PILLAR 3 Disclosures at December 31, 2025

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-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 December 31, 2025 is 19.01% against the regulatory requirement of 15.00% prescribed by RBI.

AU SMALL FINANCE BANK
A SCHEDULED COMMERCIAL BANK

b. Capital Requirement

₹ In Crs.

S. No.	Particulars	Amount
A	**Credit Risk**	**16,443.90**
A.1	For non-securitised portfolio[1]	15,360.02
A.2	For securitised portfolio[2]	1,083.88
B	**Market Risk**	-
C	**Operational Risk**	-
D	**Total Capital Requirement (A+B+C)**	**16,443.90**
E	**Total Risk Weighted Assets (Credit)[1,2]**	**1,09,625.96**
F	**Total capital funds of the bank**	**20,838.08**

[1]Includes Rs.143.91 crore capital requirement on account of Deferred Tax Assets (DTA) of Rs. 383.75 crores, on which risk weighted assets amounting to Rs. 959.38 crores was computed pursuant to the RBI Master Direction "(Small Finance Banks – Prudential Norms on Capital Adequacy) Directions, 2025" dated November 28, 2025. In prior periods, the DTA was being deducted from Tier 1 capital directly.

[2]Includes Rs. 999.42 crore capital requirement on account of Credit enhancement (first-loss) of Rs. 533.03 crore, on which risk weighted assets amounting to Rs. 6,662.83 crore was computed pursuant to the RBI Master Direction "(Small Finance Banks – Prudential Norms on Capital Adequacy) Directions, 2025" dated November 28, 2025. In prior periods, credit enhancement (first-loss) was being deducted 50% from Tier 1 and 50% from Tier 2 capital directly.

Total and Tier I Capital Ratio

Particulars	Capital Adequacy Ratio
CET I Ratio	17.14%
Tier I Ratio	17.14%
Total Capital Adequacy Ratio	**19.01%**

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 Emerging Enterprise & Financial Institutions, Real Estate Group Funding, Business Banking Loans and Agri Banking Loans as part of 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, Agri Banking, 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, sensitive concentration, 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.

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, Agri Banking, 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	1,54,425.18
Non-Fund Based	11,133.59
Total	**1,65,558.77**

Geographic Distribution of Exposures

₹ In Crs.

Category	Fund Based	Non-Fund Based
Domestic	1,54,425.18	11,133.59
Overseas	-	-
Total	**1,54,425.18**	**11,133.59**

Industry Wise Distribution of Gross Credit Exposure

₹ In Crs.

S. No.	Industry Classification	Fund Based	Non-Fund Based
1	Trade	26,915.21	442.63
2	Agriculture and Allied Activities	19,740.45	312.78
3	Credit Card Receivables	15,872.98	-
4	Transport Operator	14,636.93	123.83
5	Commercial Real Estate	10,610.82	50.57
6	Vehicle/Auto Loans	8,877.21	-
7	Housing Loans	8,441.31	-
8	NBFCs	6,587.70	35.42
9	Advances against Fixed Deposits	6,231.94	360.02
10	Tourism, Hotel and Restaurants	2,352.00	0.60
11	Electronics & engineering	1,757.35	246.94
12	Infrastructure	1,151.27	688.05
13	Metal, Iron and Steel	810.90	261.19
14	Banking	961.11	1.32
15	Textile	872.82	0.59
16	Professional Services	768.60	64.36

S. No.	Industry Classification	Fund Based	Non-Fund Based
17	Cement & Cement products	316.41	9.58
18	Gems and Jewellery	757.72	8.35
19	Wood and Wood products	683.51	0.08
20	Food Processing	564.95	41.94
21	Rubber and plastic products	481.47	35.44
22	Mining and Quarrying	242.88	177.89
23	Paper & Paper products	399.80	3.26
24	Construction	390.51	-
25	Vehicles, Vehicle Parts and Transport Equipment's	278.69	0.23
26	Computer and Related Activities	205.02	24.52
27	Leather & Leather products	130.67	0.07
28	Post and Telecommunication Services	117.72	8.42
29	Chemical & Chemical products	519.87	22.53
30	Glass & Glassware	51.21	-
31	Beverages and Tobacco	26.53	0.64
32	Consumer Durables	-	-
33	Services- Other	18,103.30	7,674.43
34	Retail Loans - Other	3,645.13	454.50
35	Industries - Other	921.19	83.41
Total		**1,54,425.18**	**11,133.59**

As on December 31, 2025, 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	16.52%
2	Agriculture and Allied Activities	12.11%
3	Credit Card Receivables	9.59%
4	Transport Operator	8.92%
5	Commercial Real Estate	6.44%
6	Vehicle/Auto Loans	5.36%
7	Housing Loans	5.10%

Maturity Pattern of Assets

The maturity pattern of assets at December 31, 2025 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	1,582.81	269.01	10,108.95	103.74	-	209.76	12,274.27
2-7 Days	153.03	134.81	1,380.59	945.81	-	160.70	2,774.94

