PILLAR 3 Disclosures at March 31, 2026

AU Small Finance Bank Limited is subject to the Basel framework as stipulated by the Reserve bank of India (RBI) under Master Direction “Reserve Bank of India (Small Finance Banks – Prudential Norms on Capital Adequacy) Directions, 2025 “dated November 28, 2025.

The Basel framework as per the extant guidelines consists of three-mutually reinforcing pillars:

(i) Pillar 1: Minimum capital requirements for credit risk.

(ii) Pillar 2: Supervisory review of capital adequacy.

(iii) Pillar 3: Market discipline.

Market discipline (Pillar 3) comprises set of disclosures on the capital adequacy and risk management framework of the Bank. These disclosures have been set out in the following sections.

Table DF-1: SCOPE OF APPLICATION

AU Small Finance Bank Limited (hereinafter referred to as the ‘Bank’ or ‘AUSFB’) is a private sector bank domiciled in India. The Bank 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 operates a sustainable business model that facilitates credit to the unserved and underserved retail and MSME customer segments while providing complete banking solutions to its deposit and branch banking customers.

As a tech-led Bank, AU has a strong digital presence with innovative products and services like 24x7 video banking, credit card, personal loan, UPI QRs, payments, merchant lending, WhatsApp Banking, Chatbot etc. and its digital bank application AU0101 remains among the highest rated banking apps in India.

The Bank does not have any subsidiary, associate, or joint venture for consolidation purpose.

Table DF-2: CAPITAL ADEQUACY

a. Capital Management

Objective

The Bank actively manages its capital to meet regulatory norms and current and future business needs considering the risks in its businesses, expectation of shareholders and investors, and the available options of raising capital.

Organisational set - up

The capital management framework of the Bank is administered by the Finance & Accounts Department and the Risk Management Department under the supervision of the Board and the Risk Management Committee of the Board.

Internal Assessment of Capital

The Bank's capital management framework includes an Internal Capital Adequacy Assessment Process (ICAAP) which determines the adequate level of capital for the Bank to meet the regulatory norms and current and future business needs. The Bank also periodically undertakes stress testing to assess the impact on capital and risk weighted under various plausible stressed scenario.

Stress testing which is a key aspect of the ICAAP and the risk management framework provides an insight on the impact of extreme but plausible scenarios on the Banks' risk profile and capital position, the Bank conducts stress tests on its various portfolios as prescribe by the RBI and assesses the impact on its capital ratios and the adequacy of capital.

Regulatory Capital

The Bank is required to maintain minimum CET1 CRAR of 6.00%, minimum Tier-1 CRAR of 7.50% and minimum total CRAR of 15.00%. Further, Market risk and operational risk capital charges is not applicable to the Bank.

The Total Capital Adequacy ratio of the Bank as on March 31, 2026 is 18.68% against the regulatory requirement of 15.00% prescribed by RBI.

b. Capital Requirement

₹ In Crs.

S. No.	Particulars	Amount
A	**Credit Risk**	**17,435.09**
A.1	For non-securitised portfolio	16,465.13
A.2	For securitised portfolio	969.96
B	**Market Risk**	-
C	**Operational Risk**	-
D	**Total Capital Requirement (A+B+C)**	**17,435.09**
E	**Total Risk Weighted Assets (Credit)**	**1,16,233.98**
F	**Total capital funds of the bank**	**21,708.57**

Total and Tier I Capital Ratio

Particulars	Capital Adequacy Ratio
CET I Ratio	16.86%
Tier I Ratio	16.86%
Total Capital Adequacy Ratio	**18.68%**

RISK EXPOSURE AND ASSESSMENT

The Bank aims to operate within an effective risk management framework to actively manage all the risks including credit, market, liquidity, operational & fraud, legal, compliance and reputation, strategic, technology, information security, interest rate risk in banking book, credit concentration risks etc. faced by the Bank, in a manner consistent with its risk appetite.

The objective of the risk management framework of the Bank is to ensure that various risks are understood, measured, and monitored and that the policies and procedures established to address these risks are strictly adhered to.

The key principles underlying the risk management framework at the Bank are as follows:

i. Promotion of a robust risk culture by ensuring that risks are clearly understood, measurable and manageable.

ii. Accountability of risk by individual business verticals.

iii. Senior Management engagement with each business vertical.

iv. Diversification of risk across business lines, geographies, customer segments, secured/unsecured portfolio etc.

v. Objective matrix helps to gauge the risk and articulate the company's risk appetite. These measures include capital and earnings ratios, market and liquidity risk limits and credit and operational risk targets.

vi. Risk-taking shall be within a clearly defined risk appetite. The alignment of risk appetite and business strategy would be a combined process between Risk and Business Units. Risk-taking units are aware of the risks related to the origination of respective businesses and the risk managing units ensure that adequate processes are implemented to identify, measure, monitor, report and mitigate these risks.

vii. Risk managers are empowered to take decisions, and it is ensured that they escalate issues where appropriate.

viii. Expertise and independence of Risk managers are ensured.

The Board has the ultimate responsibility for the Bank's risk management framework. The Board is principally responsible for approving the Bank's risk appetite, risk tolerance and related strategies and policies. To ensure that the Bank has a sound system of risk management and internal controls in place, the Board has established the Risk Management Committee of the Board. The RMCB assists the Board in relation to the oversight and review of the Bank's risk management principles and policies, strategies, appetite, processes, and controls.

Table DF – 3: CREDIT RISK

The Bank is exposed to credit risk in its lending operations. Credit risk is the risk of loss that may occur from the failure of any counterparty to abide by the terms and conditions of any financial contract with the Bank, principally the failure to make required payments as per the terms and conditions of the contracts.

The Bank's Retail Loan offerings include Wheels Loan, Micro Business Loans, Home Loan, Gold Loan, Personal Loan, Microfinance Loan, Credit Card etc. The Bank also offers credit facilities to Financial Institutions, Construction Finance to Builders under Real Estate, Funding for renewable energy projects, Working Capital and Project Finance under Business Banking as part Commercial Banking.

Policies and Processes

All credit risk related aspects are governed by Board approved Credit Risk Management Policy (CRMP) and Credit Policy. These Policies has been designed to provide a transparent and clear set of guidelines to the Directors, Management and Employees for sanctioning, managing, and monitoring of credit exposures of the Bank. These policies cover all customers and products of the Bank which possess credit risk.

The key principles underlying the Policy framework at the Bank are as follows: -

i. The Bank constantly reviews and updates the scheme of delegation of powers to accommodate for organizational restructuring, changing regulatory environment, competitive scenario etc. Underwriting authorities are delegated to credit underwriters depending on product, vertical, experience of credit officer. Any exposure greater than specified threshold follows Credit Committee approach.

ii. New products proposed to be offered by the Bank are approved as per the Product Approval Policy.

iii. Credit exposure is always taken on Outstanding and Un-Used Commitments. However, in the case of fully drawn term loans, where there is no scope for re-drawl of any portion of the sanctioned limit, the Bank will reckon the outstanding as the exposure.

Credit Risk Assessment Process

Credit Assessment is a process to ascertain the risks associated with the extension of credit facility. Credit risk is a risk related to non-repayment of the credit obtained by the customer. Thus, it is necessary to appraise the credit worthiness of the customer and thorough assessment of business viability to mitigate the credit risk.

Board approved credit policy and procedures enable the Bank to manage credit risk expansively. A well-defined approval & deviation matrix authorizes personnel in the hierarchy to approve loans categorized on various risk elements.

Credit and Business unit ensures adherence to underwriting policies & processes in the Bank through strong customer centric approach, by understanding about the customer & business viability and assessing customer's ability and willingness to pay, future business outlook, potential risk factors and their mitigants.

Credit Risk Governance Framework

The credit risk governance ensures segregation of duties across the three lines of defence: -

Business and Credit units, which take risk and are responsible for implementing corrective actions to address process and control deficiencies. As the first line of defence, business units retain accountability for managing the credit risks. This responsibility cannot be transferred to the next line of defence.

Credit risk function, that independently manages risk, provides policy guidance, recommendations, risk reporting and analysis is the second line of defence.

Internal Audit unit, which independently assesses the design and operational effectiveness of the entire risk management framework is the third line of defence.

The Credit Risk Governance Framework of AU SFB comprises of the Board of Directors (BOD), Risk Management Committee of the Board (RMCB), Credit Risk Management Committee (CRMC), Chief Risk Officer, Head of Credit Risk, Business Units (BUs) & Internal Audit Department (IAD).

Credit Risk Monitoring Process

For effective monitoring of credit facilities, the Bank has laid down a credit supervision mechanism which includes credit risk monitoring at a portfolio and account level for Business Banking (including Agri Banking), Renewable Energy Funding, Real Estate Group and Emerging Enterprise & Financial Institutions, and at a portfolio level for retail loans. Portfolio level monitoring includes concentration risk monitoring such as borrower concentration, sector concentration (NBFC, Capital Market and Real estate), geography-wise concentration, product-wise concentration etc. Account level monitoring includes monitoring of account conduct and borrower's performance post disbursement.

Effective credit risk monitoring allows for identification of early warning signals and managing the portfolio quality. AU SFB has sufficient expertise for monitoring, tracking and reporting of credit risk and it has invested in developing proper collection methodologies, identifying appropriate people to contain all the material credit risks. Bank's Early Warning System effectively utilise the market intelligence for early identification of weakness in asset book and generate requisite alerts for review and action. Data analytics team of the Bank supports effective dissemination of information to strengthen the credit appraisal and monitoring of advances

Credit risk monitoring is broadly done at two levels as described in the grid below:

S. No.	Level of Monitoring	Portfolio Applicability
1	Account Level	Business Banking (including Agri Banking), Renewable Energy Funding, Real Estate Group and Emerging Enterprise & Financial Institutions
2	Portfolio Level / Program Level	All portfolios

While account-level monitoring aims to identify weak accounts at an incipient stage to facilitate corrective actions, portfolio-level monitoring aims towards managing risk concentrations in the portfolio as well as identifying stress in specific sectors while Program-level monitoring focuses on reviewing aspects and features that are relevant to specific credit programs.

