plan B7), ₹ 419.76 (plan C10), ₹ 419.76 (plan D9), ₹ 429.21 (plan E1) and ₹ 625.98 (plan E2).

The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

Particulars	Plan B7		Plan C10		Plan D9		Plan E1		Plan E2	
	Tranche vesting in FY 2021-22	Tranche vesting in FY 2022-23	Tranche vesting in FY 2021-22	Tranche vesting in FY 2022-23	Tranche vesting in FY 2021-22	Tranche vesting in FY 2022-23	Tranche vesting in FY 2021-22	Tranche vesting in FY 2022-23	Tranche vesting in FY 2021-22	Tranche vesting in FY 2022-23
Share price on the date of grant (₹)	884.65	884.65	789.35	789.35	789.35	789.35	884.65	884.65	1,178.50	1,178.50
Exercise price (₹)	33.37	33.37	614.00	614.00	614.00	614.00	791.00	791.00	929.00	929.00
Expected volatility (%)	41.72%	41.72%	42.29%	42.29%	42.29%	42.29%	41.72%	41.72%	42.15%	42.15%
Life of the options granted (years)	3.00	3.50	4.00	4.50	4.00	4.50	4.00	4.50	4.00	4.50
Risk-free interest rate (%)	5.95%	5.95%	5.84%	5.84%	5.84%	5.84%	5.95%	5.95%	6.12%	6.12%
Expected dividend rate (%)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Fair value of the option (₹)	856.74	857.56	858.35	391.37	408.84	425.20	440.52	609.37	582.73	634.23

Particulars	Plan B7		Plan C10		Plan D9		Plan E1		Plan E2	
	Tranche vesting in FY 2022-23	Tranche vesting in FY 2023-24	Tranche vesting in FY 2022-23	Tranche vesting in FY 2023-24	Tranche vesting in FY 2022-23	Tranche vesting in FY 2023-24	Tranche vesting in FY 2022-23	Tranche vesting in FY 2023-24	Tranche vesting in FY 2022-23	Tranche vesting in FY 2023-24
Share price on the date of grant (₹)	884.65	884.65	789.35	789.35	789.35	789.35	884.65	884.65	1,178.50	1,178.50
Exercise price (₹)	791.00	791.00	614.00	614.00	614.00	614.00	791.00	791.00	929.00	929.00
Expected volatility (%)	41.72%	41.72%	42.29%	42.29%	42.29%	42.29%	41.72%	41.72%	42.15%	42.15%
Life of the options granted (years)	4.00	5.00	4.50	5.00	4.50	5.00	4.50	5.00	5.00	5.50
Risk-free interest rate (%)	5.95%	5.95%	5.84%	5.84%	5.84%	5.84%	5.95%	5.95%	6.12%	6.12%
Expected dividend rate (%)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Fair value of the option (₹)	394.29	415.79	391.37	408.84	425.20	440.52	435.90	454.73	634.23	657.63

Schedules
forming part of the Financial Statements for the year ended March 31, 2021

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (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:

(₹ in crore)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Profit after tax as reported	**1,170.68**	**674.78**
Add: ESOP cost using intrinsic value method (net of tax)	57.46	17.76
Less: ESOP cost using fair value method (net of tax)	92.81	51.64
Profit after tax (adjusted)	**1,135.33**	**640.90**
Earnings Per Share		
Basic		
- As reported	38.19	22.78
- Adjusted for ESOP cost using fair value method	37.04	21.64
Diluted		
- As reported	37.86	22.32
- Adjusted for ESOP cost using fair value method	36.72	21.20

(₹ in crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Stock options outstanding (gross)	188.76	104.14
Deferred compensation cost outstanding	29.35	21.52
Stock options outstanding (net)	**159.41**	**82.62**

FY 2020-21

The Bank has granted 38,702 and 10,18,758 stock options on October 27, 2017 under Plan A3 and Plan B5, respectively, to Whole time Director which were pending for RBI Approval. During the year ended March 31, 2021, RBI pursuant to its letter intimated the Bank that the ESOPs granted to Whole time Director pertains to the period prior to his appointment as the whole-time director of the Bank and thus, the approval of RBI is not required, and the Board of Directors of the Bank may take appropriate decision in this regard subject to adherence to statutory norms, as applicable. Pursuant to this letter, associated cost of ₹ 58.95 crore pertaining to these ESOPs has been charged to profit and loss account for the year ended March 31, 2021.

The Bank has granted 99,800 stock options on September 04, 2020 under ESOP scheme 2018 to Whole time Director 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 be in accordance with the RBI approval received.

Schedules
forming part of the Financial Statements for the year ended March 31, 2021

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

7 Accounting for employee share based payments (contd.)

FY 2019-20

The Bank has granted 10,00,000 stock options on August 30, 2018 under Plan D1 to Whole Time Director however the bank has received RBI approval on June 17, 2019. Vesting period for these options commenced from the RBI approval date and accordingly these options have been considered for the purpose of computing the ESOP cost as per Plan D5.

The Bank has granted 38,702 and 10,18,758 stock options on October 27, 2017 under Plan A3 and Plan B5, respectively, to Whole time Director which were pending for RBI Approval. During the year ended March 31, 2020, the bank has submitted the revised proposal to RBI and the approval of the RBI is pending as at March 31, 2020. Accordingly, these options have not been considered for the purpose of computing the impact of ESOP fair value on profit before tax. The vesting period for these options will commence only after the RBI approval is received.

8 Employee benefits

(a) Defined benefit plans

Gratuity

The gratuity plan provides a lumpsum payment to vested employees at retirement or on termination of employment based on respective employee's salary and years of employment with the Bank considering the ceiling of gratuity amount of ₹ 0.20 crore.

Reconciliation of opening and closing balance of present value of defined benefit obligation for gratuity benefits as per AS-15 "Employee Benefits" is given below.

