

Ref. No.: AUSFB/SEC/2023-24/105

Date: July 18, 2023

To,

National Stock Exchange of India Ltd. Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai 400051, Maharashtra. NSE Symbol: AUBANK	BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400001, Maharashtra. Scrip Code: 540611, 958400, 974093, 974094, 974095
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Dear Sir/Madam,

Sub: Notice of 28th Annual General Meeting and Integrated Annual Report for FY 2022-23 of AU Small Finance Bank Limited

Pursuant to the Regulation 34(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”), we wish to inform that the Twenty Eighth (28th) Annual General Meeting (“**AGM**”) of the Members of the Bank will be held on **Thursday, August 10, 2023 at 4:00 P.M. (IST)** through Video Conferencing/Other Audio Visual Means in compliance with the applicable regulatory provisions.

We submit herewith a copy of the Integrated Annual Report for FY 2022-23 including Notice convening the 28th AGM of the Bank.

The Integrated Annual Report, Notice of the 28th AGM and Business Responsibility and Sustainability Report for FY 2022-23 is also available on the website of the Bank at <https://www.aubank.in/reports-and-presentation>.

Notice of AGM and Integrated Annual Report for FY 2022-23 is being sent to the Members, who have registered their e-mail addresses with Depositories/RTA, through electronic mode Today on July 18, 2023.

This is for your information and record.

Thanking You,

Yours faithfully,

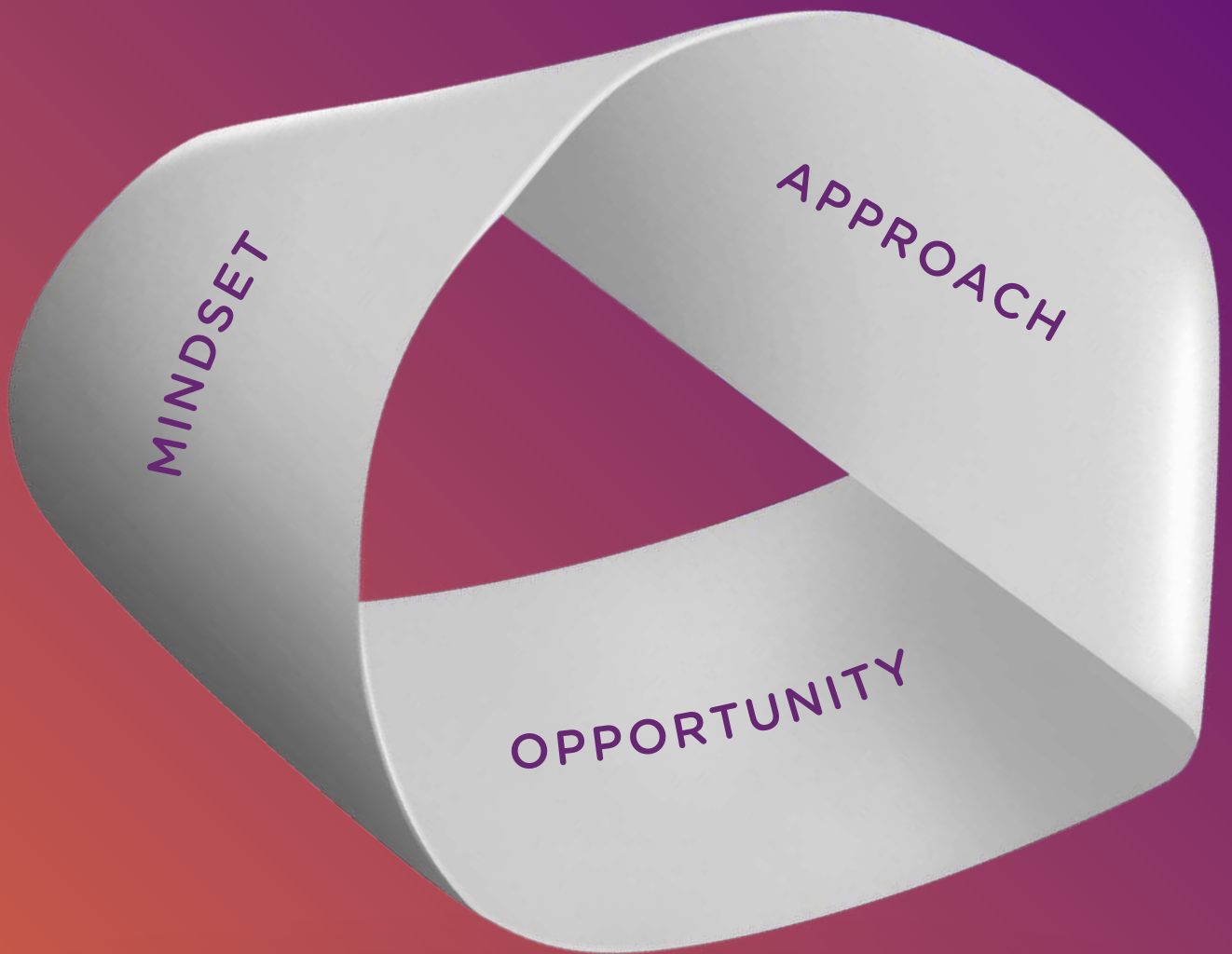
For AU SMALL FINANCE BANK LIMITED

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

**BADLAAV
HUMSE HAI**



ON A FOREVER JOURNEY



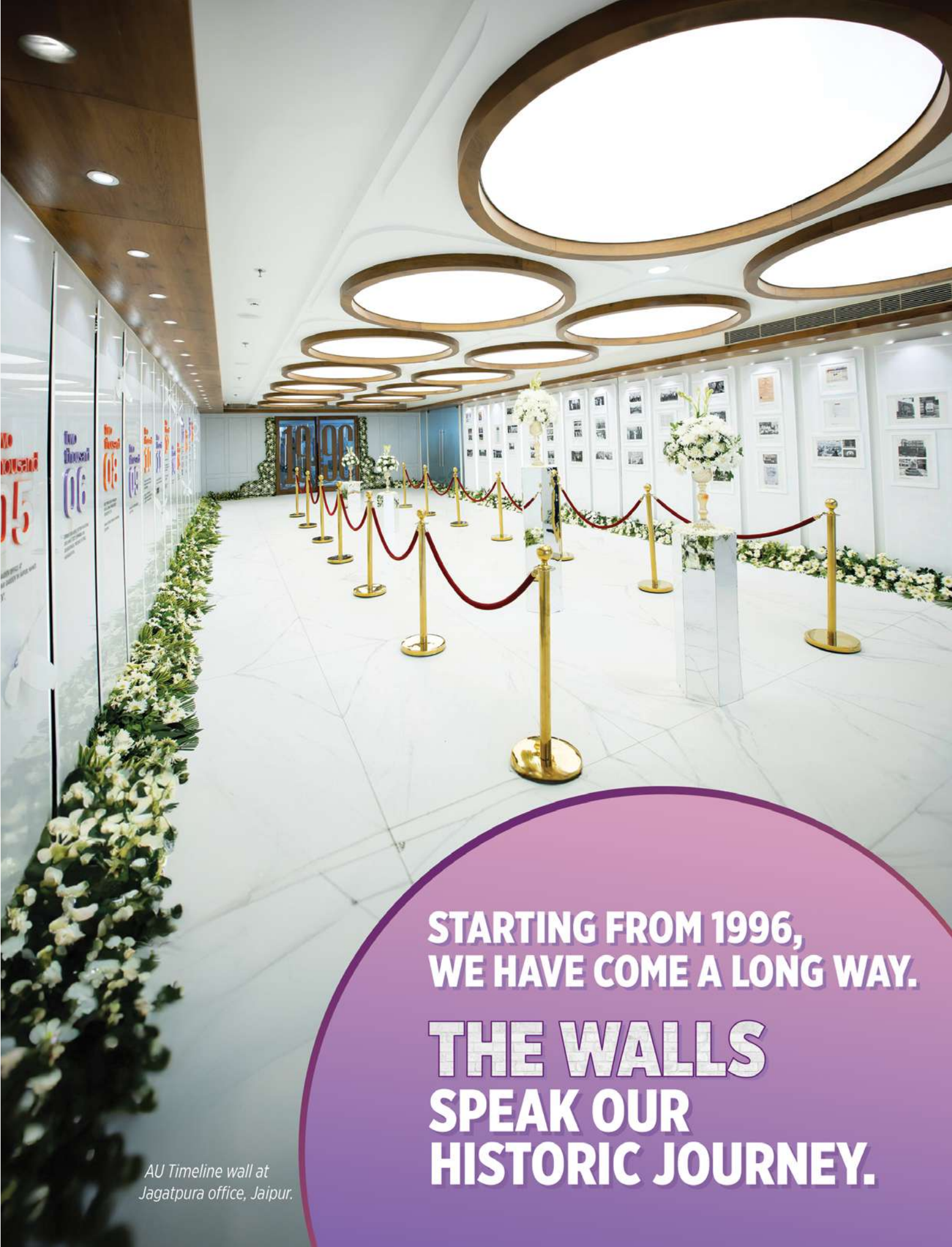
INTEGRATED ANNUAL REPORT
2022-2023



Mindset Opportunity Approach

Building a 'Forever Bank' requires a leadership **mindset**, identifying **opportunities**, and mapping the **approach** for creating impact. And then repeating it all over again with an innovative mindset, newer opportunities and calibrated approach. Much like a Möbius strip, continuous interconnectivity is our approach to banking. It represents an endless cycle of growth and improvement.