A separate team undertakes review and audits of credit quality and processes across different products.

Reporting and Measurement

The Bank follows the exposure norms stipulated by RBI. However, keeping in view the Bank's credit portfolio, strategy and risk appetite, the Bank may set lower exposure limits than those prescribed by RBI for borrower concentration and certain sectoral segment, after due approval from the Board.

Credit Concentration Risk

Credit risk concentration is defined as any single exposure or group of exposures with the potential to produce losses large enough (relative to the Bank's capital, total assets) to threaten the Bank's health or ability to maintain its core operations. Concentration risk in credit portfolios occurs through an uneven distribution of loans, investments, and other exposures such as activity-wise concentration (depending on the activity performed by the borrower), geographical regions (regional concentration), or across other dimensions.

Concentration risk can result in significant losses because these exposures are affected by changes in similar risk factors and any adverse movement in underlying factors would impact a large portfolio. The effective monitoring, measurement, and management of concentration risk by the Bank is, therefore, of fundamental importance.

Definition and Classification of Non-Performing Assets (NPAs)

The Bank classifies its loans and advances into performing and non-performing loans in accordance with, Master Circular - Reserve Bank of India (Small Finance Banks – Income Recognition, Asset Classification and Provisioning) Directions, 2025 dated November 28, 2025. An NPA is defined as a loan or an advance where: -

i. Interest and/or installment of principal remain overdue for more than 90 days in respect of a term loan. Any amount due to the bank under any credit facility is ‘overdue’ if it is not paid on the due date fixed by the Bank. It is further clarified that borrower accounts shall be flagged as overdue by the lending institutions as part of their day-end processes for the due date, irrespective of the time of running such processes.

ii. The account remains ‘out of order’ in respect of an overdraft/cash credit facility. An account is treated as ‘out of order’ if: -

a) the outstanding balance remains continuously in excess of the sanctioned limit/drawing power for 90 days or
b) where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days or
c) credits in the account are not enough to cover the interest debited during the previous 90 days period or
d) drawings have been permitted in the account for a continuous period of 90 days based on drawing power computed on the basis of stock statements that are more than three months old even though the unit may be working, or the borrower's financial position is satisfactory or
e) the regular/ad hoc credit limits have not been reviewed/ renewed within 180 days from the due date/date of ad hoc sanction.

iii. Interest and/or installment of principal in respect of an agricultural loan remains overdue for two crop seasons for short duration crops and one crop season for long duration crops.

iv. In respect of a securitization transaction undertaken in terms of the RBI guidelines on securitization, the amount of liquidity facility remains outstanding for more than 90 days.

v. a bill purchased/discounted by the Bank remains overdue for a period of more than 90 days.

Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. A sub-standard asset is one which has remained a NPA for a period less than or equal to twelve months. An asset is classified as doubtful if it has remained in the sub-standard category for more than 12 months. A loss asset is one where loss has been identified by the Bank or internal or external auditors or during RBI inspection, but the amount has not been written off fully.

Further, the account may also be classified as NPA due to DCCO criteria as Clause 113 of Reserve Bank of India (Small Finance Banks – Resolution of Stressed Assets) Directions, 2025 dated November 28 ,2025.

Non-Performing Investments (NPI) provision will be governed by Reserve Bank of India (Small Finance Banks – Classification, Valuation and Operation of Investment Portfolio) Directions, 2025.

a) The criterion used to classify an asset as Non-Performing Asset (NPA) as per the extant Prudential Norms on Income Recognition, Asset Classification and Provisioning (IRACP) pertaining to Advances shall be used to classify an investment as a Non-Performing Investment (NPI). Similarly, an NPI shall only be upgraded to standard when it meets the criteria specified in the IRACP norms.

i. In respect of debt instruments such as bonds or debentures, an NPI is one where interest/ instalment (including maturity proceeds) is due and remains unpaid for more than 90 days.

ii. Sub-clause (a)(i) above shall apply, mutatis mutandis to preference shares where the fixed dividend is not paid. If the dividend on preference shares (cumulative or non-cumulative) is not declared / paid in any year it shall be treated as due / unpaid in arrears and the date of balance sheet of the issuer for that particular year shall be reckoned as due date for the purpose of asset classification. Such an investment can be upgraded subsequently on payment of dividend for the current period in the case of non-cumulative preference shares and payment of dividend in arrears and for current period in the case of cumulative preferences shares.

iii. In the case of equity shares, in the event the investment in the shares of any company is valued at ₹1 per company on account of the non-availability of the latest balance sheet in accordance with clause 26.3 of these Directions, those equity shares shall be reckoned as NPI. The NPI can be upgraded subsequently on receipt of audited balance sheet.

iv. If any credit facility availed by the issuer is NPA in the books of the bank, investment in any of the securities, including preference shares issued by the same issuer shall also be treated as NPI and vice versa. However, this stipulation shall not be applicable in cases where only the preference shares are classified as NPI, and in such cases, the investment in any of the other performing securities issued by the same issuer need not be classified as NPI and any performing credit facilities granted to that borrower need not be treated as NPA.

v. In case of conversion of principal and / or interest into equity, debentures, bonds, etc., such instruments shall be classified in the same asset classification category as the loan and provision shall be made as per the norms. In case of post conversion, if the classification is standard or is subsequently upgraded to standard as per IRACP norms, the investment shall be categorised in HTM, AFS or FVTPL (including HFT) as per the requirements of Chapter III above.

b) Once an investment is classified as an NPI, it should be segregated from rest of the portfolio and not considered for netting valuation gains and losses.

c) Banks shall not accrue any income on NPIs. Income shall be recognised only on realisation of the same. Further, any MTM appreciation in the security shall be ignored.

d) Irrespective of the category (i.e., HTM, AFS or FVTPL (including HFT)) in which the investment has been placed, the expense for the provision for impairment shall always be recognised in the Profit and Loss Account. The provision to be held on an NPI shall be the higher of the following amounts:

i. The amount of provision required as per IRACP norms computed on the carrying value of the investment immediately before it was classified as NPI; and

ii. The depreciation on the investment with reference to its carrying value on the date of classification as NPI.

In view of the above, no additional provision for depreciation shall be required over and above the provision for NPI as specified above.

Provided that in the case of an investment categorised under AFS against which there are cumulative gains in AFS-Reserve, the provision required may be created by charging the same to AFS-Reserve to the extent of such available gains.

Provided further that in the case of an investment categorised under AFS against which there are cumulative losses in AFS-Reserve, the cumulative losses shall be transferred from AFS-Reserve to the Profit and Loss Account.

e) Upon an account being upgraded as per IRACP norms, any provision previously recognised shall be reversed and symmetric recognition of MTM gains and losses can resume.

f) Investments in Government securities and Government guaranteed investment.
   i. Investments in Central Government Securities and State Government Securities shall not be classified as NPI.
   ii. Investments in Central Government guaranteed securities shall also not be classified as NPI until the Central Government has repudiated the guarantee when invoked. In respect of such securities held in AFS and FVTPL, banks shall continue to recognise MTM gains/losses in AFS-Reserve and Profit and Loss respectively. However, any income shall be recognised only on realisation basis.

Investment in State Government guaranteed securities, shall attract prudential norms for identification of NPI and provisioning, when interest/ instalment of principal (including maturity proceeds) or any other amount due to the bank remains unpaid for more than 90 days

The Bank follows extant RBI guidelines for resolution of stressed assets, including classification and upgradation of restructured loans.

Credit Risk Exposures

Credit risk exposures represent gross credit risk exposures without taking into account the effects of credit risk mitigation i.e., Fixed Deposits and Gold.

Distribution of Exposures

₹ In Crs.

Exposure type	Amount
Fund Based	1,67,492.29
Non-Fund Based	12,312.67
Total	1,79,804.96

Geographic Distribution of Exposures

₹ In Crs.

Category	Fund Based	Non-Fund Based
Domestic	1,67,492.29	12,312.67
Overseas	-	-
Total	1,67,492.29	12,312.67

Industry Wise Distribution of Gross Credit Exposure

₹ In Crs.

S. No.	Industry Classification	Fund Based	Non-Fund Based
1	Trade	28,384.70	517.32
2	Agriculture and Allied Activities	21,205.28	351.59
3	Credit Card Receivables	16,648.51	-
4	Transport Operator	16,301.86	158.41
5	Commercial Real Estate	12,867.97	46.48
6	Vehicle/Auto Loans	9,114.82	-
7	Housing Loans	8,439.71	-
8	NBFCs	8,145.14	25.42
9	Advances against Fixed Deposits	6,941.31	424.55
10	Tourism, Hotel and Restaurants	2,525.50	2.10
11	Infrastructure	1,687.25	639.67
12	Electronics & engineering	1,891.11	228.22
13	Metal, Iron and Steel	874.17	281.68
14	Professional Services	831.77	135.48
15	Textile	950.85	1.05
16	Gems and Jewellery	774.41	0.01
17	Banking	760.92	8.54
18	Wood and Wood Products	692.21	4.12
19	Food Processing	621.46	33.29
20	Chemical & Chemical products	551.49	21.37
21	Rubber and plastic products	502.49	32.38
22	Paper & Paper products	381.69	3.26
23	Construction	370.38	-
24	Mining and Quarrying	238.22	115.44
25	Cement & Cement products	341.87	8.58
26	Vehicles, Vehicle Parts and Transport Equipment's	281.50	0.25
27	Computer and Related Activities	223.84	32.20
28	Leather & Leather products	166.66	-
29	Post and Telecommunication Services	127.91	8.91
30	Glass & Glassware	60.54	-
31	Beverages and Tobacco	29.18	0.64
32	Industries - Other	903.88	90.60
33	Services- Other	19,583.82	8,732.44
34	Retail Loans - Other	4,069.87	408.67
Total		**167,492.29**	**12,312.67**

As on March 31, 2026, Bank's exposure to the segments stated below was more than 5% of the total Gross credit exposure:

S. No.	Industry Classification	Percentage of total credit exposure
1	Trade	16.07%
2	Agriculture and Allied Activities	11.99%
3	Credit Card Receivables	9.26%
4	Transport Operator	9.15%
5	Commercial Real Estate	7.18%
6	Vehicle/Auto Loans	5.07%

Maturity Pattern of Assets

The maturity pattern of assets at March 31, 2026 is detailed in the table below:

₹ In Crs

Maturity Bucket	Cash, balances with RBI	Balances with banks and money at call & short notice	Investments	Loans & Advances	Fixed Assets	Other Assets	Total
Day 1	1,978.73	90.76	9,611.12	642.40	-	32.09	12,355.10
2-7 Days	1,175.89	758.68	2,472.31	1,489.95	-	248.60	6,145.43
8-14 Days	80.25	142.25	1,558.95	2,833.73	-	655.98	5,271.16
15-30 Days	182.11	100.00	5,016.18	1,773.63	-	318.76	7,390.68
31 Days to 2 months	315.29	-	2,522.49	3,425.96	-	210.89	6,474.63
More than 2 months and up to 3 months	183.46	-	1,341.15	3,500.90	-	250.11	5,275.62
Over 3 Months and up to 6 months	430.80	19.22	3,156.89	8,471.32	-	363.43	12,441.66
Over 6 Months and up to 1 year	990.23	-	6,105.34	19,731.23	-	138.90	26,965.70
Over 1 Year and up to 3 years	1,595.08	172.43	12,299.82	56,971.01	-	426.64	71,464.98
Over 3 Years and up to 5 years	33.73	183.72	478.85	17,949.89	-	52.34	18,698.53
Over 5 years	7.67	83.09	230.55	17,485.62	1,436.38	70.67	19,313.98
Total	**6,973.24**	**1,550.15**	**44,793.65**	**1,34,275.64**	**1,436.38**	**2,768.41**	**1,91,797.47**

Amount of Non-Performing Advances (NPAs)

₹ In Crs.

S. No.	Category	Amount
A	**Amount of NPAs (Gross)**	**2,755.64**
A.1	Substandard	1,953.28
A.2	Doubtful1	625.57
A.3	Doubtful2	107.16
A.4	Doubtful3	24.50
A.5	Loss	45.13
B	**Net NPAs**	**989.90**

AU SMALL FINANCE BANK
A SCHEDULED COMMERCIAL BANK

S. No.	Category	Amount
C	Advances	
C.1	**Gross Advances**	**136,041.37**
C.2	**Net Advances**	**134,275.63**
D	NPA Ratios	
D.1	**Gross NPAs to gross advances (%)**	**2.03%**
D.2	**Net NPAs to net advances (%)**	**0.74%**

Movement of NPAs

₹ In Crs.

Particulars	Gross NPA	Net NPA
Opening balance at April 1, 2025	2,477.03	791.34
Additions during the period	4,050.77	1,507.44
Reductions during the period	3,772.16	1,308.88
Closing balance at March 31, 2026	**2,755.64**	**989.90**

Movement of Provisions for NPAs

₹ In Crs.

Particulars	Amount
Opening balance as on April 1, 2025	1,685.69
Provision made during the period	2,543.33
Write-off/Loss on sale of repossessed assets during the period	1,589.39
Write-back of excess provisions during the period	(873.89)
Closing balance as on March 31, 2026	**1,765.74**

*Includes floating provision of Rs. 41crores.

Movement of Provisions for Standard Assets

₹ In Crs.

Particulars	Amount
Opening balance as on April 1, 2025	384.68
Provision made during the period	415.92
Provision reversed during the period	(317.74)
Closing balance as on March 31, 2026*	**482.86**

Excluding contingency provision of Rs 50.46 Cr and Rs 32.33 Cr as at Mar 31, 2026 and March 31, 2025 respectively
* it Includes standard provision of Rs 0.45 Cr which is created on derivatives

Recoveries from written-off accounts aggregating ₹ 325.42 Crs. and write-offs aggregating ₹ 104.46 Crs. have been recognized in the statement of profit and loss.

Company does not have any Non – performing Investments as on March 31, 2026.

Movement of Provisions for depreciation on investments

₹ In Crs.

Particulars	Amount
Opening balance at April 1, 2025	(36.48)
Provision made during the period	(101.10)
Write-off / Write-back of excess provisions during the period	(215.20)
Closing balance at March 31, 2026	**77.62**

represents Net MTM provision on revaluation of Investments.

includes MTM on AFS and FVTPL category.

Top five industries based on total loans and advances:

₹ In Crs.

Particular	Gross NPA	Specific Provision	General Provision	Specific provision during the period/ Year	Write - off during the period/ Year
Top 5 Industries	1,587.50	985.19	242.71	736.34	1,259.07

Geography-wise breakup of gross NPAs, Specific Provision and General Provision at March 31, 2026:

₹ In Crs.

Category	Gross NPA	Specific Provision	General Provision
Domestic	2,755.64	1,765.74	482.86
Overseas	-	-	-
Total	**2,755.64**	**1,765.74**	**482.86**

Table DF – 4: CREDIT RISK – DISCLOSURE FOR PORTFOLIOS SUBJECT TO THE STANDARDIZED APPROACH

External Ratings

The Bank uses the standardized approach to measure the capital requirements for credit risk. As per the standardized approach, regulatory capital requirements for credit risk on corporate exposures is measured based on external credit ratings assigned by External Credit Assessment Institutions (ECAI) specified by RBI guideline dated November 28, 2025.

For this purpose, the domestic ECAI specified by RBI were: CRISIL Ratings Limited, Credit Analysis & Research Limited (CARE), India Ratings and Research Private Limited (India Ratings), ICRA Limited, Acuite Ratings and Research, Brickwork Ratings India Private Limited and INFOMERICS Valuation and Rating Pvt Ltd. (INFOMERICS). The international ECAI as specified by RBI were Care Global (for non-resident exposures originating in IFSCA), Standard & Poor's, Moody's and Fitch.

The RBI's Basel framework for Small Finance Banks stipulates guidelines on the scope and eligibility of application of external ratings. The Bank reckons the external rating on the exposure for risk weighting purposes, if the external rating assessment complies with the guidelines stipulated by RBI.

The key aspects of the Bank's external ratings application framework are as follows: -

i. The Bank uses only those ratings that have been solicited by the counterparty.

ii. Bank loan rating without lenders details disclosure shall not be eligible for being reckoned for capital computation by Banks

iii. The risk-weighting of corporate exposure based on the external credit ratings includes the following:

a) The Bank reckons external ratings of corporates either at the credit facility level or at the borrower (issuer) level.
b) The Bank ensures that the external rating of the facility/borrower has been reviewed at least once by the ECAI during the previous 15 months and is in force on the date of its application.

c) When a borrower is assigned a rating that maps to a risk weight of 150%, then this rating is applied on all the unrated facilities of the borrower and risk weighted at 150%.

iv. The RBI guidelines outline specific conditions for facilities that have multiple ratings. In this context, the lower rating, where there are two ratings and the second-lowest rating where there are three or more ratings are used for a given facility.

Credit Exposures by Risk Weights

At March 31, 2026, the credit exposures subject to the Standardized approach after adjusting for credit risk mitigation i.e. Fixed Deposits and Gold, by risk weights were as follows:

₹ In Crs.

Risk Weight	Total
Below 100% risk weight	1,26,686.67
100% risk weight	15,455.53
More than 100% risk weight[1]	21,036.77
Total	**1,63,178.97**

[1]Includes Deferred Tax Assets (DTA) of Rs. 346.57 crores and Credit enhancement (first-loss) of Rs. 483.73 crore on which risk weights are assigned. In prior periods, the DTA was being deducted from Tier 1 capital and credit enhancement (first-loss) was being deducted 50% from Tier 1 and 50% from Tier 2 capital directly.

Table DF – 5: CREDIT RISK MITIGATION – DISCLOSURE FOR STANDARDISED APPROACH

Collateral Management and Credit Risk Mitigation

Types of Collaterals accepted by AUSFB

The acceptable collateral should have the following features:

i. **Specifically, itemized, and identifiable:** The underlying collateral of the credit facility should be clearly identifiable and itemized in the Credit appraisal memo/ valuation report.

ii. **Lien created:** The Bank should have a security interest or specific lien on the collateral and the requirements of legal certainty should be met.

iii. **Liquidity:** The collateral should be in a form that can be liquidated in the event of default or bankruptcy of the borrower

iv. **Repossession:** The Bank should have the legal right to repossess the security in case the borrower defaults and the collateral should be easy to repossess as per the provisions of law.

v. **Value discoverable in the market:** The collateral should be periodically revalued according to the changing market conditions and therefore the current value of the collateral should be easily discoverable in market.

Policies and Processes for Collateral Valuation and Management

The Bank defines collateral as the assets or rights provided to the Bank by the borrower or a third party in order to secure a credit facility. The Bank's "Policy on Valuation of Assets" include the valuation process of acceptable collateral. The policy covers different aspects of valuation requirement, valuation approach, valuator selection, valuation periodicity etc.

Eligible Financial Collaterals accepted by the Bank:

i. Cash (including deposits).
ii. Gold (including bullion and jewellery; the value of said jewellery accepted as collateral shall be arrived at after notionally converting these to 99.99 purity).
iii. Securities issued by Central & State Governments, Kisan Vikas Patra
iv. National Savings Certificates
v. Life Insurance Policies with a declared surrender value of an Insurance Company which is regulated by IRDA.
vi. Debt securities rated by a chosen Credit rating agency in which the Bank is sufficiently confident about market liquidity.
vii. Other Corporate Debt Securities of which the Bank is sufficiently confident about market liquidity.
viii. Units of Mutual Funds, shares, bonds etc.

The credit risk mitigation taken is largely in the form of gold and fixed deposit (lien marked) with the Bank against advances, thus the concentration risk of the mitigants is low.

Exposure cover by Eligible Financial Collateral are as below:

₹ In Crs.