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Liability at the beginning of the year	33.07	15.15
Interest cost	2.15	1.21
Current service cost	14.61	11.15
Benefits paid during the year	(0.77)	(0.40)
Actuarial (gain) / loss on obligation	(2.07)	5.96
Experience adjustment	-	-
Assumption change	-	-
Liability at the end of the year	**46.99**	**33.07**
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	15.87	11.86
Expected return on plan assets	0.34	0.18
Contributions	17.21	3.30
Benefits paid	(0.77)	(0.40)
Actuarial gain / (loss) on plan assets	1.09	0.93
Experience adjustment	-	-
Assumption change	-	-
Fair value of plan assets at the end of the year	**33.74**	**15.87**

Schedules
forming part of the Financial Statements for the year ended March 31, 2021

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

8 Employee benefits (contd.)

(₹ in crore)

Particulars	March 31, 2021	March 31, 2020
Amount recognised in Balance Sheet		
Fair value of plan assets at the end of the year	33.74	15.87
Liability at the end of the year	(46.99)	(33.07)
Net Asset (included under Schedule 11.VII) / (Liability) (included under Schedule 5.VI)	**(13.25)**	**(17.20)**
Expenses recognised in Profit and Loss Account		
Interest cost	2.15	1.21
Current service cost	14.61	11.15
Expected return on plan assets	(0.34)	(0.18)
Net actuarial (gain) / loss recognised in the year	(3.16)	5.03
Net cost	**13.26**	**17.21**
Actual return on plan assets	1.43	1.11
Estimated contribution for the next year	13.25	17.00
Assumptions		
Discount rate	6.73% per annum	6.50% per annum
Expected return on plan assets	6.88% per annum	8.00% per annum
Withdrawal rate	1.00% at all ages	1.00% at all ages
Salary escalation rate	7.50% per annum	7.50% per annum

Experience adjustment

Particulars	Years ended March 31,				
	2021	2020	2019	2018	2017
Plan assets	33.74	15.87	11.86	0.14	-
Defined benefit obligation	46.99	33.07	15.15	11.60	6.99
Surplus / (deficit)	(13.25)	(17.20)	(3.29)	(11.46)	(6.99)
Experience adjustment gain / (loss) on plan assets	1.09	0.93	-	-	-
Experience adjustment (gain) / loss on plan liabilities	(2.07)	5.96	(2.68)	(0.52)	0.18

Schedules

forming part of the Financial Statements for the year ended March 31, 2021

SCHEDULE 18 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD.)

8 Employee benefits (contd.)

(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 ₹ 33.63 crore (Previous year ₹ 24.96 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 reversed ₹ 4.87 crore (Previous year booked ₹ 5.00 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.

As per our attached Report of even date.

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration No.: 101049W/E300004

per Sarvesh Warty
Partner
Membership No. 121411
Place: Mumbai

Date : April 29, 2021

For and on behalf of the Board of Directors
AU Small Finance Bank Limited

Raj Vikash Verma
(Non-Executive Independent Part Time Chairman)
DIN : 03546341
Place: Gurugram

Sanjay Agarwal
(Managing Director and CEO)
DIN : 00009526
Place : Jaipur

Uttam Tibrewal
(Whole Time Director)
DIN : 01024940
Place: Mumbai

Vimal Jain
(Chief Financial Officer)
Place : Jaipur

Manmohan Parnami
(Company Secretary)
Membership No. F9999
Place : Jaipur

Basel II (Pillar 3) Disclosures

As at 31st March 2021

RBI circular DBR.No.BP.BC.4/21.06.001/2015-16 dated 1st July, 2015 on 'Prudential guideline on Capital Adequacy and Market Discipline – New Capital Adequacy Framework (NCAF)' requires banks to make applicable Pillar 3 disclosures. These disclosures have not been subjected to audit or limited review. These disclosures are available on the Bank's website at: https://www.aubank.in/reports/regulatory-disclosures

A SCHEDULED COMMERCIAL BANK

AU SMALL FINANCE BANK LIMITED

CIN: L36911RJ1996PLC011381
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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 SIXTH (26TH) ANNUAL GENERAL MEETING ("AGM") OF THE MEMBERS OF AU SMALL FINANCE BANK LIMITED ("BANK") WILL BE HELD ON TUESDAY, 17TH AUGUST, 2021 AT 10:30 A.M. (IST) THROUGH VIDEO CONFERENCING ("VC") OR OTHER AUDIO VISUAL MEANS ("OAVM") TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS

Item No. 1: To adopt the Audited Financial Statements of the Bank for the Financial Year ended on 31st March 2021 and the reports of the Board of Directors and the Auditors thereon.

Item No.2: 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. 3: To appoint Joint Statutory Auditors of the Bank and to fix their remuneration.

To consider and, if thought fit, to pass, the following resolution as an **Ordinary Resolution**:

"**RESOLVED THA**T pursuant to the provisions of Sections 139, 141, 142 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 and applicable provisions of the Banking Regulation Act, 1949 [including any statutory modification(s), amendment(s) thereto or re-enactment(s) thereof for the time being in force] and the rules, guidelines and circulars issued by Reserve Bank of India, in this regard, from time to time, Deloitte Haskins and Sells, Chartered Accountants (Registration no. 117365W) and G. M. Kapadia & Co., Chartered Accountants (Registration no. 104767W) be and are hereby appointed as the Joint Statutory Auditors of the Bank to hold office for a period of three (3) years from the conclusion of 26th Annual General Meeting until the conclusion of 29th Annual General Meeting of the Bank to be held in the calendar year 2024, subject to the prior approval of the Reserve Bank of India for their appointment in every year, at an annual remuneration/fees of ₹ 1,65,00,000 (Rupees One Crore Sixty Five Lakh only) plus taxes at the applicable rates and outlays, for the purpose of audit of the Bank's accounts with the power to the Board of Directors to alter and vary the terms and conditions of appointment, revision including upward revision in the remuneration for the remaining tenure, arising out of increase/change in scope of work, including by reason of necessity on account of such conditions as may be stipulated by the RBI and / or any other authority, in such manner and to such extent as may be mutually agreed with the Auditors.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to do all such acts, matters, deeds and things necessary or desirable in connection with or incidental to give effect to the above resolution, including but not limited to filing of necessary forms with the Registrar of Companies and to comply with all other requirements in this regard."

SPECIAL BUSINESS

Item No. 4: To issue debt securities/bonds/other permissible instruments, in one or more tranches.

To consider and if thought fit, to pass the following resolution as a **Special Resolution:**

"**RESOLVED THAT** pursuant to the provisions of Section 42, 71, 180 and other applicable provisions, if any, of the Companies Act, 2013, read with rules made thereunder, applicable regulations of Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and other applicable rules, guidelines, circulars, notifications issued in this regard by Reserve Bank of India or any other regulatory authority (including any statutory modification(s) or re-enactment(s) thereof for the time being in force)and subject to such other approval(s), consent(s),permission(s) and sanction(s) as may be necessary from the concerned statutory or regulatory authority(ies) approval of the Members of the Bank be and is hereby accorded to the Board of Directors (hereinafter referred to as 'the Board', which term shall be deemed to include any Committee thereof, which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution and with the power to delegate such authority to any person or persons) for borrowing/ raising funds denominated in Indian rupees or any other permitted foreign currency by issue of debt securities, including but not limited to long-term bonds, perpetual debt instruments, Tier I/Tier II Capital Bonds or such other debt securities as may be permitted under RBI guidelines from time to time, on a private placement basis and/ or for making offers and/or invitations thereof and/or issue(s)/ issuances thereof, for a period of one year from the date hereof, in one or more tranches and/or series and under one or more shelf disclosure documents and/ or one or more letters of offer and on such terms and conditions for each series/tranche, including the price, coupon, premium, discount, tenor etc. as deemed fit by the Board, as per the structure and within the limits permitted by RBI, as applicable of an amount not exceeding ₹ 12,000 crore (Rupees Twelve Thousand crore Only) in domestic and/or overseas market within the overall borrowing limits of the Bank and on such terms and conditions as may be approved by the Board, from time to time.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things as may be considered necessary or desirable in connection with or incidental thereto to give effect to the above resolution, including but not limited to filing of necessary forms with the Registrar of Companies, disclosures with stock exchanges and to comply with all other requirements in this regard."