We strive to innovate, adapt, and evolve to cater to our customers' ever-changing needs. We are on a Forever journey to build a Bank that not only meets present requirements but is also capable of serving future generations.



**STARTING FROM 1996,
WE HAVE COME A LONG WAY.**

**THE WALLS
SPEAK OUR
HISTORIC JOURNEY.**

*AU Timeline wall at
Jagatpura office, Jaipur.*

6 years of banking

Key Parameters	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
No. of States and UTs	11	12	12	17	20	24
No. of Touchpoints	474	558	647	744	919	1027
No. of Employees	11,151	12,623	17,112	22,484	27,817	28,320
No. of Unique Customers (in lakh)	7.5	12.3	17.2	20.2	27.5	38.6
CD ratio %	168	117	103	96	88	84
Balance Sheet Statistics						₹ crore
Total Assets	18,833	32,623	42,143	51,591	69,078	90,216
Advances	13,312	22,819	26,992	34,609	46,095	58,422
Investment	3,051	7,162	10,668	10,815	15,306	20,072
Shareholders' Fund	2,281	3,163	4,377	6,275	7,514	10,977
Deposits	7,923	19,422	26,164	35,979	52,585	69,365
Borrowings	7,639	8,613	10,335	7,030	5,991	6,299
Income Statement						₹ crore
NII	940	1,343	1,909	2,365	3,234	4,425
Total Income (NII + Other income)	1,328	1,805	2,615	3,786	4,228	5,460
Operating Expenses	753	1,083	1,418	1,658	2,413	3,440
PPOP	575	722	1,197	2,128	1,815	2,019
Provisions	132	142	283	669	361	155
PBT	443	580	914	1,459	1,454	1,865
PAT	292	382	675	1,171	1,130	1,428
PAT (Excluding Profit from stake sale in Aavas)	292	382	596	600	1,130	1,428
KEY RATIOS						
Asset Quality						
Gross NPA %	2.0%	2.0%	1.7%	4.3%	2.0%	1.7%
Net NPA %	1.3%	1.3%	0.8%	2.2%	0.5%	0.4%
Provision coverage ratio (PCR)	37%	37%	53%	50%	75%	75%
Provision coverage ratio (with Technical write-off)	37%	37%	53%	50%	77%	78%
Net Credit Loss (as % of average assets)	0.0%	0.0%	0.1%	0.3%	0.3%	0.2%
Profitability						
NII as % of Average Assets	6.6%	5.2%	5.1%	5.0%	5.4%	5.6%
Cost of Funds	8.4%	7.9%	7.7%	6.8%	5.9%	6.0%
CASA Mix (as % of Deposits)	27%	18%	14%	23%	37%	38%
Operating Expense (as % of Average Assets)	5.3%	4.2%	3.8%	3.5%	4.0%	4.3%
ROA	2.0%	1.5%	1.8%	2.5%	1.9%	1.8%
ROA (Excluding Profit from stake sale in Aavas)	2.0%	1.5%	1.6%	1.3%	1.9%	1.8%
ROE	13.7%	14.0%	17.9%	23.4%	16.4%	15.4%
ROE (Excluding Profit from stake sale in Aavas)	13.7%	14.0%	15.8%	12.0%	16.4%	15.4%
EPS (₹)	5	7	11	19	18	22
BVPS (₹)	40	54	72	100	119	165
Capital Adequacy						
Average Asset/Average Shareholders' Funds	6.7	9.5	9.9	8.8	8.8	8.6
CRAR - Total	19.3%	19.3%	22.0%	23.4%	21.0%	23.6%
CRAR - Tier 1	18.4%	16.0%	18.4%	21.5%	19.7%	21.8%



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We aim for, and have the mindset to build AU SFB to outlast us all. This is my dream for 'AU Forever'

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Discover AU SFB's sustainable performance, growth, profitability, and remarkable customer satisfaction

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➤ Read about the performance of our 10 SBUs in our Management Discussion and Analysis

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ON A FOREVER JOURNEY

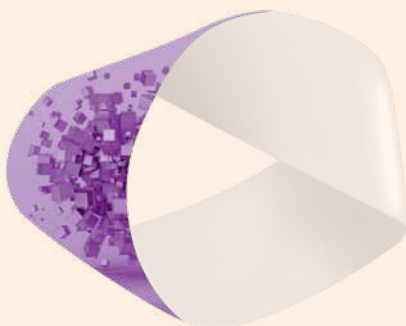
AU Small Finance Bank Limited (AU SFB) is on a 'Forever Journey', committed to building a resilient and sustainable institution that embraces growth and adapts to challenges. Our retail-focused strategy has established a stable deposit franchise while utilising data and analytics to offer inclusive access to financial solutions through secured lending products.

A continuation of our approach of having our 'eyes on the horizon, and ear to the ground', our theme for this year's Annual Report depicts our ideology of building a bank which can last forever. Staying grounded on our fundamentals, we aim to create a foundation and a legacy, through a sustainable business model and robust governance, which will lead us to have generational success and prosperity.

A 'Forever Bank' is akin to a Möbius strip, being in a continual journey. Laying the foundation for a bank that can last forever begins with identifying the right **mindset**, **opportunity**, and **approach**.

A 'FOREVER BANK' NEEDS A FOREVER MINDSET

As a 'Forever Bank', our mindset to build goes beyond stability and growth, requiring a forward-thinking and innovative approach. Embracing change, seeking opportunities, and anticipating customer needs set us apart in the banking landscape.



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SEIZING OPPORTUNITIES AS A FOREVER BANK

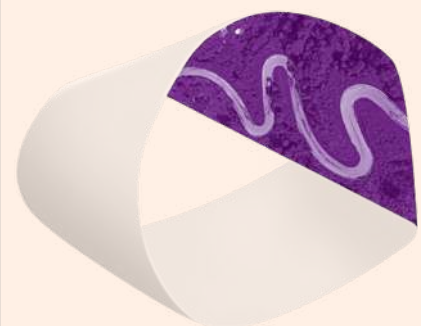
With a vision to bring efficiency in the intermediation between borrowers and savers, we need to extend our services to every customer segment and we wholeheartedly embrace the immense possibilities offered by the burgeoning Indian economy.



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THE KEY TO OUR FOREVER BANKING APPROACH

Our pursuit of becoming a 'Forever Bank' requires balancing traditional values with modern advancements. We seize opportunities in emerging markets and leverage technology to provide seamless and personalised experiences, fostering long-term success and lasting customer relationships.



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About the Report

This is AU Small Finance Bank's (AU SFB) third Integrated Report prepared in accordance with the International Integrated Reporting <IR> framework. It provides our stakeholders with a concise and fair assessment of our ability to use our experience and expertise to create sustainable value.

Reporting Period

The Report covers the period between April 1, 2022 and March 31, 2023. This Report provides material information relating to our strategy and business model, operating context, material risks, stakeholder interests, performance, prospects, and governance.

Reporting Boundary

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

Financial and Non-financial Reporting

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

Materiality

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

Target Audience

This Report is primarily intended to address the information requirements of our providers of financial capital, i.e., investors (existing and prospective) and also covers information relevant to other key stakeholders.