Particulars	Amount
Total exposure covered by eligible financial collateral	16,625.99
Total	**16,625.99**

Portfolio covered by guarantees:

₹ In Crs.

Particulars	Amount
Total portfolio covered by guarantees	2,895.33
Total	**2,895.33**

Eligible non-financial collaterals accepted by the Bank:

i. Commercial / Residential Real Estate
ii. Agriculture Land

Other collaterals accepted by the Bank:

i. Raw materials, stock in trade, produce and other goods
ii. Book debts/receivables
iii. Movable assets such as machineries, vehicles, animal husbandry

iv. Documents of title to goods

v. Goodwill, brand etc.

No allowance has been made in the computation of capital charge for collateral considered other than eligible as per RBI guidelines.

Collateral Valuation

All collateral (where applicable) is to be valued by either the in-house or empanelled valuer with respect to collateral valuation, the following principles are complied with:

i. Collateral valuation activity is de-centralised.

ii. The collateral valuation represents the current fair value under which the collateral could be sold under an arm's length contract on the date of valuation.

iii. The Bank generally prefers to have first charge on collateral/security and in case of multiple banking, other option like pari-passu charge on collateral/security is considered.

iv. Collateral valuations are updated at a frequency appropriate to the value and nature of the collateral and the ease and costs of valuation as described in "Policy on Valuation of Assets" approved by Board.

v. The value of the collateral pledged shall not be materially dependent on the performance of the borrower.

Credit Risk Mitigation

The Bank adopts the standardized approach for credit risk mitigation which substitutes the risk weighting of the collateral for the risk weighting of the borrower for the collateralised portion of the exposure subject to the following conditions:

i. The Bank have the right to liquidate or take legal possession of the collateral, in a timely manner, in the event of default, insolvency or bankruptcy of the borrower.

ii. The credit quality of the counterparty and the value of the collateral must not have a material positive correlation, for example, securities issued by the borrower.

iii. Where the collateral is held by a custodian, suitable steps is taken to ensure that the custodian segregates the collateral from its own assets.

iv. Suitable processes are in place to ensure that any legal conditions required for declaring the default of the borrower and liquidating the collateral are observed.

v. Cross-collateralization clause applies to all the collateral posted by the borrower. In case of default of one of the credit facilities by the borrower, the Bank must have the legal right to seize any or all assets pledged by the borrower.

Risk Mitigation for Corporate Portfolio

Director identification number (DIN)

The Bank will include DIN in the data submitted to RBI/Credit Information Companies to ensure that none of the Directors of the borrowing company appear on the list of defaulters/wilful defaulters.

Covenants

Depending upon the financial situation of the borrower, the Bank may stipulate some covenants into the loan agreements requiring the borrower to:

i. Periodically report its financial condition.

ii. Refrain from paying dividends, repurchasing shares, borrowing further, or other specific, voluntary actions that negatively affect the company's financial position.

iii. Repay the loan in the full, at the Bank's request, in certain events such as changes in the borrower's debt-to-equity ratio or interest coverage ratio.

iv. With a view to monitoring the end-use of funds, the Bank may ask the borrowers to present a specific certification from the auditors regarding usage of funds by the borrower under a separate mandate.

Guarantees

The Bank may opt for guarantees that are direct, explicit, irrevocable, and unconditional. This will also provide protection in calculating capital requirements.

Risk Mitigation for Retail Portfolio

Operations / systems

The Bank have in place well-defined processes for credit administration, credit risk measurement and monitoring. Credit administration consists of relationship management phase, transaction management phase and portfolio management phase. The Bank has in place systems for monitoring risks for various products and borrower segments which raises an alert whenever the exposure exceeds the substantial exposure levels. The Bank conducts regular studies of the various industries and geographical locations to identify any emerging problems that may result in the inability of borrowers to pay back.

Diversification

The Bank maintains a diversified portfolio of credit facilities granted to borrowers as well as a diversified pool of borrowers The Bank also observes the prudential exposure norms set by RBI as well as its own internal exposure limits. The Bank will pursue diversification across the following dimensions:

i. Obligor diversification
ii. Diversification by tenor of exposure
iii. Collateral / support diversification

Table DF – 6: SECURTISATION TRANSACTIONS AND TRANSFER & DISTRIBUTION OF CREDIT RISK: DISCLOSURE FOR STANDARDISED APPROACH

Objectives, Roles Played by the Bank and the Risks

Objectives

The Bank's primary objective of securitisation transactions and Transfer & distribution of credit risk of Loan Exposures activities is to increase the efficiency of capital and enhance the return on capital employed by diversifying sources of funding at relatively lower cost with better asset liability management.

The Bank undertakes sale transactions through both securitisation transactions and Transfers of Loan Exposures routes and has Board approved policies. However, for purchase transactions, Bank can execute securitization of standard assets only when there is any shortfall in sub-targets of Priority Sector Lending (PSL).

Roles played by the Bank

In securitisation transactions backed by assets either originated by the Bank or third parties, the Bank plays the following major roles:

i. **Structurer:** structuring appropriately in a form and manner suitably tailored to meet investor requirements, while being compliant with extant regulations.

ii. **Provider of liquidity facilities:** addressing temporary mismatches on account of the timing differences between the receipt of cash flows from the underlying performing assets and the fulfilment of Originator's enhancement obligations to the beneficiaries.

iii. **Provider of credit enhancement facilities:** addressing delinquencies associated with the underlying assets, i.e. bridging the gaps arising out of credit considerations between cash flows received/collected from the underlying assets and the fulfilment of repayment obligations to the investors in the capacity of originator.

iv. **Provider of collection and processing services:** collecting and/or managing receivables from underlying obligors, making payments to investors, reporting the collection efficiency and other performance parameters, and providing other services relating to collections and payments as may be required for the purpose of the transactions.

v. **Investor: -** The Bank invests in Special purpose entity (SPE) backed by financial assets originated by third parties for the purposes of holding/trading/maximizing yield opportunities and meeting priority sector lending requirements.

vi. **Assignee: -** The Bank purchases loans through the direct assignment route for purposes of book building, meeting priority sector lending requirements and yield optimisation.

Risks in Securitisation transaction and Transfer of Loan Exposures

The major risks inherent in the securitised transactions are:

i. **Credit risk:** Risk arising on account of payment delinquencies from underlying borrowers in the securitised pool.

ii. **Market risk:** Mark-to-market risks arising on account of interest rate fluctuations.

iii. **Operational risk:**

a) **Co-mingling risk:** Risk arising on account of co-mingling of funds belonging to investor(s) with that of the originator and/or collection and processing servicer. This happens when there exists a time lag between collection of amount due from the obligors and payment made to the investors

b) **Performance risk:** Risk arising on account of the inability of a Collection and Processing Agent to collect monies from the underlying obligors as well as operational difficulties in processing the payments.

c) **Regulatory and legal risk:** Risk arising on account of

- non-compliance of the transaction structures with the extant applicable laws which may result in the transaction(s) being rendered invalid;
- conflict between the provisions of the transaction documents with those of the underlying financial facility agreements; and
- Non-enforceability of security/claims due to imperfection in execution of the underlying facility agreements with the borrower(s).

iv. **Reputation risk:** Risk arising on account of

a) rating downgrade of a securitised instrument due to unsatisfactory performance of the underlying asset pool; and
b) Inappropriate practices followed by the collection and processing agent.

In addition to the above, such assets are exposed to prepayment risks. Prepayment risk arises on account of prepayment of dues by obligors/borrowers in the assigned pool either in part or full. Further, the Bank is not involved in sponsoring off-balance sheet Special purpose entity (SPE).

Processes in Place to Monitor Change in Risks of Securitisation Exposure

The Bank has established appropriate risk management processes to monitor the risks on securitisation of standard assets and Transfer of Loan Exposures, which include:

Monitoring credit risk

The Bank in the capacity of collection and processing agent prepares monthly performance reports which are circulated to investors/ rating agencies. The securitised pools are continuously monitored and those requiring attention are subjected to specific interventions (e.g. focused collection efforts in affected geographies) to improve their performance.

The risk assessment of the pools is done continuously by the rating agencies based on amortisation level, collection efficiency, credit enhancement utilisation levels and credit cover available for balance deal tenor.

Monitoring market risk

The Bank ascertains market value of the securitisation exposures based on extant norms, which is compared with their book value to assess the marked to market impact of these exposures monthly.

Bank's policy governs the use of credit risk mitigation to mitigate the risks retained through securitisation exposures.

Bank's accounting policies for securitisation activities

For 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 will be 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.

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 will be 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 will be accounted for net of losses when redeemed in cash. Expenditure in respect of securitisation (except bank guarantee fees for credit enhancement) will be recognised upfront. Bank guarantee fees for credit enhancement will be amortised over the tenure of the agreements. Income arising on direct assignment will be recognised over the tenure of agreement on accrual basis.

The Bank invests in PTCs issued by other SPEs. These are accounted for at the deal value and are classified as investments. The Bank also buys Standard loans (PSL) 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 September 2021, the Reserve Bank of India (RBI), vide its circular no. RBI/DOR/2021-22/85 DOR.STR.REC.53/21.04.177/2021-22, has issued Master Direction (with immediate effect from September 24, 2021), further updated on December 05, 2022 differentiating between Transfer of Loans and Securitisation.

In November 2025, the Reserve Bank of India (RBI), vide its circular no. RBI/DOR/2025-26/191 DOR.STR.REC.No.110/21-04-177/2025-26 had issued a separate guidelines for Small finance Banks called "Reserve Bank of India (Small Finance Banks – Securitisation Transactions) Directions, 2025" & vide circular no. RBI/DOR/2025-26/190 DOR.STR.REC.109/21.04.048/2025-26 – "Reserve Bank of India (Small Finance Banks – Transfer and Distribution of Credit Risk) Directions, 2025 respectively".

The accounting treatment for realised and unrealised gains, if any, shall be in line with the applicable guidelines and regulations as amended from time to time. However, at the minimum, the Bank would ensure the following:

AU Bank as Originators will sell assets to SPE only on cash basis and the sell consideration should be received not later than the transfer of the asset to the SPE.