Item no. 05: To raise funds through issue of equity shares and/or any other instruments or securities representing either equity shares and/or convertible securities linked to equity shares including through Qualified Institutions Placement or such other permissible mode or combinations thereof:

To consider, and if thought fit to, pass the following Resolution, as a **Special Resolution**:

"**RESOLVED THAT** pursuant to the provisions of Sections 23, 41, 42 and 62(1)(c) and other applicable provisions, if any, of the Companies Act, 2013 and the applicable Rules made thereunder, including the Companies (Prospectus and Allotment of Securities) Rules, 2014 (including any statutory amendment(s), modification(s), variation(s) or re-enactment(s) thereto, for the time being in force) (the **"Act"**), the relevant provisions of the Banking Regulation Act, 1949, and the rules, guidelines and circulars issued by the Reserve Bank of India (the **"RBI"**) in this regard from time to time, the provisions of the Foreign Exchange Management Act, 1999 and rules and regulations framed thereunder, as amended, from time to time (the **"FEMA"**), the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, as amended, the current Consolidated FDI Policy issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India (the **"GOI"**) as amended, from time to time, the Master Directions – Issue and Pricing of Shares by Private Sector Banks, Directions, 2016, the Master Directions – Ownership in Private Sector Banks, Directions, 2016, the rules, the regulations, guidelines, notifications and circulars, if any, prescribed by the GOI, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (the **"SEBI ICDR Regulations"**), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, (the **"SEBI Listing Regulations"**), as amended, from time to time and subject to such other applicable rules, regulations, circulars, notifications, clarifications and guidelines issued thereon, from time to time, by the GOI, the Ministry of Corporate Affairs (the **"MCA"**), the RBI, the Securities and Exchange Board of India (the **"SEBI"**) and the Stock Exchanges where the Equity Shares of the Bank are listed and the enabling provisions of the Memorandum of Association and Articles of Association of the Bank and subject to the receipt of requisite approvals, consents, permissions and / or sanctions, if any, from any other appropriate statutory / regulatory authorities and subject to such other conditions and modifications as may be prescribed, stipulated or imposed by any of the said statutory / regulatory authorities, while granting such approvals, consents, permissions, and / or sanctions, which may be agreed to by the Board of Directors of the Bank (the **"Board"**, which term shall be deemed to include any Committee(s) of Directors constituted/to be constituted by the Board, from time to time, to exercise its powers conferred herein) (the **"Committee"**), consent, authority and approval of the Members of the Bank be and is hereby accorded to the Board to create, offer, issue and allot (including with provisions for reservation on firm and/ or on competitive basis, of such part of issue and for such categories of persons as may be permitted), such number of Equity Shares, and/ or Equity Shares through depository receipts, and/ or securities convertible into Equity Shares at the option of the Bank and/ or the holders of such securities, and/ or securities linked to Equity Shares, and/ or any other instrument or securities representing Equity Shares and/ or convertible securities linked to Equity Shares (all of which are hereinafter collectively referred to as **"Securities"**) or any combination of Securities, in one or more tranches, in the course of international and/ or domestic offering(s) in one or more foreign markets and/or domestic market, of private offerings and/ or preferential allotment and/or qualified institutions placement or any combination thereof, through issue of placement document or other permissible/requisite offer document to any eligible person, including Qualified Institutional Buyers, in accordance with Chapter VI of the SEBI ICDR Regulations, foreign/resident investors (whether institutions, incorporated bodies, mutual

funds, individuals or otherwise), venture capital funds (foreign or Indian), alternate investment funds, foreign portfolio investors, qualified foreign investors, Indian and/or multilateral financial institutions, mutual funds, non-resident Indians, pension funds and/or any other categories of investors, whether they be holders of Equity Shares of the Bank or not (collectively called the **"Investors"**) as may be decided by the Board, in its sole and absolute discretion and permitted under applicable laws and regulations, in one or more tranches for an aggregate amount not exceeding ₹ 2,500 crore (Rupees Two Thousand Five Hundred crore Only) or an equivalent amount thereof (inclusive of such premium as may be fixed on such Securities) (the **"Offering"**) by offering the Securities at such time or times, at such price or prices permitted under applicable laws in such manner and on such terms and conditions including security, rate of interest etc. as may be deemed appropriate by the Board in its sole and absolute discretion including the discretion, to determine the categories of Investors to whom the offer, issue and allotment shall be made to the exclusion of other categories of Investors at the time of such offer, issue and allotment of Equity Shares of ₹ 10/ each of the Bank considering the prevailing market conditions and other relevant factors and wherever necessary in consultation with lead manager(s) and/ or underwriter(s) and/or other advisor(s) as the Board in its sole and absolute discretion may deem fit and appropriate.

RESOLVED FURTHER THAT in case of issuance of Securities by way of a Qualified Institutions Placements (**"QIP"**), under Chapter VI of the SEBI ICDR Regulations (the **"Eligible Securities"**):

a. the price of the Eligible Securities shall not be less than the price as may be determined, in accordance with the pricing formula prescribed under Chapter VI of the SEBI ICDR Regulations.

b. the Board may at its sole and absolute discretion, issue Eligible Securities at a discount of not more than five percent (5%) or such other discount as may be permitted to the 'floor price' as may be determined in accordance with the pricing formula prescribed under Chapter VI of the SEBI ICDR Regulations.

c. the Relevant Date for determination of the price of the Equity Shares shall be the date of the meeting at which the Board decides to open the proposed QIP in terms of the provisions of the Act, the SEBI ICDR Regulations and other applicable laws, rules, regulations.

d. in case convertible securities are issued to Qualified Institutional Buyers (**"QIB"**) under Chapter VI of the SEBI ICDR Regulations, the Relevant Date for the purpose of pricing of such securities shall be either the date of the meeting at which the Board decides to open the proposed QIP of such convertible securities or the date on which the holders of such convertible securities become entitled to apply for the equity shares, in terms of the provisions of the Act, the SEBI ICDR Regulations and other applicable laws, rules, regulations.

e. the allotment of Equity Shares to each QIB in the proposed QIP issue shall not exceed five per cent (5%) of the post issued and paid-up capital of the Bank or such other limit(s) as may be prescribed under applicable laws or as approved by Reserve Bank of India.

f. the allotment of Eligible Securities or any combination of Eligible Securities as may be decided by the Board to the each QIBs shall be fully paid-up and the allotment of such Eligible Securities shall be completed within a period of 365 days, from the date of passing of this Special Resolution by the Members of the Bank and that all such Equity Shares shall rank pari-passu inter se and with the then existing Equity Shares of the Bank, in all respects, including dividend and shall be subject to the provisions of the Memorandum of Association and Articles of Association of the Bank.

g. the Eligible Securities shall not be sold for a period of one (1) year from the date of its allotment, except on the floor of recognised Stock Exchange(s).