Framework, Guidelines, and Standards

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

- <IR> framework of the IFRS Foundation
- The Companies Act, 2013 (and the rules made thereunder)
- Accounting Standards
- Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
- Secretarial Standards issued by the Institute of Company Secretaries of India

Responsibility Statement

Our Management acknowledges the integrity of this Integrated Report, which, in their opinion, addresses all the issues that are material to AU SFB's ability to create value, and presents integrated performance in a fair manner. Our Management

confirms that this report presents a balanced and transparent account of Your Bank's value-creation story.

Transparency and Enhanced Disclosures

The Bank has a comprehensive transparent reporting approach, demonstrating our unwavering dedication to providing the stakeholders with a transparent and holistic view of our performance and progress.

3rd

Integrated Annual Report

2nd

Year of Sustainability Reporting

➔ Read more about our ESG disclosures in the Business Responsibility and Sustainability Report (BRSR) on **Page 186** and refer to our sustainability initiatives in our Sustainability Report **here**.



aubank.in

Our Capitals

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



Financial Capital

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



Manufactured Capital

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



Intellectual Capital

Our differentiated digital ecosystem across products and services, communication capabilities, applications, data analytics and cybersecurity.



Human Capital

Our professional team with their diverse skills, range of experience, and motivations to develop, improve and innovate processes, products and services through meritocracy, teamwork, leadership, and collaboration.



Social and Relationship Capital

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



Natural Capital

Our resource consumption pattern and impact on natural resources through our operations and business activities.

Steps taken to ensure effective usage of carbon, energy, and waste management.

➤ Read more on [Page 24](#)

Our Material Issues

Environment

- Climate Risk
- Sustainable Operations
- Water Conservation
- Resource Efficiency
- Our Product Offerings- Social and Climate

Social

- Diversity and Inclusion
- Corporate Social Responsibility
- Employee Health and Well-being
- Stakeholder Engagement
- Financial and Digital Inclusion
- Employee Training and Education

Governance

- Product Innovation
- Economic Performance of the Bank
- Cybersecurity
- Data Privacy
- Compliance
- Brand and Reputation Management
- Ethical Business Practices
- Customer Satisfaction

➤ Read more in our Sustainability Report

Our Key Stakeholders



Customers



Employees



Regulators and Government



Partners and Associates



Society



Environment



Investors and Shareholders

➤ Read more about how we engage with our stakeholders in our Sustainability Report



PERFORMANCE HIGHLIGHTS

FY 2022-23 Progress

Robust Balance Sheet

23.6%

Capital adequacy ratio
(21% on March 2022)

75%/78%

PCR/PCR with
technical write-off
(75%/77% on March 2022)

0.42%

Net NPA
(0.50% on March 2022)

Increasing Profitability

₹9,240 Cr

⬆️ **34%** YoY
Total income

₹4,425 Cr

⬆️ **37%** YoY
Net Interest Income

₹1,428 Cr

⬆️ **26%** YoY
Profit After Tax (PAT)

Strong Business Growth

₹90,216 Cr

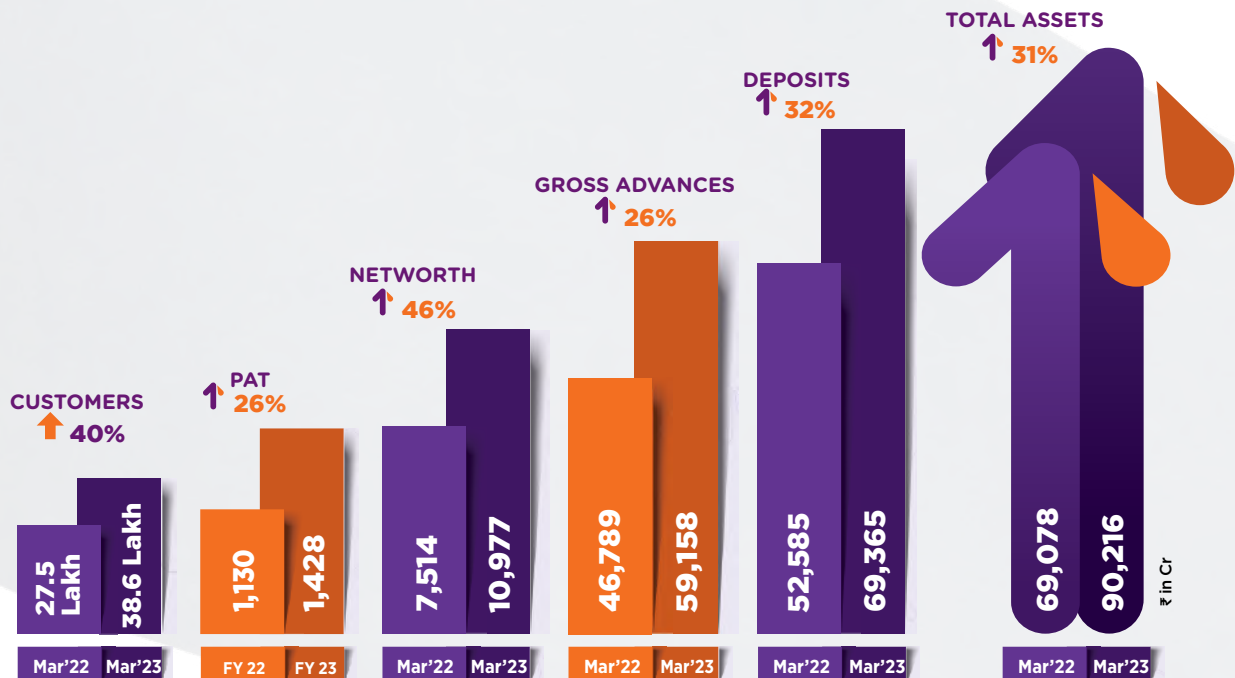
⬆️ **31%** YoY
Total assets

₹69,365 Cr

⬆️ **32%** YoY
Deposits

₹59,158 Cr

⬆️ **26%** YoY
Gross advances





Young and Stable Workforce

28,320
Total employees

31 years
Average age of employees

479
Employees with 10+ years vintage

Creating Social Impact

8.1 Lakh+
Customers provided with financial services under Jan Dhan Yojana

2.7 Lakh+
UPI transacting customers in unbanked rural centres

7,693
Youth from financially disadvantaged sections trained

Sustainability Progress

1st GRI report
Released first sustainability report in FY 2022-23

AA
ESG Rating by **MSCI**

Medium
ESG risk rating given by **SUSTAINALYTICS**




CHAIRMAN'S MESSAGE

On a Journey of Growth and Transformation



Dear Stakeholders,

Namaskar 

I am glad to report that your Bank delivered good performance numbers during the FY 2022-23 amid significant economy-wide challenges and uncertainties. Your Bank successfully navigated the uncertain environment surrounding inflation, liquidity, and interest rates. Throughout this period, your Bank diligently pursued a well-thought-out strategy to foster and reinforce a highly sustainable business model capable of delivering consistent long-term results, while ensuring we are equipped to meet the needs of the future.

Amidst this complex macro environment, we delivered strong performance across deposits, loan portfolio, and lending. As we celebrate six years as a Bank, we have transformed into a stronger institution, constantly challenging the status quo to enhance the experiences of our customers and employees. We are now embarking on our 'Forever' banking journey of growth and innovation. Our aim is to create a legacy that will endure for generations, as we have the right mindset, constructive and positive approach, vision with passion, and aspiration to pursue our journey along this transformative path.

Performance

Throughout FY 2022-23, we remained resolute in our performance, given our strong risk management and governance capabilities that brought significant value and stability to your Bank's business. As the year came to a close, we achieved remarkable milestones, including a 32% increase in deposits while making

it more granular with a CASA ratio of 38.4%, a 26% growth in advances, and 26% rise in profit after tax (PAT) with robust RoA, RoE, and maintained a strong capital adequacy ratio, indicating a healthy financial position.

Retail Focus Drives Confidence and Stability

Our high retail deposit base continued to grow during the year, generating all round confidence and stability, further reinforcing the effectiveness of our retail focus and the vast opportunity it offers. As we look ahead, we aim to expand our deposit base further and strategically extend our reach. We place our customers at the heart of our operations, recognising the importance of building and nurturing strong relationships with them.

Digital Innovation Fuels Competitiveness

We have fully embraced “digital” DNA as a vital component of our business strategy. We are actively seeking out emerging technologies and investing in state-of-the-art tools to continuously enhance the quality of our services. By engaging in ongoing customer interactions,

32%

Deposit growth in FY 2022-23

26%

Advances growth in FY 2022-23

we gain valuable insights into their needs, preferences, and interests, enabling us to offer tailored products and personalised experiences. Leveraging the power of data analytics, we stay ahead of the curve, seamlessly delivering what our customers desire for their delightful experience. We firmly believe that the future is digital, and thus, we make prudent strategic decisions to effectively implement digital initiatives while ensuring cost- effectiveness. Our goal is to serve our customers in the best possible way, with a digital-first approach while still valuing human interactions.