Further, there should not be gap of more than 30 days between transfer of the assets and the issuance of securitisation notes.

Rating of securitisation exposures

Ratings obtained from ECRAs stipulated by RBI are used for computing capital requirements for such exposures and based on rating, capital charge is computed.

Details of Securitisation Exposures in the Banking Book

₹ In Crs.

Total exposures securitised by the bank*	432.42

*Represents total outstanding principal as on March 31, 2026, for direct assignment deals as originator.

For exposures securitised losses recognised by the bank during the current period broken by the exposure type

₹ In Crs.

Exposure Type	Losses
Business Loans	-
Wheels Loans	-
Total	**-**

Assets to be securitised within a year as on March 31, 2026

₹ In Crs.

Exposure Type	Amount
Amount of assets intended to be securitized within a year	4,000.00
Of which amount of assets originated within a year before Securitization	2,000.00

Total outstanding exposures securitised by the Bank and the related unrecognised gains/(losses)

₹ In Crs.

Exposure Type	Amount*	Unrecognized gains/(losses)
Housing Loans	372.09	**-**
Business Loans	51.91	-
Wheels Loans	8.42	-
Total	432.42	**-**

*The amount represents the total principal outstanding as on March 31, 2026 for direct assignment sell-down deals.

Securitisation exposures retained or purchased

₹ In Crs.

Exposure Type	On-balance Sheet*	Off-balance sheet	Total
Housing Loans	36.99	-	36.99
Business Loans	0.76	-	0.76
Wheels Loans	6.38	-	6.38
Total	**44.13**	**-**	**44.13**

*The amount represents the total principal outstanding at March 31, 2026 for direct assignment deals.

Risk weight bands break-up of securitisation exposures retained or purchased

₹ In Crs.

Exposure Type	20% risk weight	35% risk weight	50% risk weight	75% risk weight	100% risk weight	125% risk weight	Total
Housing Loans	0.05	30.42	0.52	0.14	-	5.86	36.99
Business Loans	-	-	0.74	0.02	-	-	0.76
Wheels Loans	-	-	1.70	3.86	0.07	0.75	6.38
Total	**0.05**	**30.42**	**2.96**	**4.02**	**0.07**	**6.61**	**44.13**
Total capital charge	**-**	**1.65**	**0.01**	**0.61**	**0.02**	**1.28**	**3.57**

Securitisation exposures deducted from capital -

₹ In Crs.

Exposure Type	Exposure deducted entirely from Tier-1 capital	Credit enhancing interest-only strips deducted from total capital	Other exposures deducted from total capital
Business Loans	-	-	-
Wheels Loans	-	-	-
Micro-Finance	-	-	-
Total	-	-	-

Details of Securitisation Exposures in the Trading Book

Aggregate amount of exposure securitised for which the Bank has retained some exposure subject to market risk

₹ In Crs.

Exposure Type	Amount*
Business Loans	862.64
Wheels Loans	2,358.89
Total	**3,221.53**

*The amount represents the total principal outstanding at March 31, 2026 for securitisation deals in the nature of PTC.

Securitisation exposures retained or purchased

₹ In Crs.

Exposure Type	On-balance Sheet	Off-balance sheet*	Total
Business Loans	62.01	66.63	128.64
Wheels Loans	151.17	316.42	467.59
Total	**213.18**	**383.05**	**596.23**

*This represents BG issued to the Bank's as counter guarantee for second loss and liquidity facility in securitisation transactions. Credit enhancement for first loss in form of fixed deposit of ₹ 241.87 Crs. and bank Guarantee of ₹ 276.06 Crs. is not included.

Risk weight bands break-up of securitisation exposures retained or purchased

₹ In Crs.

Exposure Type	10% risk weight	20% risk weight	30% risk weight	80% risk weight	Total
Business Loans	-	24.55	31.67	5.79	62.01
Wheels Loans	34.36	116.81	-	-	151.17
Total	**34.36**	**141.36**	**31.67**	**5.79**	**213.18**
Total capital charge	**1.00**	**4.47**	**1.74**	**0.69**	**7.90**

100% RWA is applied on Off-balance sheet securitisation exposure and capital charge thereon ₹ 57.46 Crs.

Securitisation exposures deducted from capital

₹ In Crs.

Exposure Type	Exposure deducted entirely from Tier-I capital	Credit enhancing interest-only strips deducted from total capital	Other exposures deducted from total capital
Business Loans	-	-	-
Wheels Loans	-	-	-
Total	**-**	**-**	**-**

Table DF – 7: MARKET RISK IN TRADING BOOK

Market Risk Management Objectives

Bank's main objectives in managing Market Risk are,

i. To ensure that a transparent and consistent methodology for measuring market risk is implemented across the SFB (e.g. Stress Testing, modified duration, PV01, Stop Loss etc.).
ii. To comply with Board approved internal limits and with regulatory requirements.
iii. Proper classification and valuation of Investments as per FIMMDA guidelines.
iv. To specify the quantitative and qualitative criteria, which the SFB intends to use while implementing any market risk measurement methodology & models.
v. To have an integrated risk measurement framework that captures all components of market risks. This ensures that for a given risk factor category (interest rates, credit spreads, equity prices, foreign exchange risk etc.); the risk must be measured using a single approach for that risk category.
vi. Risk Measurement will be undertaken both, at individual asset level as well as at portfolio level. The portfolio risk assessment gives understanding for diversified as well as un-diversified risks.

Market Risk Management Policies

Market Risk is the possibility of loss arising from changes in the value of a financial instrument due to changes in the market variables. The main sources of Market Risk due to Bank's investments are,

i. **Interest Rate Risk:** The risk that changes in market interest rates may adversely affect the SFB's financial condition. This will affect the SFB's Net Interest Income (NII) as well as the value of investments and can also result into marked to market losses of derivatives positions.

ii. **Credit Spread Risk:** The risk that the SFB may suffer losses as result of adverse credit spread movement in its investment (corporate bonds, subordinate debt, Pass Through Certificate (PTC) etc.).

iii. **Price Risk:** The risk that the SFB may suffer losses due to adverse movements in prices of the mutual funds/equities held in its portfolio.

iv. **Foreign Exchange Risk:** The risk that the SFB may suffer losses due adverse movement in Foreign currencies price and as result may impact the Bank's outstanding open forex position.

Bank is investing in various financial instruments issued by Central and State govt. mainly to maintain its SLR/LCR requirements as prescribed by RBI for Scheduled Commercial Banks and to some extent for trading activities. In addition to that, Bank invests in various N-SLR instruments in form of Certificate of Deposits (CD), Commercial Papers (CP), Non-Convertible Debentures (NCD), Corporate Bonds, Equity IPO and Private Placement, Liquid debt Mutual Fund Units to earn optimal return with minimal risk.

Further Bank is occasionally selling NPA assets from its Balance Sheet to some Asset Reconstruction Companies (ARC) to receive Security Receipts (SR) which is valued as per latest NAV. Bank also engaged in investment in priority PTC along with issuance of PTC to various investors in terms of securitization transaction within RBI guidelines.

To comply with the regulator's guidelines, Minimum Retention Requirement (MRR) has maintained in the form of investments. The MRR portion of the securitization issued is valued as per FIMMDA/FBIL guidelines and Bank's investments and forex segment are monitored as per internal Board approved policies i.e. 1) Treasury Investment Policy 2) Market Risk & ALM Policy 3) Transfer of Loan Exposure 4) Securitization of Standard Assets 5) Counterparty Bank Risk Management Policy (CRMP) 6) Forex policy.

The policies ensure that the Bank's Investment is in accordance with Bank's risk appetite, acceptable business standards and fully complied with regulatory guidelines. Treasury Investment exposure including NSLR investments are presented before competent committee/Board to get reviewed periodically.

Strategies and Processes

To run its Treasury business activities effectively as described here under, Bank has defined its Internal Control System and Limit Governance Structure to be guided with and adherence to the following:

Internal Control System

i. Internal checks and procedures as explained in operating manual and Board Approved Policies.
ii. Concurrent audit and review of Investment & FX transactions.
iii. Management Information Systems and Exception Reporting.
iv. Guidelines laid down by RBI/FIMMDA/FBIL/FEDAI/SEBI, Board/RMCB, ALCO and Investment Committee (IC).
v. Code of conduct as prescribed by FIMMDA/FEDAI for dealers.
vi. Powers delegated to functionaries.

vii. Limits as specified by RBI and defined internally.
viii. Deals/Transaction with the approved counterparties for investments/lending as per the SFB's defined KYC Policy.
ix. Broker Empanelment note having approved broker list along with brokerage structure.

Limit Governance Structure

i. **New Limit Proposal:** Treasury shall place a proposal incorporating the investment limits before IC. The proposal shall be vetted by Market Risk and to ensure compliance with Investment policy and RBI regulations.

ii. **Limit approval procedure:** The limit proposal shall be put across by IC to the Board, which shall be the approving authority. The new limit shall become part of the Policy post Board approval.

iii. **Modification procedure:** A modification process for change in limits may be initiated by the Market risk & TMO in conjunction with Treasury Business (TFO/DCM/FIG) to put across by IC to the Board, which shall be the approving authority.

iv. **Monitoring and notification procedure:** The Market risk & TMO shall have the responsibility of monitoring the investment limits utilization by Front office on a daily basis. This team shall report the limit utilization levels to the senior management and other relevant recipients.

v. **Breach Notification:** In addition to the limits mentioned above, Market Risk also established Management Alert Triggers (MAT) to notify IC the early warning indicator prior to approaching stop loss limit for management decision either to cut down or continue the investment exposure. The total breaches in a quarter shall be collated by the Market risk & TMO along with the reasons for the breach and action taken which shall be reported to IC and further reported to the board for status notification and approval.

vi. **Limit Review Frequency:** All the limits shall be reviewed on annual basis (or earlier if required) and changes shall be proposed through the IC to the Board for approval

<u>Structure and organization of the market risk management function</u>

Market Risk management is an independent function which reports to CRO and the CRO is directly reporting to MD & CEO of the Bank. There is a clear functional separation in Treasury between Front office, Mid office and Back-office activities.