RESOLVED FURTHER THAT without prejudice to the generality of the above, subject to applicable laws and receipt of requisite approvals, consents, permissions and / or sanctions, if any, from any other appropriate statutory / regulatory authorities and subject to such other conditions and modifications as may be prescribed, stipulated or imposed by any of the said statutory / regulatory authorities, the aforesaid issue of Securities may have all or any terms or combination of terms, in accordance with prevalent market practices or as the Board may in its sole and absolute discretion deem fit, including but not limited to the terms and conditions, relating to premium on redemption at the option of the Bank and/or holders of any securities, or variation of the price or period of conversion of Securities into equity shares or issue of equity shares during the period of the Securities or terms pertaining to voting rights or option(s) for early redemption of Securities.

RESOLVED FURTHER THAT for the purpose of giving effect to the resolutions described above the Board or a duly authorised Committee thereof be and is hereby authorised for and on behalf of the Bank to do all such acts, deeds, matters and things including but not limited to finalisation and approval of the relevant offering documents, determining the form and manner of the issue, the nature and number of Securities to be allotted, timing of the issuance /Offering, determination of person(s) to whom the Securities will be offered and allotted, in accordance with applicable law, issue price, face value, discounts permitted under applicable law (now or hereafter), premium amount on issue / conversion of the Securities, if any, rate of interest, execution of various agreements, deeds, instruments and other documents, as it may in its sole and absolute discretion deem fit, necessary, proper or appropriate, and to give instructions or directions and to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of Securities (including in relation to issue of such Securities in one or more tranches from time to time) and utilisation of the issue proceeds and to accept and to give effect to such modifications, changes, variations, alterations, deletions, additions as regards the terms and conditions as may be required by the SEBI, the Registrar of Companies, the book running lead manager(s), or other authorities or agencies involved in or concerned with the issue of Securities and as the Board or a duly authorised committee thereof may in its sole and absolute discretion deem fit and appropriate in the best interest of the Bank, without being required to seek any further consent or approval of the Members or otherwise, and that all or any of the powers conferred on the Bank and the Board pursuant to this resolution may be exercised by the Board or a duly authorised committee thereof as the Board has constituted or may constitute in this behalf, to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this Special Resolution, and all actions taken by the Board or any a duly authorised Committee thereof, to exercise its powers, in connection with any matter(s) referred to or contemplated in any of the foregoing resolutions be and are hereby approved, ratified and confirmed, in all respects.

RESOLVED FURTHER THAT the Board or a duly authorised Committee thereof be and is hereby authorised to engage / appoint Book Running Lead Managers, Underwriters, Depositories, Custodians, Registrars, Stabilising Agents, Trustees, Bankers, Lawyers, Advisors and all such agencies as may be involved or concerned in such offerings of Securities and to remunerate them by way of commission, brokerage, fees or the like and also to reimburse them out of pocket expenses and also to enter into and execute all such arrangements, agreements, memoranda, documents etc. with such agencies and to seek the listing of the Securities on the Stock Exchanges.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions, the Board or a duly authorised Committee thereof be and is hereby authorized for and on behalf of the Bank to negotiate, modify, sign, execute, register, deliver including sign any declarations or notice required in connection with the private placement offer letter, information memorandum, the draft offer document, offer letter, offer document, offer circular or placement document for issue of the Securities, term sheet, issue agreement, registrar agreement, escrow agreement, underwriting agreement, placement agreement, consortium agreement, trustee agreement, trust deed, subscription agreement, purchase agreement, agency agreement, agreements with the depositories, security documents, and other necessary agreements, memorandum of understanding, deeds, general undertaking / indemnity, certificates, consents, communications, affidavits, applications (including those to be filed with the Regulatory Authorities, if any) (the "Transaction Documents") (whether before or after execution of the Transaction Documents) together with all other documents, agreements, instruments, letters and writings required in connection with, or ancillary to, the Transaction Documents (the **"Ancillary Documents"**) as may be necessary or required for the aforesaid purpose including to sign and/or dispatch all forms, filings, documents and notices to be signed, submitted and/or dispatched by it under or in connection with the documents to which it is a party as well as to accept and execute any amendments to the Transaction Documents and the Ancillary Documents and further to do all such other acts, deeds, matters and things, mentioned herein as they may deem necessary in connection with the issue of the Securities in one or more tranches from time to time and matters connected therewith.

RESOLVED FURTHER THAT in respect of the Offering, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its sole and absolute discretion consider necessary, desirable or appropriate, including submitting the relevant application to the Stock Exchange(s) for obtaining in-principle approval, listing of Equity Shares, filing of requisite documents/ making declarations with the MCA, RBI, SEBI and any other Statutory / Regulatory Authority(ies), including filing of form FC-GPR, and any other deed(s), document(s), declaration(s) as may be required under the applicable laws.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of the Board, inter alia, power to determine the form, terms and timing of the issue(s)/ offering(s), issue price (including discount, if any), the quantum of Securities to be issued, including selection of Investors to whom Securities are proposed to be offered, issued and allotted and matters related thereto, as it may, in its sole and absolute discretion, deem fit and appropriate.

RESOLVED FURTHER THAT the Board or a duly authorised Committee thereof be and is hereby authorised to delegate all or any of the powers herein conferred to any Director(s) or Officer(s) of the Bank and to generally do all such acts, deeds, matters and things as may be required in connection with the aforesaid resolutions, including making necessary filings with the Stock Exchange(s) and Statutory / Regulatory Authorities and execution of any deeds and documents for and on behalf of the Bank

and to represent the Bank before any Governmental Authorities, to give effect to this resolution."

By the order of the Board of Directors
For AU SMALL FINANCE BANK LIMITED

Sd/-
Manmohan Parnami
Company Secretary
Membership No.: F9999

Place: Jaipur
Date: 8th July, 2021
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 setting out all material facts relating to the relevant items of business of this Notice is annexed herewith. The Board of Directors of the Bank at its meeting held on 8th July, 2021 considered that the special business under Item Nos. 4 & 5, being considered unavoidable, be transacted at the 26th AGM of the Bank.