From Domestic Success to Cross-border

In April 2023, we received regulatory approval from the Reserve Bank of India (RBI) to engage in foreign exchange transactions, a significant milestone for us. This achievement has unlocked a multitude of new opportunities, and we are fully prepared to capitalise on them. Our current focus lies in exploring cross border trade, with a specific emphasis on trade and customer remittances, as a new avenue for growth. While we currently prioritise MSME, agriculture, and vehicle lending in our domestic operations, we have strategic plans to extend our services for the international requirement of our customers as well, offering crucial foreign exchange and trade support. We are invigorating our treasury function to handle increased liquidity, while making our governance practices more robust.

Our aim is to create a legacy that will endure for generations.

Empowering Communities, Enriching Lives

As a Bank, we deeply embed our environmental, social, and governance (ESG) agenda into our roles and responsibilities, to address societal challenges. We seamlessly integrate ESG principles into our business model and embed them in our products and services, with formal guidelines and policies, guided and supported by a dedicated Sustainability Committee. Our efforts extend to minimising our environmental impact, promoting gender balance, empowering women, and fostering financial inclusion for the underbanked and unbanked. We continuously strive to improve our services based on their needs, aiming to provide comprehensive financial solutions that empower and create financial security within communities.

Through our commitment to ‘Badlaav Humse Hai’, we strive to bring enhanced value and fulfilment to stakeholders. Additionally, our corporate social responsibility (CSR) initiatives have had a positive impact on numerous lives, and we remain avowedly committed to making a difference in society.

Warm regards,

Raj Vikash Verma
Chairman



A 'FOREVER BANK' NEEDS A FOREVER MINDSET

The foundation of a forever institution needs to be structurally designed to outlast individuals. It starts with the mindset rather than design or strategy. Additionally, for a regulated franchise like banking, the mindset needs to be institutional rather than individual. At AU SFB, we have started with the mindset to build a Forever Bank and our focus is on some core aspects to make this forever journey more sustainable.



Sustainable Business Model

Sustainable business models withstand the test of time. Thus, at the core, AU SFB's business model of inclusive banking needs to be profitable for self-sustenance and last forever.

Robust capital structure, diversified and deep physical presence, secure digital architecture, granular deposit franchise and secured & retail lending are the key pillars which make our business more sustainable.



Bank House, Jaipur

1.7%

Average RoA in the last six years



Governance

A Forever Bank needs strong governance framework with responsibilities shared across executives and Board. We have an independent Board with a total of ten directors, each having significant domain knowledge and with individual expertise around Audit, Governance, Risk & supervision, Rural banking, Retail banking, Technology, International Banking and Sustainability.

80%

Independent Directors

Asset Quality

A strong focus on asset quality is critical for any sustainable bank. By closely monitoring key indicators such as GNPA, NNPA, and provisioning, we ensure a robust asset quality framework. We proactively manage credit risks, conduct due diligence, and implement stringent underwriting standards. It is our constant endeavour to preserve the trust of our stakeholders for long term growth and profitability.



1.66%

GNPA

Customer Centricity

A key tenet of building a Forever Bank is to encourage and achieve generational banking. Our legacy of an NBFC converting into a Bank has taught us distinction between a borrower and a customer. Keeping customer at the centre of all our design and innovations is a core philosophy at AU SFB and we strive to deliver exceptional experiences and build enduring relationships with our customers.



95.8%

Customer grievances resolved

Cybersecurity

The evolving definition of 'trust' in modern paradigm starts with how good and secure a Bank's digital properties are. Cybersecurity and data privacy have become non-negotiable and we have continuously strengthened our cybersecurity and data privacy policies, systems and processes.

ISO 27001:2013

Certification for our cyber-security capabilities

Note: All numbers as of March 31, 2023



WHO WE ARE



Purpose

Empowering India

Financially. Digitally. Socially.



Vision

To be the world's most trusted retail Bank and coveted employer that is admired as the epitome of financial inclusion and economic success, where ordinary people do extraordinary things to transform society at large, thereby guaranteeing trust, confidence, and customer delight.



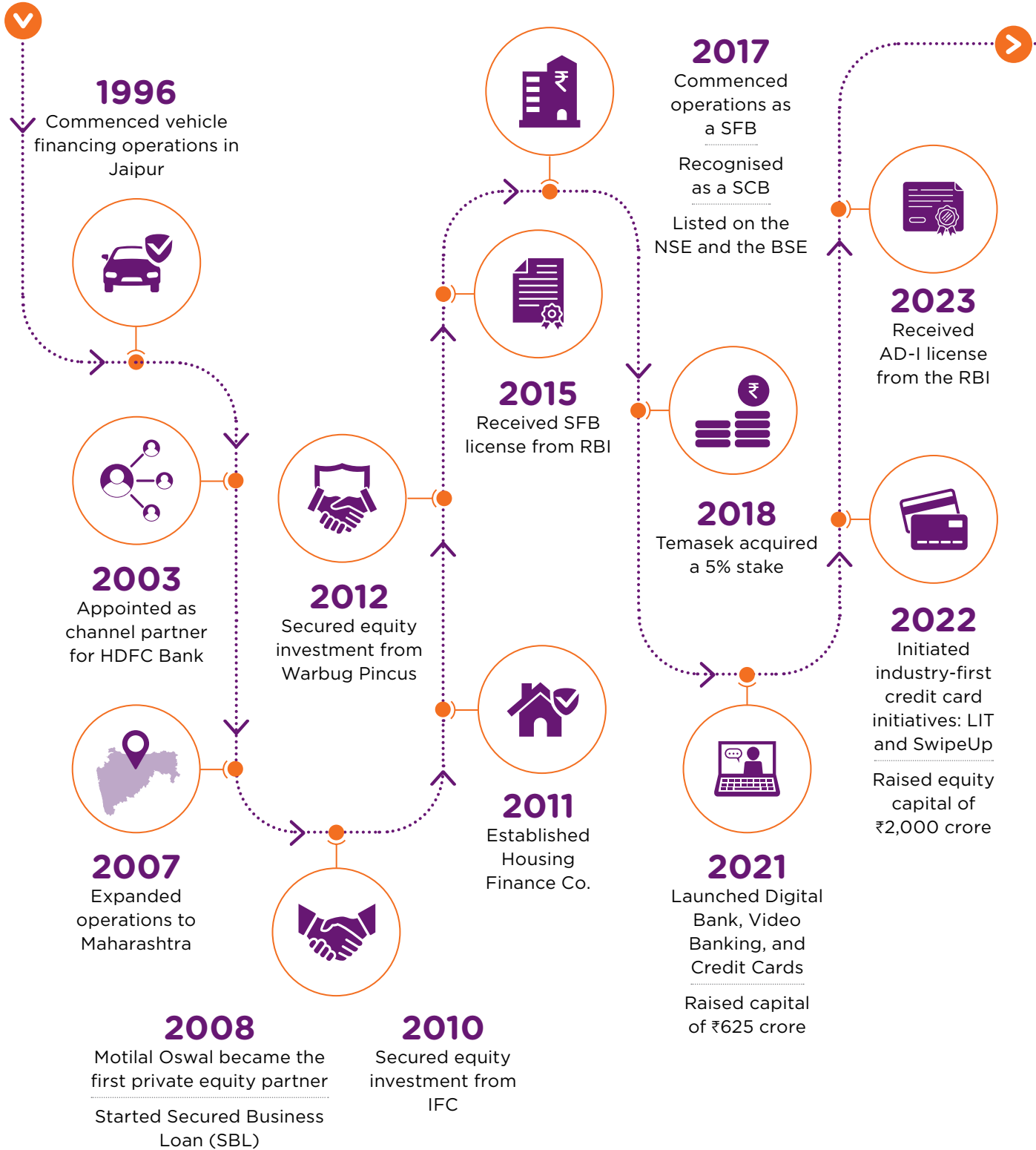
Mission

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

- Making every customer feel supreme while being served
- Aspiring that no Indian is deprived of banking
- Bias for action, dynamism, detail orientation, and product and process innovation
- Globally respected standards of integrity, governance, and ethics
- Being an equal opportunity employer, providing a collaborative and rewarding platform to all its employees