<u>The scope and nature of risk reporting and/or measurement systems</u>

Bank has defined in its internal Board approved policies i.e. Treasury Investment policy, Counterparty Risk Management Policy (CRMP), Forex policy, Derivatives policy, Counter risk policy and Market Risk & ALM policy about approach to risk reporting and measurement system. Market Risk & TMO group is measuring the outstanding Investment exposures and FX position and Derivatives positions, computes the associated Risk factors, conducts Stress testing and reports regularly to various stakeholders including the senior management of the Bank.

<u>Policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigates.</u>

Complied with the prudential guidelines for Small Finance Bank (SFB), Bank has formulated the Forex policy and Derivatives policy that contains the various limit monitoring such as NOOP Limit, Individual gap limit (IGL), Aggregate gap limit (AGL), PV01 Limit, Peak day limit, Counterparty limit, VaR, Rate scan, Stop loss limit, Deal size limit, Country Risk Limit etc. Policies also guided the approval matrix in case of breaches and reporting.

Table DF – 8: OPERATIONAL RISK

Operation Risk Management

Operational risk has been defined by the Basel Committee on Banking Supervision as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The purpose of creating an Operational Risk Management Framework is to identify, assess, measure, monitor, manage and report Operational Risk in a consistent fashion and on a timely basis. Major emphasis is at aligning the business control environment with the bank strategy by measuring and mitigating risk exposure contributing to optimum return for stakeholders.

Governance and Oversight

The Bank has established a comprehensive governance framework for the management of operational risk.

The Board of Directors has overall responsibility for oversight of operational risk management framework. The Risk Management Committee (RMC) of the Board provides supervisory oversight, while the Operational Risk Management Committee (ORMC) at the management level oversees the implementation of the ORM framework and mitigation of operational risks. The ORM policy and framework are reviewed periodically and approved by the Board.

The Bank follows the Three Lines of Defense model, wherein:

i. Business units are responsible for identifying and managing operational risks in their respective areas,
ii. The Risk Management function provides oversight, monitoring and challenge, and
iii. Internal Audit provides independent assurance on the effectiveness of controls.

Operational Risk Management Framework

The Bank's ORM framework aims to:

i. Promote a uniform understanding of operational risk across the Bank.
ii. Strengthen the internal control environment and reduce the likelihood and impact of operational risk losses.
iii. Assign clear roles, responsibilities and accountability for management of operational risk.
iv. Ensure maintenance of adequate capital for operational risk in accordance with RBI guidelines.
v. Support continuous improvement in processes and control effectiveness.

Strategies and Process for Mitigation of Operational Risk

The Bank acknowledges that Operational Risk exposure occurs during the normal conduct of business activities. To meet such unforeseen and unavoidable losses, the bank has a robust set of assessment tools and framework to identify, measure, monitor and mitigate the risk associated with the banking business as listed below:

i. **Risk and Control Self-Assessment (RCSA):** Identification and assessment of key operational risks and control gaps across business units, including risks arising from new products, processes, activities, and systems.
ii. **Key Risk Indicators (KRIs):** Ongoing monitoring of material operational risk exposures and early warning indicators.
iii. **Operational Loss and Incident Management:** The Bank has a structured framework for identification, reporting and analysis of operational risk incidents, including loss and near-miss events. Material incidents are subject to Root Cause Analysis, and corrective and preventive actions are implemented to strengthen controls.
iv. **Product Approval:** The Bank has institutionalized a Product Approval Committee (PAC) to act as a central forum for approval of new products, including any modifications thereto. PAC assesses the proposed product offering from operational perspective, examines the feasibility of the system requirements for supporting the product and ensures that adequate risk mitigation measures, have been taken care of in detail and documented.
v. **Outsourcing Risk Management:** The Bank follows a Board-approved outsourcing policy to manage risks arising from third-party service providers, consistent with RBI guidelines.
vi. **Business Continuity Management (BCM):** The Bank has board approved Business continuity management policy to respond to a significant business disruption by safeguarding employee's life, bank's property, quickly recovering and resuming operations, protecting Bank's records, and allowing customers to transact business with no hindrance.

Fraud risk is managed through a dedicated Fraud Control Unit (FCU) operating in accordance with a Board-approved Fraud Risk Management Policy. The FCU is responsible for the identification, investigation, reporting, and containment of fraudulent activities across the Bank's operations, supported by defined processes and control mechanisms.

The Bank has implemented technology-enabled monitoring mechanisms, including real-time transaction monitoring and automated alerts, to facilitate early detection of fraudulent activities. These systems are complemented by defined escalation protocols and staff vigilance across operational functions.

To enhance fraud risk awareness, the Bank runs multi-channel customer awareness programs to combat fraud by educating customers on the latest scams and conducts periodic training and sensitization programs for employees on emerging fraud typologies, regulatory expectations, and internal reporting mechanisms. These initiatives are designed to reinforce accountability, strengthen preventive controls, and promote a risk-aware culture.

The Bank continues to strengthen its operational risk management practices in line with regulatory expectations and evolving industry best practices, with a focus on improving resilience, control effectiveness and risk transparency

Table DF – 9: INTEREST RATE RISK IN BANKING BOOK

Interest rate risk in Banking Book (IRRBB) is defined as an adverse impact on financials of Bank, due to change in the interest rates. As Financial Intermediary, Interest Rate Risk is an inherent part of the Banking Business. Mismanagement of IRR poses a significant threat to Bank's earnings and Capital. Impact of change in interest rates would be on Net Interest Income ('NII') on immediate term and would be on the Bank's Capital in long term as the economic value of the assets, liabilities and off-balance sheet positions get affected due to variation in market interest rates.

The ALCO of Bank is guiding body for management of IRRBB, sets the overall framework and risk limits with approval of Board. Treasury is entrusted with the responsibility of IRRBB and works out appropriate strategies in consultation with ALCO to mitigate the interest rate risk. ALM Risk unit, which is a part of risk management independently measures, monitors & report the interest rate risk as defined by policy.

Bucketing of non-maturing deposits is based on behavioural study for identification of core and non-core components. Behavioural Study and bucketing of core and non-core portion of non-maturing deposits and foreclosure percentages are laid out in ALM policy. The finding of various IRRBB measures are submitted to the ALCO, the committee for providing strategic guidance and direction for the ALM measures. Non-rate sensitive liabilities and assets primarily comprise of capital, reserves and surplus, other liabilities, cash and balances with RBI, current account balances with banks, fixed assets and other assets.

Earning at Risk (Ear) is a short-term interest rate risk measure which assesses the change in NII by estimating the impact on interest income from rate sensitive assets and interest expense on rate sensitive liabilities including off-balance sheet items. Market Value of Equity (MVE), which is a long-term risk measure to assess the change in value of equity due to change in economic value of asset and liabilities by using Duration Gap Approach.

Bank uses below approaches to compute the impact of change in interest rate as per regulatory/internal guidelines:

i. IRST (Traditional Gap Approach) - To computed Earnings at Risk (EaR) i.e., to assess impact on NII.
ii. IRSD (Duration Gap Approach) – To compute impact on Bank's Market Value of Equity (MVE), due to change in economic value of Asset & Liabilities.

Details of Parallel Rate shock on Earnings and Market value of equity as on March 31, 2026 are given below:

₹ In Crs.

Interest Rate Risk	+200bps	-200bps
Earnings at Risk (EAR)	17.16	(17.16)
Impact on Market Value of Equity	(3,030.13)	3,030.13

*Includes trading book.

Table DF-10: General disclosure for exposures related to counterparty credit risk

COUNTERPARTY CREDIT RISK –

The Bank stipulates limits as per the norms on exposure stipulated by RBI. These limits are linked to percentage of loans & advances, capital funds, exposure, etc. of the Bank and are monitored. Credit exposure of foreign exchange and interest rate derivatives transactions is computed and monitored when the deal is captured in core treasury system. Risk team reports the credit exposure of derivatives as part of the risk dashboard to the Senior Management that includes CRO, Head of Treasury on a daily basis.

The Bank has entered CSAs with few counterparties which would require maintenance of collateral. The Bank has also implemented International Swaps and Derivatives Association (ISDA) prescribed Standardised Initial Margin Model (SIMM) for estimating the initial margin requirements for non-centrally cleared derivatives. The Bank settles certain derivative transactions through Qualified Central Counterparties (QCCP) i.e. Clearing Corporation of India Limited (CCIL) and posts collateral in line with the margin regulations stipulated by QCCP. As per the regulations, CCIL may set different margins for different members based on the ratings of members.

CEM is computed considering the potential future exposure (PFE) and replacement cost (post collateral adjustment of collateral received from the counterparty as mentioned above). The following table sets forth, the derivative exposure calculated using Current Exposure Method (CEM) and the balance outstanding as on March 31, 2026.