2. In view of the massive outbreak of the COVID-19 pandemic, social distancing is a norm to be followed and pursuant to the Circular nos. 14/2020 dated 8th April 2020, 17/2020 dated 13th April 2020, 20/2020 dated 5th May 2020, 02/2021 dated 13th January 2021 issued by the Ministry of Corporate Affairs ("MCA") (these circulars collectively to be referred as **"MCA Circulars"**) and Circular nos. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated 12th May 2020 and SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated 15th January 2021 issued by the Securities and Exchange Board of India ("SEBI") (these circulars collectively to be referred as **"SEBI Circulars"**) and all other relevant circulars issued from time to time, AGM will be held through video conferencing (VC) or other audio visual means (OAVM) and physical attendance of the Members to the AGM venue is not required. The registered office of the Bank shall be deemed to be the venue for the AGM.

3. In accordance with the MCA & SEBI Circulars, as AGM will be held through VC, appointment of proxy by the member will not be applicable. However, the Body Corporates are entitled to appoint authorised representatives to attend the AGM through VC/ OAVM and participate there at and cast their votes through e-voting.

4. The Bank has provided two-way facility of video conferencing (VC) / other audio-visual means (OAVM) and live webcast of the proceedings of the AGM shall be available on 17th August, 2021 from 10:30 A.M. (IST) onwards at the weblink https://www.evoting.nsdl.com. Members are requested to join the 26th AGM from 10:00 A.M. (IST) i.e. 30 minutes before the time scheduled to start the 26th AGM and the Bank may close the window for joining the VC Facility, 30 minutes after the scheduled time to start the 26th AGM. Attendance of members will be counted as the members who have successfully logged in through VC or OAVM and shall be counted for the purpose of reckoning of the quorum under section 103 of the Companies Act, 2013. Please refer detailed instructions for attending the AGM through VC covered under this Notice.

5. In line with the MCA Circulars, the Annual Report for the Financial Year 2020-21 and AGM Notice has been uploaded on the website of the Bank at www.aubank.in. The same can also be accessed on the websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com respectively and on the website of NSDL (agency for providing the facility of conducting AGM through VC and Remote e-Voting facility) i.e. www.evoting.nsdl.com.

   The physical copies of the documents will be available at the Bank's registered office for inspection during the normal business hours between 10:00 AM to 5:00 PM on working days up to the date of the AGM. Members having any queries, may please write to Company Secretary at investorrelations@aubank.in. Further, During the 26th AGM, Members may access the required documents upon Log-in to NSDL e-Voting system at www.evoting.nsdl.com.

6. In case of joint holders attending the Meeting, only such joint holder whose name appears as the first holder in the order of names will be entitled to vote, provided the votes are not already cast by remote e-voting by the first holder.

7. Members can submit questions in advance with regard to the financial statements or any other matter to be placed at the 26th AGM, from their registered email address, mentioning their name, DP ID and Client ID and mobile number, to reach the Bank's email address at investorrelations@aubank.in from 10th August, 2021 to 12th August, 2021. Such questions by the Members shall be taken up during the meeting and replied by the Bank suitably.

   Further, Members, who would like to ask questions during the 26th AGM with regard to the financial statements or any other matter to be placed at the 26th AGM, need to register themselves as a speaker by sending their request from their registered email address mentioning their name, DP ID and Client ID and mobile number, to reach the Bank's email address at investorrelations@aubank.in from 10th August, 2021 to 12th August, 2021.

   Those Members who have registered themselves as a speaker shall only be allowed to speak/ask questions during the 26th AGM, depending upon the availability of time.

8. On account of the threat posed by COVID-19 and in terms of the MCA Circulars, the Annual report and AGM notice are being electronically sent to all the members of the Bank, whose name appear on the Register of Members/List of Beneficial Owners, as received from National Security Depository Limited (NSDL) / Central Depository Services (India) Limited (CDSL) on Monday, 19th July, 2021 and who have registered their e-mail addresses with the Depositories/ Depository Participants. It is however, clarified that all the persons who are members of the Bank as on Tuesday, 10th August, 2021 (including those members who may not have received this Notice due to non- registration of their e-mail IDs) shall be entitled to vote in relation to the resolutions specified in this Notice. The hard copy of this Annual Report and AGM notice along with annexures will not be sent to the members in accordance with the requirements specified under the MCA Circulars.

9. There is no record date for the purpose of Dividend as the Board of Directors has not recommended Dividend for FY 2020-21.

10. Members wishing to claim unclaimed dividends are requested to correspond with the Registrar and Transfer Agent ("RTA") of the Bank i.e. Link Intime India Pvt. Ltd. or the Company Secretary of the Bank. The Bank has uploaded the details of unclaimed dividend amounts lying with the Bank on the website of the Bank at https://www.aubank.in/investors/investor-services.

    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 ("**IEPF Rules**"), all shares in respect of which dividend has not been paid or claimed for seven consecutive years shall also be transferred to the demat account of the Investor Education and Protection Fund authority (IEPF Authority).

11. The 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 the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Bank/RTA.

12. We request members to update their contact details including address with pin code, e-mail address, mandates, nominations, power of attorney, bank details covering name of the bank and branch details, bank account number, MICR code, IFSC code, etc. with their depository participants.

13. Non-Resident Indian Members are requested to contact their respective Depository Participants/RTA (in case of physical shares) for any change in their residential status on return to India for permanent settlement, particulars of their bank account maintained in India with complete name, branch account type, account number and address of Bank with pin code number, if not furnished earlier.

14. 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 and re-appointment at the AGM, is furnished as annexure to the Notice.

DETAILS OF E-VOTING AND JOINING AGM THROUGH VC:

Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015 (as amended), and the MCA Circulars & SEBI Circulars the Bank is providing facility of remote e-Voting to its Members in respect of the business to be transacted at the AGM.

For this purpose, the Bank has entered into an agreement with National Securities Depository Limited (**"NSDL"**) for facilitating voting through electronic means, as the authorized agency. The facility of casting votes by a member using remote e-Voting system as well as e-voting on the date of the AGM will be provided by NSDL.

The remote e-voting period begins on Friday, 13th August, 2021 at 9:00 A.M. and ends on Monday, 16th August,

2021 at 5:00 P.M. The remote e-voting module shall be disabled by NSDL for voting thereafter. The Members, whose names appear in the Register of Members / Beneficial Owners, as received from National Security Depository Limited (NSDL) / Central Depository Services (India) Limited (CDSL), as on the record date (cut-off date) i.e. Tuesday, 10th August, 2021 may cast their vote electronically.

The voting right of members shall be in proportion to their share in the paid-up equity share capital of the Company as on the cut-off date, being Tuesday, 10th August, 2021.

The Board of Directors have appointed CS Manoj Maheshwari, Practicing Company Secretary (Membership No. FCS: 3355) and failing him CS Vikas Mehta, Practicing Company Secretary (Membership No. FCS: 9985), as the Scrutiniser to scrutinise the polling/ e-voting and remote e-Voting process in a fair and transparent manner.