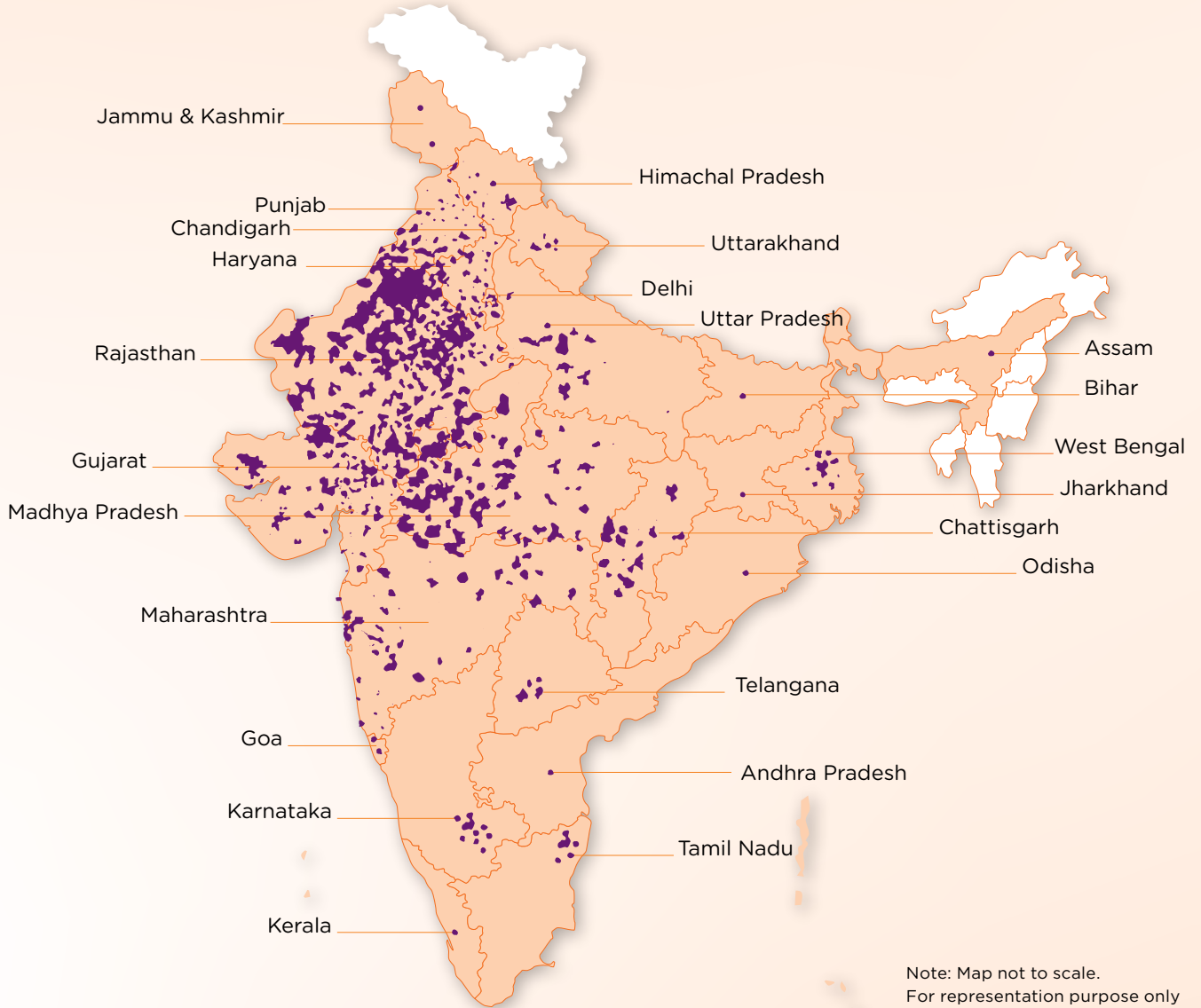
Our Journey



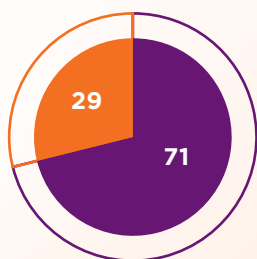


WHO WE ARE

Our Presence



Touchpoints Break-Up

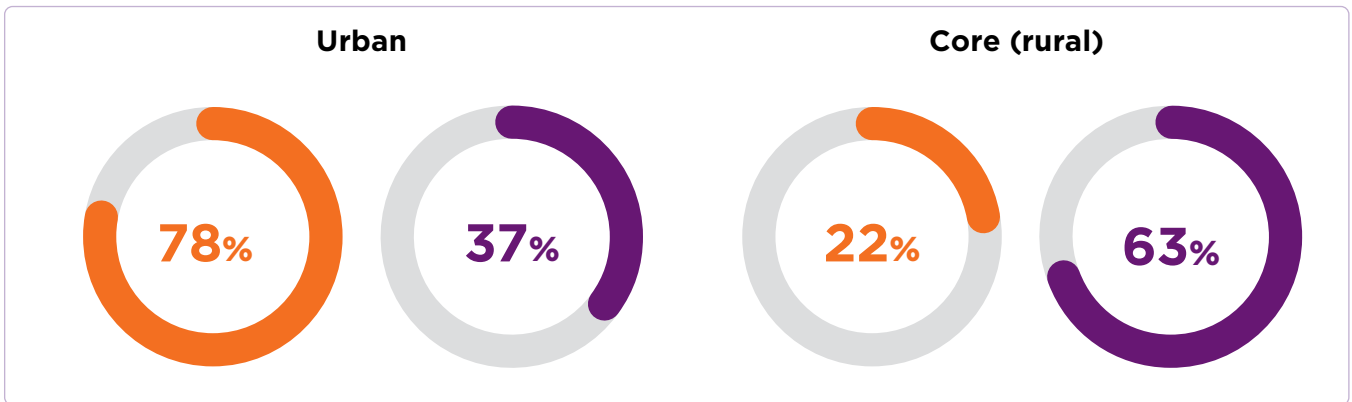


● Core (rural) ● Urban

311 Unbanked Rural Centres	76 Unbanked Branches	235 BOs	21 States and 3 UTs	493 ATMs
1,027 Touchpoints	474 Branches	228 Asset Centres	311 Unbanked Rural Centres	711 Locations
				14 BCs

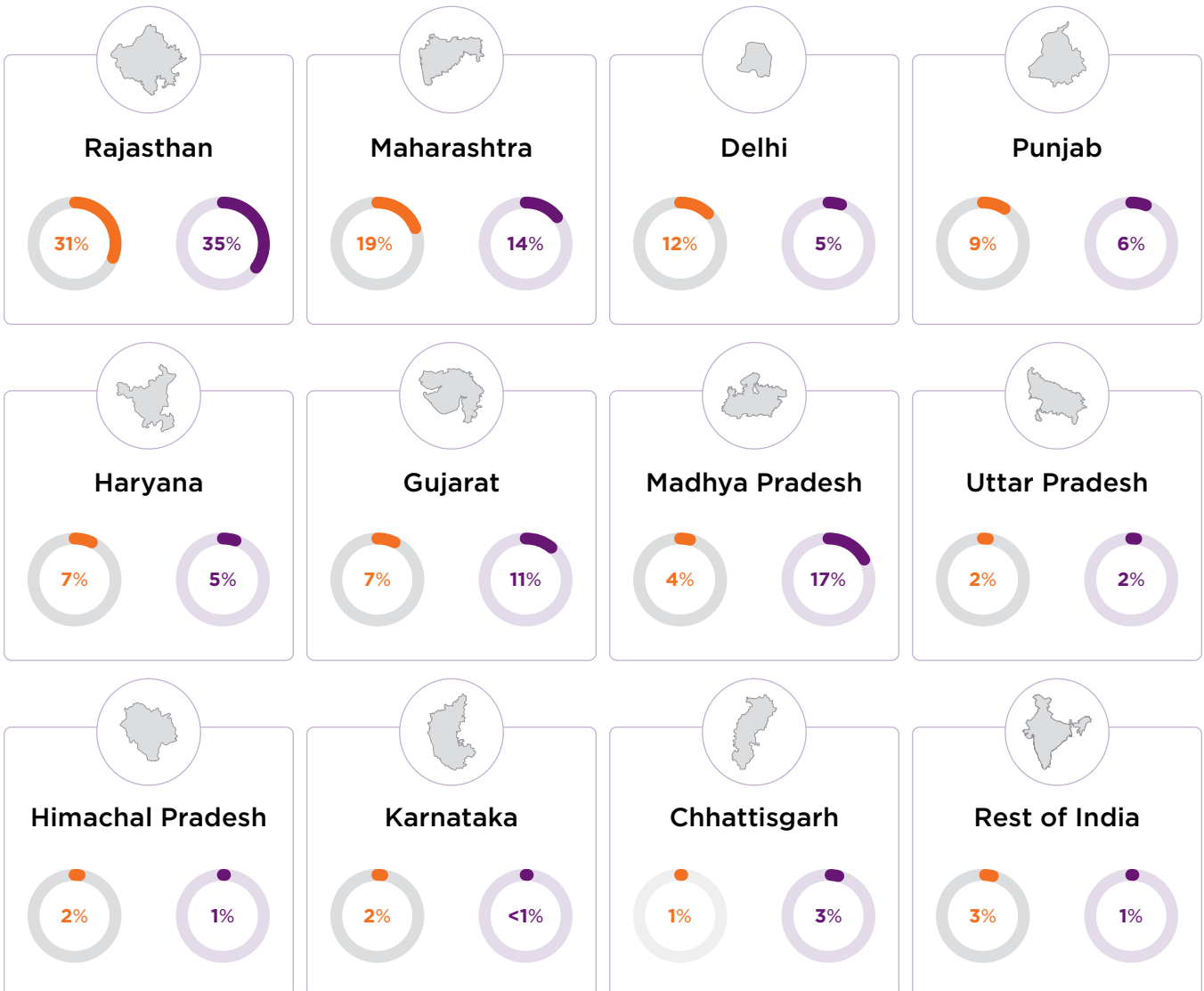
Note: Core Market Banking and Urban Market Banking is AU SFB's internal terminology.