Maturity Bucket	Cash, balances with RBI	Balances with banks and money at call & short notice	Investments	Loans & Advances	Fixed Assets	Other Assets	Total
8-14 Days	53.01	224.69	2,083.84	2,340.60	-	610.01	5,312.15
15-30 Days	113.05	234.81	2,176.02	1,179.89	-	272.66	3,976.43
31 Days to 2 months	259.84	-	1,596.26	3,133.96	-	326.74	5,316.80
More than 2 months and up to 3 months	219.22	-	1,666.81	3,176.79	-	192.75	5,255.57
Over 3 Months and up to 6 months	578.78	-	3,529.71	8,667.50	-	397.95	13,173.94
Over 6 Months and up to 1 year	878.58	19.22	5,861.67	17,322.50	-	84.38	24,166.35
Over 1 Year and up to 3 years	1,368.69	172.45	10,466.37	52,924.71	-	515.82	65,448.03
Over 3 Years and up to 5 years	39.03	183.72	782.70	17,113.05	-	42.37	18,160.87
Over 5 years	7.96	83.09	139.81	16,511.43	1,378.01	72.50	18,192.80
Total	**5,254.00**	**1,321.80**	**39,792.73**	**1,23,419.98**	**1,378.01**	**2,885.64**	**1,74,052.15**

Amount of Non-Performing Advances (NPAs)

₹ In Crs.

S. No.	Category	Amount
A	**Amount of NPAs (Gross)**	**2,880.54**
A.1	Substandard	2,088.87
A.2	Doubtful1	625.81
A.3	Doubtful2	121.57
A.4	Doubtful3	22.04
A.5	Loss	22.25
B	**Net NPAs**	1,091.46
C	Advances	
C.1	**Gross Advances**	**1,25,209.06**
C.2	**Net Advances**	**1,23,419.98**
D	NPA Ratios	
D.1	**Gross NPAs to gross advances (%)**	**2.30%**
D.2	**Net NPAs to net advances (%)**	**0.88%**

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	3,236.56	1,245.47
Reductions during the period	2,833.05	945.35
Closing balance at December 31, 2025	**2,880.54**	**1,091.46**

Movement of Provisions for NPAs

₹ In Crs.

Particulars	Amount
Opening balance as on April 1, 2025	1,685.69
Provision made during the period	1,991.09
Write-off/Loss on sale of repossessed assets during the period	1,109.02
Write-back of excess provisions during the period	778.68
Closing balance as on December 31, 2025	**1,789.08**

*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	291.95
Provision reversed during the period	(241.93)
Closing balance as on December 31, 2025	**434.70**

Excluding contingency provision of Rs 29.67 Cr and Rs 32.33 Cr as at Dec 31, 2025 and March 31, 2025 respectively
includes the additional provision for accounts restructured under the RBI COVID Resolution Framework.

Recoveries from written-off accounts aggregating ₹ 212.77 Crs. and write-offs aggregating ₹ 78.58 Crs. have been recognized in the statement of profit and loss.

Company does not have any Non – performing Investments as on December 31, 2025.

Movement of Provisions for depreciation on investments

₹ In Crs.

Particulars	Amount
Opening balance at April 1, 2025	(36.48)
Provision made during the period	(216.63)
Write-off / Write-back of excess provisions during the period	263.52
Closing balance at December 31, 2025	**10.41**

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	1,665.69	1,013.64	220.54	666.49	1,020.01

Geography-wise breakup of gross NPAs, Specific Provision and General Provision at December 31, 2025:

₹ In Crs.

Category	Gross NPA	Specific Provision	General Provision
Domestic	2,880.54	1,789.08	434.70
Overseas	-	-	-
Total	**2,880.54**	**1,789.08**	**434.70**

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 December 31, 2025, 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	1,18,398.67
100% risk weight	13,845.99
More than 100% risk weight[1]	18,924.64
Total	**1,51,169.30**

[1]Includes Deferred Tax Assets (DTA) of Rs. 383.75 crores and Credit enhancement (first-loss) of Rs. 533.03 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.

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 December 31, 2025 is as follows.

₹ In Crs.

Particulars	**Amount**
Tier-1 Capital[1] (A)	18,789.21
Exposure measure[2] (B)	1,83,542.78
Leverage ratio[3] (A/B)	**10.24%**

1. Tier 1 capital at March 31, 2025, June 30, 2025 and September 30, 2025 was ₹ 16,339.28 Crs., ₹ 16,239.62 Crs. and ₹ 16,261.96 Crs. respectively.
2. Total exposures at March 31, 2025, June 30, 2025 and September 30, 2025 were ₹ 1,65,949.81 Crs., ₹ 1,69,103.29 Crs. and ₹ 1,73,923.93 Crs., respectively.
3. Leverage ratio at March 31, 2025, June 30, 2025 and September 30, 2025 was 9.85%, 9.60% and 9.35%, respectively.

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 Dec 31, 2025)	747.18 crs
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

S. No.	Particulars	Equity
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 December 31, 2025)	350 crs	100 crs	50 crs	770 crs
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	03-Aug-22	03-Aug-22	03-Aug-22	28-Mar-25
12	Perpetual or dated	Dated	Dated	Dated	Dated
13	Original maturity date	03-Aug-32	13-Aug-32	23-Aug-32	28-Mar-35
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes

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
15	Optional call date, contingent call dates and redemption amount	03-Aug-27	13-Aug-27	23-Aug-27	28-Mar-30
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	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	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
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	-	-	-	
37	If yes, specify non-compliant features	-	-	-	

Features of Tier II capital:

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
1	Issuer	**Fincare Small Finance Bank Limited**			
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE519Q08160	INE519Q08178	INE519Q08186	INE519Q08194
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 December 31, 2025)	19.60 Crs.	45 Crs.	30 Crs.	36 Crs.
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	05-Jul-23	09-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	NA	NA	NA	NA
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	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	NA	NA	NA	NA

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
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	-	-	-	-
37	If yes, specify non-compliant features	-	-	-	-