The details of the process and manner for remote e-Voting and joining AGM through VC are as under:

Step 1: Log in to e-Voting system by following details given below.

Step 2: Cast your vote electronically and join AGM on NSDL e-Voting system.

Details on Step 1 are mentioned below:

A) Login method for e-Voting and joining AGM through VC for Individual shareholders

In terms of SEBI circular dated 9th December 2020 on e-Voting facility provided by Listed Companies, e-voting process has been enabled to all the individual demat account holders, by way of a single login credential, through their demat accounts/ websites of Depositories/ Depository Participants in order to increase the efficiency of the voting process. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-Voting facility.

Login method for Individual shareholders holding securities in demat mode is given below:

Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with NSDL	i. If you are already registered for NSDL IDeAS facility, please visit the e-Services website of NSDL. Open web browser by typing the following URL: https://eservices.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the "Beneficial Owner" icon under "Login" which is available under "IDeAS" section. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-Voting services. Click on "Access to e-Voting" under e-Voting services and you will be able to see e-Voting page. Click on options available against company name or e-Voting service provider - NSDL and you will be re-directed to NSDL e-Voting website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. ii. If the user is not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com. Select "Register Online for IDeAS" Portal or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp. iii. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number held with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on options available against company name or e-Voting service provider - NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.
Individual Shareholders holding securities in demat mode with CDSL	i. Existing users who have opted for Easi / Easiest, they can login through their user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on New System Myeasi. ii. After successful login of Easi/Easiest the user will be also able to see the E Voting Menu. The Menu will have links of e-Voting service provider i.e. NSDL. Click on NSDL to cast your vote. iii. If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration. iv. Alternatively, the user can directly access e-Voting page by providing demat Account Number and PAN from a link in www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the demat Account. After successful authentication, user will be provided links for the respective ESP i.e. NSDL where the e-Voting is in progress.
Individual Shareholders (holding securities in demat mode) login through their depository participants	i. You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. ii. Once login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. iii. Click on options available against company name or e-Voting service provider-NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.

Important note: Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL.

Login type	Helpdesk details
Individual Shareholders holding securities in demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30.
Individual Shareholders holding securities in demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 022-23058738 or 022-23058542-43.

B) Login Method for shareholders other than Individual shareholders holding securities in demat mode and shareholders holding securities in physical mode:

How to Log-in to NSDL e-Voting website?

i. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile.

ii. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section.

iii. A new screen will open. You will have to enter your User ID, your Password/OTP and a Verification Code as shown on the screen.

Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at https://eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.

iv. Your User ID details are given below:

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical)	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12****** then your user ID is IN300***12******.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12********** then your user ID is 12**********
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***

v. Password details for shareholders other than Individual shareholders are given below:

a) If you are already registered for e-Voting, then you can user your existing password to login and cast your vote.

b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.

c) How to retrieve your 'initial password'?

(i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.

(ii) If your email ID is not registered, please follow steps mentioned below in process for those shareholders whose email ids are not registered.

vi. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:

a) Click on **"Forgot User Details/Password?"**(If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.

b) Physical User Reset Password?" (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.

c) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number, your PAN, your name and your registered address etc.

d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.

vii. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

viii. Now, you will have to click on "Login" button.

ix. After you click on the "Login" button, home page of e-Voting will open.

Step 2: Cast your vote electronically and join AGM on NSDL e-Voting system.

i. After successful login at Step 1, you will be able to see all the companies **"EVEN"** in which you are holding shares and whose voting cycle and General Meeting is in active status.

ii. Select **"EVEN 116404"** of AU Small Finance Bank Limited to cast your vote during the remote e-Voting period and casting your vote during the General Meeting. For joining virtual meeting, you need to click on **"VC/OAVM"** link placed under **"Join General Meeting"**.

iii. Now you are ready for e-Voting as the Voting page opens.

iv. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.

v. Upon confirmation, the message "Vote cast successfully" will be displayed.

vi. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

vii. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

General Guidelines for shareholders

i. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the **"Forgot User Details/Password?"** or **"Physical User Reset Password?"** option available on www.evoting.nsdl.com to reset the password.

ii. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on toll free no.: 1800 1020 990 and 1800 22 44 30 or send a request at evoting@nsdl.co.in to Ms. Pallavi Mhatre-Manager, National Securities Depository Limited, Trade World, 'A' Wing, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, MUMBAI - 400 013.

iii. Members of the Bank under the category of Institutional Investors are encouraged to attend and vote at the AGM through VC. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/ JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to cs.vmanda@gmail.com with a copy marked to evoting@nsdl.co.in.

Process for those shareholders whose email ids are not registered with the depositories for procuring user id and password and registration of e mail ids for e-voting for the resolutions set out in this notice:

i. In case shares are held in physical mode, please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to investorrelations@aubank.in.

ii. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) to investorrelations@aubank.in. If you are an Individual shareholders holding securities in demat mode, you are requested to refer to the login method explained at **step 1 (A) i.e. Login method for e-Voting and joining AGM through VC for Individual shareholders**.

iii. Alternatively shareholder/members may send a request to evoting@nsdl.co.in for procuring user id and password for e-voting by providing above mentioned documents.

THE INSTRUCTIONS FOR MEMBERS FOR e-VOTING ON THE DAY OF THE AGM ARE AS UNDER:

i. Only those Members/ shareholders, who will be present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the AGM.

ii. Members who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote again at the AGM.

iii. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.

iv. The details of the person who may be contacted for any grievances connected with the facility for e-Voting on the day of the AGM shall be the same person mentioned for Remote e-voting.

INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:

i. Member will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-Voting system. Members may access by following the steps mentioned above for Access to NSDL e-Voting system. After successful login, you can see link of "VC/OAVM link" placed under "Join General meeting" menu against company name. You are requested to click on VC/OAVM link placed under Join General Meeting menu. The link for VC/OAVM will be available in Shareholder/Member login where the EVEN of Company will be displayed. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush.

ii. Members are encouraged to join the Meeting through Laptops for better experience.

iii. Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.

iv. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.

v. Shareholders who would like to express their views/have questions may send their questions in advance mentioning their name demat account number/folio number, email id, mobile number at investorrelations@aubank.in. The same will be replied by the Bank suitably.

15. Any person, who acquires shares of the Bank and becomes member of the Bank after dispatch of the notice and holding shares as on the cut-off date i.e. Tuesday, 10th August, 2021, may obtain the login ID and password by sending a request at evoting@nsdl.co.in or contact Bank's RTA.

16. Since the AGM will be held through VC/OAVM Facility, the Route Map is not annexed with this Notice.

17. 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 two working days from the conclusion of the meeting.

18. 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.evoting.nsdl.com) immediately after the declaration of result by the Chairman and the same will also be communicated to BSE Limited and the National Stock Exchange of India Limited within two working days from the conclusion of the AGM.