₹ In Crs

Particulars	Interest Rate derivatives	Currency derivatives	Forex	Credit derivatives
Gross Positive Fair Value of Contracts	3.09	-	127.94	-
Netting Benefits	-	-	-	-
Netted Current Credit Exposure	3.09	-	127.94	-
Collateral held (e.g. Cash, G-sec, etc.)	-	-		-
Net Derivatives Credit Exposure	3.09	-	127.94	-
Exposure amount (under CEM)	5.39	-	187.89	-
Notional Value of Credit Derivative hedges	-	-		-
Credit derivative transactions that create exposures to CCR	-	-		-

Table DF-11: Composition of Capital:

₹ In Crs

Table DF-11: Composition of Capital		At March 31, 2026	Ref. No.
Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	6,288.61	A1+B3
2	Retained earnings	8,327.92	B10-B10a
3	Accumulated other comprehensive income (and other reserves)	4,984.85	B1+B2+B5+B6+B9+B13
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	Common Equity Tier 1 capital before regulatory adjustments	19,601.38	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Intangibles (net of related tax liability)	-	
10	Deferred tax assets	-	
11	Cash-flow hedge reserve	-	
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	

Table DF-11: Composition of Capital		At March 31, 2026	Ref. No.
15	Defined-benefit pension fund net assets	-	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in common equity	-	
18	Investments in the capital of banking, financial, and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19	Significant investments in the common stock of banking, financial, and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
20	Mortgage servicing rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
22	Amount exceeding the 15% threshold	-	
23	of which: significant investments in the common stock of financial entities	-	
24	of which: mortgage servicing rights	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments18 (26a+26b+26c+26d+26e+26f+26g)	10.55	
26a	of which: Investments in the equity capital of the unconsolidated insurance subsidiaries	-	
26b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries	-	
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	-	
26d	of which: Unrealised profits arising because of transfer of loans	-	
26e	of which: deductions applicable on account of SRs guaranteed by the Government of India	-	
26f	of which: Intra-group exposures beyond permissible limits	-	
26g	of which: Net unrealised gains arising on fair valuation of Level 3 financial instruments (including derivatives).	10.55	B10b

Table DF-11: Composition of Capital		At March 31, 2026	Ref. No.
26h	of which: contribution in the form of subordinated units of an AIF scheme	-	
26i	of which: full amount of the Default Loss Guarantee (DLG), if the bank is the DLG provider	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to Common equity Tier 1	10.55	
29	Common Equity Tier 1 capital (CET1)	19,590.83	
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)	-	
31	of which: classified as equity under applicable Accounting Standards (Perpetual Non-Cumulative Preference Shares)	-	
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	Additional Tier 1 capital before regulatory adjustments	-	
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial, and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	National specific regulatory adjustments (41a+41b)	-	
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	-	

Table DF-11: Composition of Capital		At March 31, 2026	Ref. No.
41b	of which: Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	Total regulatory adjustments to Additional Tier 1 capital	-	
44	Additional Tier 1 capital (AT1)	-	
45	Tier 1 capital (T1 = CET1 + AT1) (29 + 44)	19,590.83	
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
47	Directly issued capital instruments subject to phase out from Tier 2	1,363.60	E3
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49	*of which: instruments issued by subsidiaries subject to phase out*	-	
50	Provisions	754.14	F3a+B12
51	Tier 2 capital before regulatory adjustments	2,117.74	
Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	-	
53	Reciprocal cross-holdings in Tier 2 instruments	-	
54	Investments in the capital of banking, financial, and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	
55	Significant investments23 in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments (56a+56b)	-	National specific regulatory adjustments (56a+56b)
56a	of which: Investments in the Tier 2 capital of unconsolidated subsidiaries	-	
56b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	-	
57	**Total regulatory adjustments to Tier 2 capital**	-	

Table DF-11: Composition of Capital		At March 31, 2026	Ref. No.
58	**Tier 2 capital (T2)**	**2,117.74**	
59	**Total capital (TC = T1 + T2) (row 45+row 58c)**	**21,708.57**	
60	**Total risk weighted assets (row 60a +row 60b +row 60c)**	**116,233.98**	
60a	of which: total credit risk weighted assets	116,233.98	
60b	of which: total market risk weighted assets	-	
60c	of which: total operational risk weighted assets	-	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	16.86%	
62	Tier 1 (as a percentage of risk weighted assets)	16.86%	
63	Total capital (as a percentage of risk weighted assets)	18.68%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation plus countercyclical buffer requirements plus higher of G-SIB buffer requirement and D-SIB buffer requirement, expressed as a percentage of risk weighted assets)	NA	
65	of which: capital conservation buffer requirement	NA	
66	of which: bank specific countercyclical buffer requirement	NA	
67	of which: G-SIB and D-SIB buffer requirement	NA	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	NA	
	National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	6%	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.50%	
71	National total capital minimum ratio (if different from Basel III minimum)	15%	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financial entities	-	
73	Significant investments in the common stock of financial entities	-	
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	346.57	K2
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to Standardised approach (prior to application of cap)	456.82	F3a

Table DF-11: Composition of Capital		At March 31, 2026	Ref. No.
77	Cap on inclusion of provisions in Tier 2 under Standardised approach	1,452.92	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	NA	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	NA	

Notes to the Template

Row No. of the template	Particular	₹ In Crs
10	Deferred tax assets associated with accumulated losses	-
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	-
	Total as indicated in row 10	
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	-
	of which: Increase in Common Equity Tier 1 capital	-
	of which: Increase in Additional Tier 1 capital	-
	of which: Increase in Tier 2 capital	-
26b	If investments in the equity capital of unconsolidated non- financial subsidiaries are not deducted and hence, risk weighted then:	-
	(i) Increase in Common Equity Tier 1 capital	-
	(ii) Increase in risk weighted assets	-
50	Eligible Provisions included in Tier 2	456.82
	Eligible Revaluation Reserves included in Tier 2	-
	Total of row 50	456.82

Table DF – 12: Approach to Reconciliation

₹ In Crs

	Step 1		Balance sheet as in published financial statements	Under regulatory scope of consolidation
			At March 31, 2026	At March 31, 2026
A	Capital & Liabilities			
i	Paid-up Capital		748.27	
	Reserves & Surplus		18,984.50	
	Employees' Stock Options Outstanding		240.76	
	Minority Interest		-	
	Total Capital		19,973.53	
ii	Deposits Of which:		1,52,661.16	
	Deposits from banks		16,561.73	
	Customer deposits		1,36,099.43	
	Other deposits		-	
iii	Borrowings Of which:		13,871.54	
	From the Reserve Bank		-	
	From banks		3.65	
	From other institutions & agencies		12,363.89	
	Others		-	
	Capital instruments		1,504.00	
iv	Other liabilities & provisions		5,291.24	
	Total		1,91,797.47	NA
B	Assets			
i	Cash and balances with Reserve Bank of India		6,973.26	
	Balance with banks and money at call and short notice		1,550.15	
iii	Investments Of which:		44,793.66	
	Government securities		32,342.76	
	Other approved securities		-	
	Shares		26.49	NA
	Debentures & Bonds		3,985.46	
	Subsidiaries / Joint Ventures / Associates		-	
	Others (Commercial Papers, Mutual Funds etc.)		8,438.95	
iii	Loans and advances Of which:		1,34,275.63	
	Loans and advances to banks		158.54	
	Loans and advances to customers		1,34,117.09	

Step 1			Balance sheet as in published financial statements	Under regulatory scope of consolidation
iv	Fixed assets		1,436.38	
v	Other assets of which:		2,768.39	
	Goodwill and intangible assets		-	
	Deferred tax assets		346.57	
vi	Goodwill on consolidation		-	
vii	Debit balance in Profit & Loss account		-	
	Total		1,91,797.47	

Step 2			Balance sheet as in published financial statements	Under regulatory scope of consolidation
A	Capital & Liabilities			
i	Paid-up Capital		748.27	
	Amount eligible for CET1	A1	748.27	
	Reserve and surplus	B	18,984.50	
	of which:			
	Statutory reserve	B1	3,352.66	
	Special reserve	B2	999.60	
	Securities premium	B3	5,540.35	
	AFS Reserve	B5	-59.55	
	Capital reserve	B6	252.13	
	Revenue and other reserves	B9	199.25	
	Balance in Profit/Loss A/c	B10	8,402.74	
	of which: Proposed Divided not reckoned for capital adequacy purpose	B10a	74.83	
	of which: Net unrealized gains arising on fair valuation of Level 3 financial instruments recognized in the Profit and Loss Account or in the AFS-	B10b	10.55	
	Investment fluctuation reserve	B12	297.32	
	Employees stock options outstanding	B13	240.76	
	Minority Interest	C	-	
	Total Capital	A1+B+B13+C	19,973.53	
ii	Deposits Of which:	D	1,52,661.16	

Step 2			Balance sheet as in published financial statements	Under regulatory scope of consolidation
	Deposits from banks		16,561.73	
	Customer deposits		1,36,099.43	
	Other deposits		-	
iii	Borrowings Of which:	E	13,871.54	
	From RBI		-	
	From banks		3.65	
	From other institutions & agencies		12,363.89	
	Borrowings in the form of bonds & debentures			
	Capital instruments of which:		1,504.00	
	Amount eligible for Tier 2 capital (issued by Bank)	E3	1,363.60	
iv	Other liabilities & provisions of which:	F	5,291.24	
	General Provision	F3	482.86	
	Of which: General Provision recognized in Tier 2 capital	F3a	456.82	
	Total		1,91,797.47	
B	**Assets**			
i	Cash and balances with Reserve Bank of India	G1	6,973.26	
	Balance with banks and money at call and short notice	G2	1,550.15	
ii	Investments Of which:	H	44,793.66	
	Government securities	H1	32,342.76	
	Other approved securities	H2	-	
	Shares	H3	26.49	
	Debentures & Bonds	H4	3,985.46	
	Subsidiaries / Joint Ventures / Associates	H5	-	
	Others (Commercial Papers, Mutual Funds etc.)	H6	8,438.95	
iii	Loans and advances Of which:	I	1,34,275.63	
	Loans and advances to banks	I1	158.54	
	Loans and advances to customers	I2	1,34,117.09	
iv	Fixed assets	J	1,436.38	
v	Other assets of which:	K	2,768.39	
	Goodwill and intangible assets	K1	-	

Step 2			Balance sheet as in published financial statements	Under regulatory scope of consolidation
	Deferred tax assets	K2	346.57	
vi	Goodwill on consolidation	L	-	
vii	Debit balance in Profit & Loss account	M	-	
	Total Assets		1,91,797.47	

DF-15: Disclosure on Remuneration:

Remuneration details are disclosed as part of Annual Financial Statements.

DF-16: Equities – Disclosure for banking book positions

Investments are classified at the time of purchase into Held for trade (HFT), Fair Value through P&L (FVTPL), Available for Sale (AFS), Cost and Held to Maturity (HTM) categories in line with the RBI master circular-Prudential Norms for Classification, Valuation and Operation of Investments Portfolio by Banks.