Geographic Split



Deposits Loans

State-wise Share of Deposits and Loans





WHAT WE DO

Bringing the Best in Banking

Across personal, commercial, and digital banking, we aim to provide our customers with a comprehensive suite of products and services that meet their evolving needs while providing a seamless banking experience.

Our Offerings

Personal Banking

These services focus on catering to our individual customers, including salaried and self-employed and professional clients. Our endeavour is to create and customise products and services that meet the unique needs of this market segment.



Commercial Banking

We aim to provide comprehensive commercial banking services to Micro, Small and Medium Enterprises (MSMEs), Non-Banking Financial Companies (NBFCs), farmers, government institutions, etc. We offer a complete suite of financial services such as staff salary accounts, family banking, insurance, etc.



Digital Banking

To bring more convenience to the life of our customers, we are developing agile capabilities such as AU Video Banking and AU0101 and nurturing in-house technology talent with specialised skills to drive our digital strategy.



Products

Retail Banking

Savings Account, Term Deposit, Lockers, Life And Health Insurance, General And Fire Insurance, Mutual Funds, 3-in-1 Trading

Loans and Advances

Vehicle Loan, Secured Business Loan (SBL), Home Loan, Personal Loan, Gold Loan, Credit Card



Transaction Banking

Current Account, Trade And Forex, Overdraft Facilities, Cash Management Services (Cms), Non-fund-based Facilities

Loans and Advances

Business Banking, Agri Banking, NBFC Lending, Real Estate, Construction Finance



Digital Banking

Personal Loan, Credit Card, Insurance and Investments, Lending against Digital Merchant Data

Payments and Services

Merchant Payment [UPI QR And Point of Sale (PoS)], Debit Card, Aeps | BHIM UPI, Bharat Bill Payment Service (BBPS), Netc | FASTag, ASBA | NACG/ E-NACH, Tax Payment



Channels

Mobile Banking, Net Banking, Corporate internet Banking, Video Banking, WhatsApp Banking, Auro Chatbot, Missed-call Banking, AU Biz Pay

Our 10 Strategic Business Units

We have 10 Strategic Business Units (SBUs) to enhance our focus on implementing our growth strategy with increased agility and flexibility. Each SBU is led by dedicated leadership, allowing us to effectively manage resources and concentrate on executing our strategic plans. This approach empowers us to maintain better control over management bandwidth and achieve our objectives.



Read more on [Page 81](#)

OUR PURPOSE

EMPOWERING INDIA

Building with a forever mindset means being of service where it matters the most and creating timeless value. Nowhere is this more relevant than in the financial services industry, because it has the power to unlock aspirations and create generational prosperity.

AU SFB was born with precisely this DNA—to provide access to formal finance and channels to the unbanked and underserved segment. Over nearly three decades, we have evolved to serve self-employed communities of drivers, small transport operators, shops, manufacturers, traders etc. Today, we enable the best financial products and services, including digital tools, to fulfil aspirations and build prosperity. Our focus is on addressing their occupational, residential, and social needs comprehensively, to be a partner in their progress and overall well-being.

Financial inclusion and Empowering India is a vision we live beyond business. As a responsible corporate, we strive to be a catalyst for positive change, transforming lives and creating a brighter future for communities across India. To tackle societal challenges, we have launched various social initiatives focusing on sports and education, skill development, and women's empowerment.

This section highlights some key initiatives that your Bank is prioritising to serve and uplift this important segment of society.

Banking the Unbanked

We not only fulfil the regulatory vision of promoting financial inclusion, but we also bring true access to banking for the unserved and underserved in rural and semi-urban areas. Over our 28-year journey, we have fostered trust among customers, employees, regulators, and stakeholders. Our transition from an NBFC to a Small Finance Bank has enabled us to raise low-cost deposits from urban markets, enhancing efficiency in our rural

lending business and benefiting borrowers with reduced pricing. This transformation has resulted in notable changes, empowering individuals and businesses while driving societal benefits through enhanced financial inclusion.

Our transition to a scheduled bank in 2017 marked a pivotal moment in our purposeful journey. For the past six years, we have been dedicated to building a better world by providing inclusive financial services to individuals from all walks of life by focusing on UYC (Understand Your Customer), more than KYC (Know Your Customer). It has enabled us to exceed regulatory requirements.

94%

Achievement in priority sector lending

Against the requirement of **75%**

62%

of our loans are with a ticket size up to ₹25 lakh

Against the requirement of **50%**



Banking outlet at Gujarat

31%

of touchpoints are in unbanked areas

against the requirement of **25%**

OUR IMPACT



BOOSTING MSMEs AND RURAL ECONOMY

We prioritised MSMEs and self-employed customers, offering customised financial solutions and credit facilities, to foster entrepreneurship, job creation, and rural economic growth. Through this, we help bridge the credit gap and promote sustainable development.

7 Lakh+
MSMEs financed

1.3 Lakh+
Tractors financed

63%
Lending in core markets



STRENGTHEN DIGITAL BANKING

We made substantial investments in user-friendly digital platforms designed for simplicity and accessibility, specifically catering to rural users. Our intuitive mobile banking app, internet portals, and video banking services enabled convenient access to banking operations, transactions, and digital solutions while retaining a human touch.

66,000+
Accounts opened through video banking in core markets

1.6 Lakh+
AU0101 customers in unbanked rural centres

92,000+
Service calls catered through video banking for core markets customers

FINANCIAL LITERACY AND DIGITAL INCLUSION

We actively promote financial literacy through educational programmes, workshops, and campaigns, empowering customers to manage their finances effectively. Strategic partnerships with local communities enable us to educate individuals on digital platforms, resulting in increased AU0101 mobile app usage and digitalisation of merchant businesses.



1,700+
Financial literacy camps

55,000+
Individuals impacted in FY 2022-23

11,900+
Individuals onboarded through financial literacy camps in FY 2022-23

BRIDGING THE GAP IN FINANCIAL ACCESS

Our Individual Social Responsibility campaign focuses on assisting individuals, particularly in the EWS category, in opening accounts and supporting their digital banking journey. We also enrol them in social security schemes and establish last-mile banking services in rural areas, employing locals who understand the regional dynamics. We actively participate in State and Central Government lending initiatives to facilitate benefits for these communities



3 lakh+
Jan Dhan Account (BSBDA) beneficiaries

2 lakh+
Jan Suraksha (PMJJBY, PMSBY and APY) beneficiaries

90%
Employees posted in home state

OUR COMMUNITY SUPPORT

Transforming Lives at the Grassroots level

Through our impactful and transformative initiatives, we have made a significant difference in the lives of individuals and communities, at the grassroots.