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: 8th July, 2021
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 below mentioned Item no(s). mentioned in the above Notice:

Item No. 3:

The members of the Bank at the 22nd Annual General Meeting held on 27th September 2017 have appointed M/S S.R. BATLIBOI & ASSOCIATES LLP, Chartered Accountants, (Registration No. 101049W/E300004) as the Statutory Auditors of the Bank to hold office, from the conclusion of 22nd Annual General Meeting until the conclusion of ensuing 26th Annual General Meeting of the Bank. As per the provisions of RBI Circular No.DBS. No.ARS.BC.8 08.91.001/2000-2001 dated January 30, 2001, an audit firm is allowed to continue as the auditor of a bank for a continuous period of four years only. Hence, they would retire at the conclusion of the 26th Annual General Meeting of the Bank.

RBI on 27th April 2021 has issued guidelines for appointment of Statutory Central Auditors/Statutory Auditors of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs). As per the said guidelines statutory audit of entities with asset size of ₹ 15,000 crore and above as at the end of previous year, should be conducted under joint audit of a minimum of two audit firms. The audit firms can continue as the Statutory Auditors (**"SA"**) of the Bank for a continuous period of three (3) years only and thereafter the said firms will be compulsorily rested for six (6) years after completion of full or part of one term of the audit tenure. Further, prior approval of RBI for appointment/reappointment of SAs on an annual basis is required in terms of the above guidelines.

In view of the above, the Board of Directors at its meeting held on 8th July, 2021 on the recommendation of the Audit Committee has proposed the appointment of Deloitte Haskins and Sells, Chartered Accountants (Registration No. 117365W) and G. M. Kapadia & Co., Chartered Accountants (Registration No. 104767W) as the Joint Statutory Auditors of the Bank for a period of three (3) years from the conclusion of 26th Annual General Meeting until the conclusion of 29th Annual General Meeting of the Bank to be held in the calendar year 2024, subject to the prior approval of the Reserve Bank of India for their appointment in every subsequent year.

As per the requirement of the Act, the proposed SAs have confirmed that the appointment, if made would be within the limits specified under Section 141(3) (g) of the Act and they are not disqualified to be appointed as Statutory Auditors in terms of the provisions of the proviso to Section 139(1), Section 141(2) and Section 141(3) of the Act, the provisions of the Companies (Audit and Auditors) Rules, 2014 and complies with all eligibility norms prescribed by RBI.

The Bank has received approval of the RBI for appointment of Deloitte Haskins & Sells, Chartered Accountants, and G. M. Kapadia & Co., Chartered Accountants as the Joint Statutory Auditors of the Bank for the financial year 2021-22.

Brief profile of Joint Statutory Auditors.

A. Deloitte Haskins & Sells ("DHS") is registered with the Institute of Chartered Accountants of India ("ICAI") with Registration No. 117365W and is a part of Deloitte Haskins & Sells & Affiliates being the Network of Firms registered with the ICAI. The registered office of DHS is at 19th Floor, Shapath – V, S G Highway, Ahmedabad – 380 015, India. The firm was formed in 1997 and has been engaged in statutory audits of financial statements of banks (including private and foreign banks in India) and other financial institutions for number of years.

B. G. M. Kapadia & Co ("the Firm") is registered with the Institute of Chartered Accountants of India ("ICAI") with Registration No. 104767W. The head office of the Firm is at 1007, Raheja Chambers, 213, Nariman Point, Mumbai-400021. The Firm has 14 partners and average experience in years is more than 20 years. The firm was formed in 1938 and has been engaged in audits for Commercial Banks as Statutory Central Auditors and Statutory Branch Auditors for a period of more than 30 years.

Deloitte Haskins & Sells and G. M. Kapadia & Co. as Joint Statutory Auditors will be paid an annual remuneration/ fees of ₹ 1,65,00,000 (Rupees One Crore Sixty Five Lakh Only) plus taxes at the applicable rates and outlays, for the purpose of audit of the Bank's accounts with the power to the Board to alter and vary the terms and conditions, revision including upward revision in the remuneration for the remaining tenure, arising out of increase/change in scope of work, including by reason of necessity on account of such conditions as may be stipulated by the RBI and / or any other authority, in such manner and to such extent as may be mutually agreed with the Joint Statutory Auditors.

There is change in the remuneration proposed for the new Joint Statutory Auditors for financial year 2021-22 from what has been paid to the outgoing Statutory Auditors for the financial year 2020-21 due to applicability of Joint Audit for financial year 2021-22 onwards and their scope of work.

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. 3.

Considering the profile, experience in statutory audit of banks & financial service sector entities, professional qualified team and staff strength of the Deloitte Haskins & Sells and G. M. Kapadia & Co., the Board of Directors recommends the passing of the Ordinary Resolution at Item No. 3 of the Notice to the members of the Bank.

Item No 4:

Pursuant to provisions of Section 42 of the Companies Act, 2013 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 provides that Bank can issue securities including non-convertible debentures (NCDs)/Bonds on a private placement basis subject to the condition that the proposed offer of debt securities or invitation to subscribe to debt securities has been previously approved by the Shareholders of the Bank, by means of a special resolution, for each of the offers or invitations. In case of an offer or invitation for NCDs, it shall be sufficient if the company passes a special resolution only once in a year for all offer(s) or invitation(s) for issue of such NCDs on a private placement basis, during the period of one year from the date of passing of the special resolution.

Considering the above, the Board of Directors of the Bank at its meeting held on 29th April 2021 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 (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. The above said limit proposed to shareholders is similar to approved by the shareholders at the 25th AGM of the Bank.

None of the Director or and Key Managerial Personnel of the Bank or their relatives are, directly or indirectly, financially or otherwise, concerned or interested in the Resolution set out at Item No. 4.

The Board of Directors recommends the passing of the Special Resolution at Item No. 4 of the Notice to the members of the Bank.

Item No. 5

The Bank has been growing steadily and consistently performing well on all counts in the last 4 years, since commencing operations as a Small Finance Bank. For the period of FY 2017-21, the bank grew its AUM at a CAGR of 37%. The members of the Bank at the 25th AGM held on 21st July 2020 has approved raising of funds through Qualified Institutions Placement/ preferential allotment or such other permissible mode or combinations thereof. Thereafter, pursuant to provisions of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 and the Companies Act 2013, the Bank successfully completed a Qualified Institutions Placement of 50,00,000 equity shares of face value of ₹ 10 each at an issue price of ₹ 1,251 per Equity Share (including a premium of ₹ 1,241 per Equity Share) to Qualified Institutional Buyers (QIB) aggregating to ₹ 625.50 crore. This was driven mainly by the Bank's long-term strategy wherein Bank has always ensured that it remains well capitalized while delivering consistent growth in Balance Sheet and healthy profitability.