The Banking Book position consists of Available for Sale (AFS) and Fair Value Through Profit and Loss ('FVTPL') (Non HFT) categories. Changes in fair value of investments in AFS and FVTPL have been recognised through AFS reserve and Profit and Loss Account respectively.

The book value of the equity investments under FVTPL is ₹ 15.94 Crs and the market value of these securities is ₹ 26.49 Crs. at March 31, 2026.

The cumulative realised gain/(loss) arising from sale and liquidation in the reporting period is Nil.

Further, Total unrealised gain/(loss) recognised in the Balance sheet and total latent revaluation gain/(loss) is Nil.

Table DF – 17: LEVERAGE RATIO

Leverage ratio is defined as the capital measure (Tier-1 capital of the risk-based capital framework) divided by the exposure measure, with this ratio expressed as a percentage. As per RBI guidelines, the Basel III leverage for the Bank at the consolidated level March 31, 2026 is as follows.

₹ In Crs.

Particulars	Amount
Tier-1 Capital[1] (A)	19,590.83
Exposure measure[2] (B)	2,02,307.92
Leverage ratio[3] (A/B)	**9.68%**

1. Tier 1 capital at June 30, 2025, September 30, 2025 and December 30, 2025 was ₹ 16,239.62 Crs., ₹16,261.96 Crs. and ₹ 18,789.21 Crs. respectively.
2. Total exposures at June 30, 2025, September 30, 2025 and December 30, 2025 were ₹ 1,69,103.29 Crs., ₹ 1,73,923.93 Crs. and ₹ 1,83,542.78 Crs., respectively.
3. Leverage ratio at June 30, 2025, September 30, 2025 and December 30, 2025 was 9.60%, 9.35% and 10.24%, respectively

Summary comparison of accounting assets and leverage ratio exposure measure

₹ In Crs.

S. No.	Particulars	Amount
1	Total consolidated assets as per published financial statements	1,91,797.47
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	193.27
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	10,317.18
7	Other adjustments	-
8	**Leverage ratio exposure**	**2,02,307.92**

Leverage ratio common disclosure template

₹ In Crs.

S. No.	Leverage ratio framework	Amount
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	1,91,797.47
2	(Asset amounts deducted in determining Basel II Tier 1 capital)	-
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	1,91,797.47
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with all derivatives transactions	193.27
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivative exposures (sum of lines 4 to 10)**	193.27
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	-
15	Agent transaction exposures	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**-**
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	10,317.18
18	(Adjustments for conversion to credit equivalent amounts)	-
19	**Off-balance sheet items (sum of lines 17 and 18)**	10,317.18
Capital and total exposures		
20	**Tier 1 capital**	**19,590.83**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**2,02,307.92**
Leverage ratio		
22	**Basel III leverage ratio**	**9.68%**

Reconciliation of total published balance sheet size and on-balance sheet exposure

₹ In Crs.

S. No.	Particulars	Amount
1	Total consolidated assets as per published financial statements	1,91,797.47
2	Deductions from Tier 1 capital	-
3	**On-balance sheet exposure under leverage ratio (excluding derivatives and SFTs)**	1,91,797.47

Main features of capital instruments

S. No.	Particulars	Equity
1	Issuer	**AU Small Finance Bank Limited**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE949L01017
3	Governing law(s) of the instrument	Indian Laws
	Regulatory treatment	
4	Transitional Basel III rules	-
5	Post-transitional Basel III rules	-
6	Eligible at solo/ group/ group & solo	Solo
7	Instrument type	Common Shares
8	Amount recognised in regulatory capital (₹ as Mar 31, 2026)	748.27
9	Par value of instrument	₹10 per share
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	Various
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	
17	Fixed or floating dividend/coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	NA
24	If convertible, conversion trigger (s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Perpetual Debt Instruments
36	Non-compliant transitioned features	-
37	If yes, specify non-compliant features	-

Features of Tier II capital:

Sr. No.	Particular	INE949L08442 - Sub-Ord NCD - 350 Cr. - 9.30 PC -03-08-22	INE949L08434 - Sub-Ord NCD - 100 Cr. - 9.30 PC -03-08-22	INE949L08426 - Sub-Ord NCD - 50 Cr. - 9.30 PC -03-08-22	INE949L08459 - Sub-Ord NCD - 770 Cr. - 9.20 -28-03-25
1	Issuer	**AU Small Finance Bank Limited**			
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE949L08442	INE949L08434	INE949L08426	INE949L08459
3	Governing law(s) of the instrument	Indian Laws	Indian Laws	Indian Laws	Indian Laws
Regulatory treatment					
4	Transitional Basel III rules	-	-	-	-
5	Post-transitional Basel III rules	-	-	-	-
6	Eligible at solo/ group/ group & solo	Solo	Solo	Solo	Solo
7	Instrument type	Tier II Debt Instruments	Tier II Debt Instruments	Tier II Debt Instruments	Tier II Debt Instruments
8	Amount recognised in regulatory capital (₹ as Mar 31, 2026)	Same to be checked with regulatory team	Same to be checked with regulatory team	Same to be checked with regulatory team	Same to be checked with regulatory team
9	Par value of instrument	350 Crs	100 Crs.	50 Crs.	770 Crs.
10	Accounting classification	Borrowings	Borrowings	Borrowings	Borrowings
11	Original date of issuance	3-Aug-22	3-Aug-22	3-Aug-22	28-Mar-25
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date	3-Aug-32	13-Aug-32	23-Aug-32	28-Mar-35
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount				
16	Subsequent call dates, if applicable	NA	NA	NA	NA
Coupons / dividends					
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	9.30%	9.30%	9.30%	9.20%
19	Existence of a dividend stopper				
20	Fully discretionary, partially discretionary or mandatory	NA	NA	NA	NA
21	Existence of step up or other incentive to redeem	NA	NA	NA	NA
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Noncumulative	Noncumulative	Noncumulative	Noncumulative
24	If convertible, conversion trigger (s)	NA	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA	NA

Sr. No.	Particular	INE949L08442 - Sub-Ord NCD - 350 Cr. - 9.30 PC -03-08-22	INE949L08434 - Sub-Ord NCD - 100 Cr. - 9.30 PC -03-08-22	INE949L08426 - Sub-Ord NCD - 50 Cr. - 9.30 PC -03-08-22	INE949L08459 - Sub-Ord NCD - 770 Cr. - 9.20 -28-03-25
27	If convertible, mandatory or optional conversion	NA	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	NA
30	Write-down feature	NA	NA	NA	NA
31	If write-down, write-down trigger(s)	NA	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA	NA	NA	NA
36	Non-compliant transitioned features	-	-	-	-
37	If yes, specify non-compliant features	-	-	-	-

Features of Tier II capital:

Sr. No.	Particular	INE519Q08 160 - Sub-Ord NCD - 49 Cr. - 10.75 PC - 15-06-23	INE519Q08 178 - Sub-Ord NCD - 75 Cr. – 10.75 PC - 05-07-23	INE519Q08 186 - Sub-Ord NCD - 50 Cr. - 10.75 PC - 09-08-23	INE519Q08 194 - Sub-Ord NCD - 60 Cr. - 10.70 PC - 23-08-23
1	Issuer	**Fincare Small Finance Bank Limited**			
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE519Q08 160	INE519Q08 178	INE519Q08 186	INE519Q08 194
3	Governing law(s) of the instrument	Indian Laws	Indian Laws	Indian Laws	Indian Laws
Regulatory treatment					
4	Transitional Basel III rules	-	-	-	-
5	Post-transitional Basel III rules	-	-	-	-
6	Eligible at solo/ group/ group & solo	Solo	Solo	Solo	Solo
7	Instrument type	Tier II Debt Instruments	Tier II Debt Instruments	Tier II Debt Instruments	Tier II Debt Instruments
8	Amount recognised in regulatory capital (₹ as Mar 31, 2026)	19.60 Crs	30 Crs	20 Crs	24 Crs

Sr. No.	Particular	INE519Q08 160 - Sub-Ord NCD - 49 Cr. - 10.75 PC - 15-06-23	INE519Q08 178 - Sub-Ord NCD - 75 Cr. – 10.75 PC - 05-07-23	INE519Q08 186 - Sub-Ord NCD - 50 Cr. - 10.75 PC - 09-08-23	INE519Q08 194 - Sub-Ord NCD - 60 Cr. - 10.70 PC - 23-08-23
9	Par value of instrument	49 Crs	75 Crs	50 Crs	60 Crs
10	Accounting classification	Borrowings	Borrowings	Borrowings	Borrowings
11	Original date of issuance	15-Jun-23	5-Jul-23	9-Aug-23	23-Aug-23
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date	15-Dec-28	5-Jan-29	9-Feb-29	23-Feb-29
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	NA	NA	NA	NA
16	Subsequent call dates, if applicable	NA	NA	NA	NA
	Coupons / dividends				
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	10.75%	10.75%	10.75%	10.70%
19	Existence of a dividend stopper	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	NA	NA	NA	NA
21	Existence of step up or other incentive to redeem	NA	NA	NA	NA
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	NA	NA	NA	NA
25	If convertible, fully or partially	NA	NA	NA	NA
26	If convertible, conversion rate	NA	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA	NA	NA
30	Write-down feature	NA	NA	NA	NA
31	If write-down, write-down trigger(s)	NA	NA	NA	NA
32	If write-down, full or partial	NA	NA	NA	NA
33	If write-down, permanent or temporary	NA	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA	NA	NA	NA
36	Non-compliant transitioned features	-	-	-	-

Sr. No.	Particular	INE519Q08160 - Sub-Ord NCD - 49 Cr. - 10.75 PC - 15-06-23	INE519Q08178 - Sub-Ord NCD - 75 Cr. – 10.75 PC - 05-07-23	INE519Q08186 - Sub-Ord NCD - 50 Cr. - 10.75 PC - 09-08-23	INE519Q08194 - Sub-Ord NCD - 60 Cr. - 10.70 PC - 23-08-23
37	If yes, specify non-compliant features	-	-	-	-