AU IGNITE

AU IGNITE-'Unlocking You,' supports disadvantaged youth by providing market-led courses that prepare them for various industries. These short-term courses cover sectors such as BFSI, Healthcare, Tourism, and IT/ ITes, equipping participants with high-quality skills and imparting clarity on career prospects.

7,693
Youth underwent skill training

18
Skill training centres across 13 districts

6,182
Youth employed post training

9
Skills supported



Bano Champion

'Bano Champion,' aims to bridge the gap in guided sports training for rural children, fostering a culture of sports at the grassroots level. It is revolutionising the sporting landscape in India by nurturing talent and grooming future champions and organising tournaments at the village, district, and state levels. Supported by local administrations and renowned experts associated with the Olympic and Commonwealth games, 'Bano Champion' is making a lasting impact in the lives of aspiring athletes.

61
Locations

6,963
Children impacted

101
Coaches deployed (Supervisors, Coaches and Sub coaches)

AU Udyogini

We have made significant strides in women empowerment, enabling economic independence and fostering societal transformation. The 'AU Udyogini' programme supports women from distressed backgrounds, assisting them in establishing individual businesses within their communities. This initiative has not only helped improve family incomes but also provided opportunities for women to engage in small businesses, crafts, and gain market linkages.

2,187
Women supported

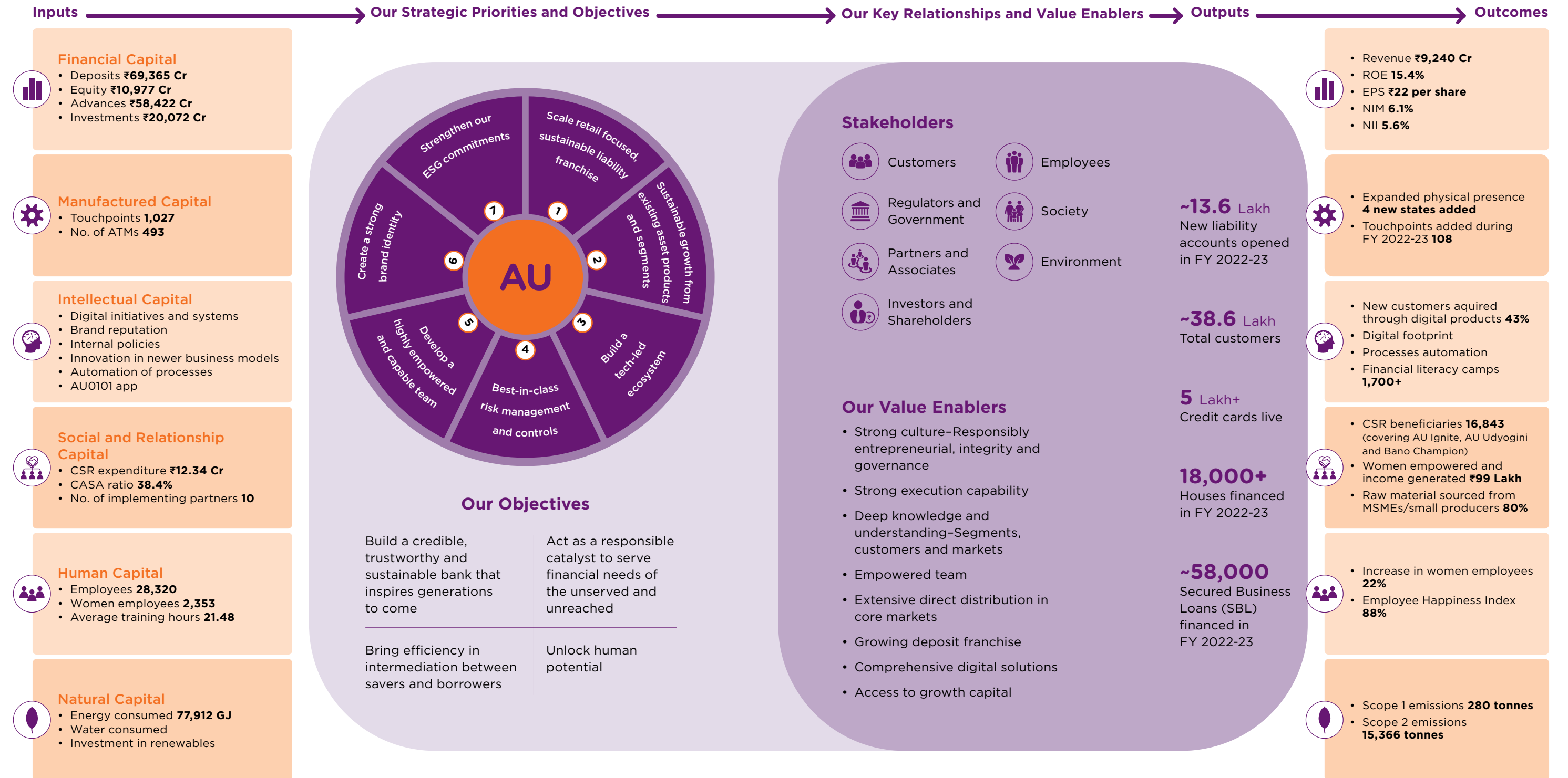
3
Districts supported

370
Women entrepreneurs nurtured



OUR VALUE CREATION MODEL

Business Model for a Forever Journey



BOARD OF DIRECTORS



Standing (left to right):

Prof. M.S. Sriram
Independent Director

V.G. Kannan
Independent Director

Pushpinder Singh
Independent Director

H.R. Khan
Independent Director

Sanjay Agarwal
Managing Director & CEO

Sitting (left to right):

Kavita Venugopal
Independent Director

Raj Vikash Verma
Part-time Chairman &
Independent Director

Malini Thadani
Independent Director

Uttam Tibrewal
Whole-time Director

Kamlesh Vikamsey
Independent Director

LEADERSHIP TEAM



Sanjay Agarwal
MD & CEO



Uttam Tibrewal
Executive Director - WTD



Vimal Jain
Chief Financial Officer



Yogesh Jain
Chief Operating Officer



Deepak Jain
Chief Risk Officer



Ashok Kumar Khandelwal
Chief Compliance Officer



Vinay Vaish
Head of Internal Audit



Farhan Ahmed
Chief Vigilance Officer



Rishi Dhariwal
Group Head Liability



Bhaskar Vittal Karkera
Chief of Wheels



Amar Bahl
Head of SBL



Vivek Tripathi
Head of Commercial Banking



Manoj Tibrewal
Business Head - Merchant
Solution Group



Mayank Markanday
Head of Credit Card Business



Vaman Ramesh Kamat
Head of Credit - Retail



Amit Mathur
Head of Credit - Commercial
Banking



Aalekh Vijayvargiya
National Credit Manager SBL



Shantanu Prasad
Head of Treasury



Ankur Tripathi
Chief Information Officer



Vivek Tripathi
Head of Human Resources



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



Manmohan Parnami
Company Secretary



APPROACH TO CORPORATE GOVERNANCE

Getting Governance Right

Comprising experienced professionals from diverse backgrounds, our Board engages in active discussions, conducts thorough assessments, and offers valuable guidance to enhance transparency, accountability, and risk mitigation. Our commitment lies in pursuing a strategy of stable business expansion while upholding the quality of growth, sustainability, robust governance, and risk management.

Key Governance Agendas

- Appointment of three Independent Directors: Mr. Kamlesh Vikamsey, Ms. Malini Thadani, and Ms. Kavita Venugopal. Total Board strength increased to 10 directors, with eight being Independent Directors, including two women directors.
- Chairman R. V. Verma's tenure extended till January 2024. MD and CEO Sanjay Agarwal and WTD Uttam Tibrewal

re-appointed for three years each.

- Release of the Bank's first Sustainability Report based on the GRI framework, externally assured by PwC, and the formation of a Board-level Sustainability Committee.
- Bank received 'Certificate of Recognition in Corporate Governance' at the ICSI National Awards, long-term debt rating reaffirmed as AA/

Stable by CRISIL and CARE Ratings, and MSCI rated the Bank 'AA' in ESG.

- Bank received an Authorised Dealer - I (AD-I) license in April 2023, which facilitates international trade services such as issuing letters of credit, handling import/export documentation, and offering trade finance solutions.