Purpose / objects of the fund raise:

As on 31st March 2021, our Bank's Capital to Risk Weighted Asset Ratio ("CRAR") and Tier I ratio stood at 23.4% and 21.5% respectively. This is significantly above the minimum requirement of 15%, and sufficient for the Bank to meet the near term growth needs of the Bank in FY 2021-22.

As macro-economic growth improves from current levels, to support the growth aspirations of the Bank, and to meet increasing regulatory requirements, it is important that the Bank remains well-capitalized, with a strong Tier 1 capital base.

As a matter of prudence, in order to always remain in compliance with various regulatory requirements in case of any unforeseen contingency, and while ensuring that there is sufficient capital to support growth, we seek an enabling resolution to raise additional equity capital up to ₹ 2,500 crore (Rupees Two Thousand Five Hundred Crore only).

The Special Resolution as set out in Item No. 5 of this Notice is an enabling resolution to raise capital by way of a private placement, including by way of a Qualified Institutions Placement ("QIP") in accordance with Chapter VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (the "SEBI ICDR Regulations") and therefore the proposal seeks to confer upon the Board or a duly authorised Committee thereof, the sole and absolute discretion to determine the terms and conditions of the said issue of securities, including the exact price, proportion and timing of such issue, mode of offer based on an analysis of market conditions and the specific requirements in accordance with the applicable laws.

None of the Director or and Key Managerial Personnel of the Bank or their relatives are, directly or indirectly, financially or otherwise, concerned or interested in the Resolution set out at Item No.5 of this Notice.

The Board recommends passing of the Special Resolution as set out in Item No. 5 of this Notice, for the approval of the Members.

By the order of the Board of Directors
For AU SMALL FINANCE BANK LIMITED

Sd/-
Manmohan Parnami
Company Secretary
Membership No.: F9999

Place: Jaipur
Date: 8th July, 2021
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

Annexure

BRIEF PROFILE AND OTHER INFORMATION OF DIRECTORS BEING APPOINTED / RE-APPOINTED / WHOSE REMUNERATION IS BEING REVISED, AS SET OUT IN THIS NOTICE, IN TERMS OF THE REGULATION 36 (3) OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 AND THE SECRETARIAL STANDARD ON GENERAL MEETINGS (SS-2) ISSUED BY THE INSTITUTE OF THE COMPANY SECRETARIES OF INDIA.

Particulars	Item No. 2 for Mr. Uttam Tibrewal
Age	50 Years
Date of first appointment on Board	22nd January 2005
Qualification	Bachelor of Commerce
Brief Resume including experience	Mr. Uttam Tibrewal is a commerce graduate from the University of Delhi. He has 24+ years of experience in Financial Service sector with rich experience in the field of Agriculture & Rural Economy, Financing, Small scale industry, Accountancy, Banking, Risk and Business Management. His deep operational knowledge and broad strategic insight helped in building and scaling the retail business. He is responsible for supervisory functions and departments viz. Retail Assets covering Wheels & Secured Business Loans, Home Loans, Agri – SME Loans, Branch and Personal Banking. His ability to pulse the customer expectation sets him apart. He has led from front and over the years ensured that simplification of processes and customer centricity is kept as organisational priority for success and sustainability in the long run.
Nature of his expertise in specific functional areas	• Accountancy • Agriculture and Rural Economy • Banking • Finance • Small Scale Industry • Risk Management • Business Management
Other Directorship	NIL
Chairmanship/Membership of Committees in other companies 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 Company	49,08,135
No. of Board meetings attended during the year	10
Terms and conditions of appointment	Executive Director liable to retire by rotation and other terms and conditions as approved by shareholders and as stipulated by RBI.
Remuneration last drawn	₹ 2.24 crore
Remuneration sought to be paid	As may be approved by Board of Directors on the recommendation of Nomination & Remuneration Committee, subject to approval of Shareholders and RBI.

AU Small Finance Bank Limited

Updation Form for Shareholders

Updation of E-mail ID & Bank Account Details

*** Updation of contact details:** Kindly update your e-mail id and contact details in the below mentioned block.

E-mail ID:	
Tel.No./ Mobile No.	

Updation of Bank Details

Name of First/Sole shareholder	
Name of the Bank in Full & Branch	
Bank A/C No. as appearing on the Cheque leaf	
IFSC Code	
MICR Code	
PAN	

I/We hereby declare that the particulars given above are correct and complete. If the transaction is delayed because of incomplete or incorrect information, I/we would not hold the Registrars and Transfer Agents responsible. I/We undertake to inform any subsequent changes in the above particulars before the 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:
Link Intime India Pvt. Ltd.
C-101, 247 Parks, L.B.S. Marg, Vikhroli (west)
Mumbai 400083
E-mail: rnt.helpdesk@linkintime.co.in

Shareholders holding shares in Dematerialised form, please send these details to:
The Depository Participant with whom your Demat Account is maintained

Enclosures:

1. Self-attested copy of PAN Card.
2. Self-attested copy of Residence Proof (Anyone – Voter ID/Passport/Driving License/ AADHAAR Card).
3. Cancelled Blank Cheque leaf.
4. Signature attestation by Manager of Scheduled Commercial Bank/ AU Small Finance Bank Limited.

Shareholder's Satisfaction Survey

QR code

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://forms.office.com/r/N3BTL8arur

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. The Bank has sourced the industry information from the publicly available resources and has not verified those information independently.

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.

श्रद्धांजलि

AUites, we lost due to COVID-19



Mr. Vinod Kumar
Field Credit Officer (Patiala)



Mr. Rakesh Pandey
Relationship Officer (Dwarka)



Mr. Rathva Maheshbhai
Field Credit Officer (Halol)



Mr. Ashish Dixit
Sales Officer (Jabalpur)



Mr. Vijay Khandelwal
Team Leader- Collection (Indore)



Mr. Shiv Bhadoriya
Assistant Business Manager (Bhopal)



Mr. Darpan Dilip Nanche
Sales Officer (Kankavli)



Mr. Rajendra Prasad Gurjar
Team Leader- Sales (Dausa)



Mr. Anshul Nigam
Manager (Jobner)



Mr. Akshay Shankarrao Sane
Collection Officer- Wheels (Vadodara)



Mr. Suresh Kumar Malviya
Business Manager- SBL (Hoshangabad)



Mr. Jignesh Maniyar
Customer Service Officer (Bhavnagar)



Mr. Prabhat Kumar Vidwans
Money Officer (Gondia)



Mr. Ajay Aklare
Senior Sales Officer (Khandwa)



Saluting Real Life Heroes

All heroes make the story stronger. But very few evoke the hero in others to stand-up stronger in their individual stories. Thank you for being that hero for all of us!

/Concept, content and design at AICL (hello@aicl.in)

AU SMALL FINANCE BANK
A SCHEDULED COMMERCIAL BANK

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
Call us - 1800-1200-1200
CIN: L36911RJ1996PLC011381