Policies

AU SFB seeks to promote and follow the highest level of ethical standards in all of our business transactions guided by our value system, i.e. 'AU Dharma'. Our policies serve as an enabling framework for realising our governance vision and ensuring transparency within and outside our organisation.

The policies are available on the Bank's website at <https://www.aubank.in/investors/secretarial-policies> & <https://www.aubank.in/notice-board>, the policies are reviewed periodically by the Board and updated as needed.

80%

Independent Directors on the Board

99%

Attendance in Board and Committee meetings

63 years

Average age of Board

36 years

Average Board experience

3 years

Average tenure of Independent Directors

Board Governance Framework Facilitates Effective Decision-making

The Board of Directors, along with Committees, serve as the highest decision-making authority overseeing the Bank's Governance and Assurance framework.

Various committees, including the Audit Committee and Risk Management Committee, assess the

effectiveness and adequacy of risk management systems, compliance processes, and audit practices.

The Board and its Committees deliberate on critical themes such as business strategy, risk, financial results, compliance, customer service, information technology,

and human resources, as mandated by the RBI. These responsibilities are outlined in the Committees' Charters, which are aligned with the Companies Act, SEBI Listing Regulations, and RBI guidelines.

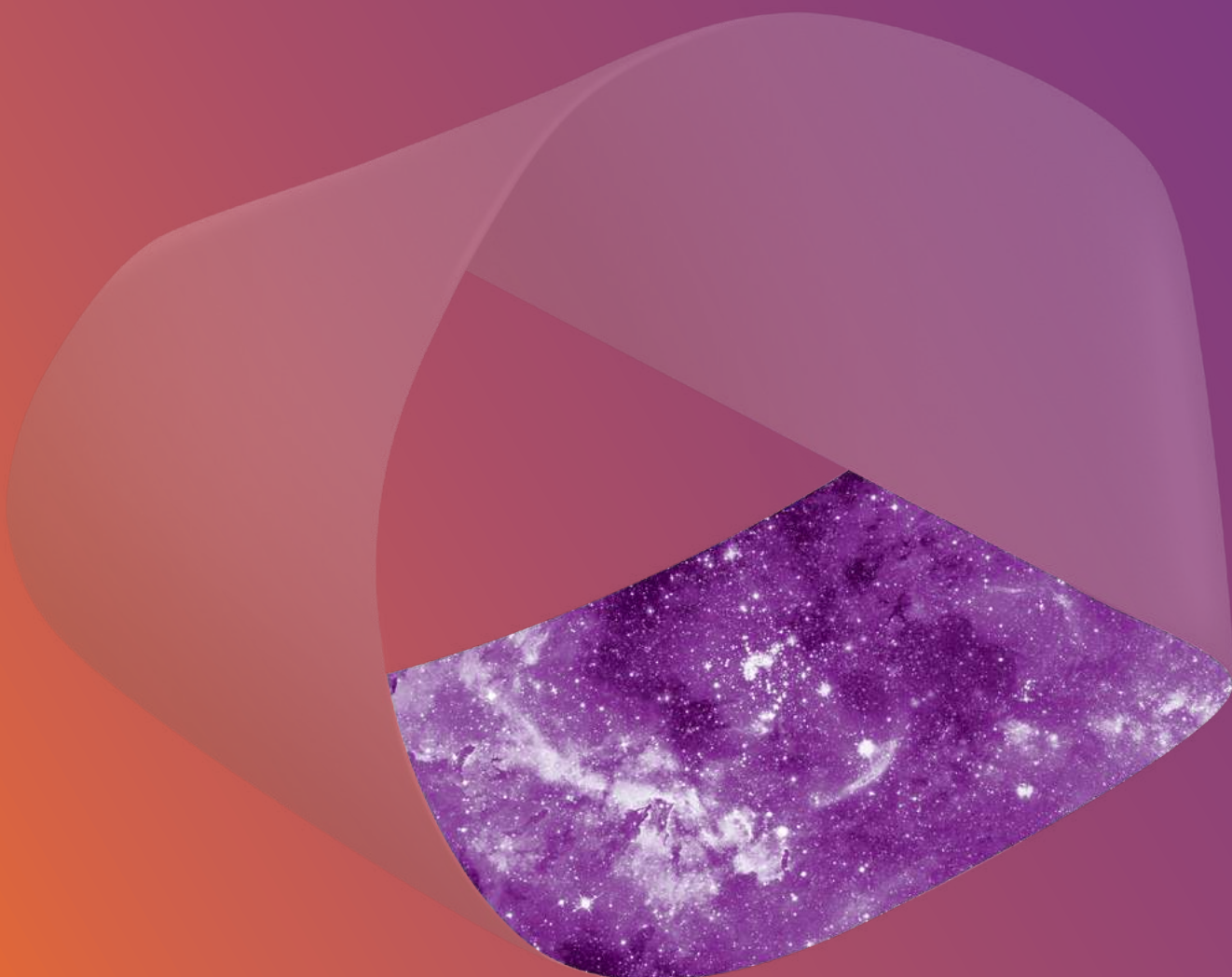
Key Activities

7 Critical Themes of Board	Board and Board Committees' Activities
<p>Business Strategy</p>	<p>Approval of</p> <ul style="list-style-type: none"> Bank's Strategy Document, Annual Business Plan, and Branch Expansion plan Received license to act as an Authorised Dealer Category-I (AD-I) Raising capital The constitution of Sustainability Committee Dividend distribution <p>Review of</p> <ul style="list-style-type: none"> The Bank's business performance IT strategy, projects, and cybersecurity measures: adapting to an evolving environment Credit facilities and other limits
<p>Risk</p>	<p>Approval of</p> <ul style="list-style-type: none"> Enterprise Risk Assessment scorecard Counterparty limit allocation and monitoring and review of the limit breaches, if any Stress testing results/analysis, monitor the action plans and corrective measures <p>Review of</p> <ul style="list-style-type: none"> Periodic review of various risk matrices Risk-management related policies
<p>Financial Reporting and Integrity</p>	<ul style="list-style-type: none"> Approved the quarterly/half-yearly/annual financial results/statements <p>Review of</p> <ul style="list-style-type: none"> Independent Auditor's report Financial policies Asset quality
<p>Compliance</p>	<p>Approval of</p> <ul style="list-style-type: none"> RBI approval for re-appointment of MD&CEO, WTD and Part-Time Chairman of the Bank CSR projects and activities /approval of annual action plan and CSR budget <p>Review of</p> <ul style="list-style-type: none"> Progress of CSR projects and activities as per annual action plan Compliance, internal audit, and vigilance functions The effectiveness of the system for monitoring compliance
<p>Customer Protection</p>	<p>Review of</p> <ul style="list-style-type: none"> Customer grievance status and customer experience-related developments Measures taken for protecting customers from internal and external frauds The Customer Survey Report
<p>Financial Inclusion</p>	<p>Review of</p> <ul style="list-style-type: none"> Financial & digital inclusion and financial literacy Initiatives Priority sector lending targets and achievements
<p>Human Resources</p>	<p>Approval of</p> <ul style="list-style-type: none"> Executive's compensation 2023 ESOP scheme <p>Review of</p> <ul style="list-style-type: none"> Executives' roles and responsibilities Performance of Independent Directors and the Board Update covering strategy, planning, and other issues Mechanism set up for whistleblowers and Prevention of Sexual Harassment (POSH) at workplace



SEIZING OPPORTUNITIES AS A FOREVER BANK

To embark on a forever journey, one needs to identify the wide opportunity and white spaces within that to make a difference and build a Sustainable and Forever Bank. The Indian lending space is still evolving with demographic dividends accruing in coming decades. Our business model and governance framework allows us to leverage nuances of both 'India' and 'Bharat' to design innovative and impactful banking solutions.



Indian Economy

For a bank with the right mindset, the opportunity has to be wide enough to make a difference and build a sustainable and Forever Bank. We recognise the potential in leveraging the components of the Indian economy, geography, market share, and customer segments to create innovative and impactful banking solutions.

~\$10 Tn

India's projected GDP by 2035-CEBR

Market Share

At 0.4% market share of Indian banking system, AU SFB has an opportunity to continue gaining market share over the next few decades. We are putting an emphasis on our offerings, improving customer experience, and leveraging technology to be at the forefront. As Indian banking industry continues to grow and support the economy, our own size and our business model will provide latitude to continue growing our market presence.

0.4%

AU SFB's current market share

Customer Segments

We recognise the importance of catering to diverse customer segments to solidify our position as a Forever Bank. In addition to traditional banking services, we place a special emphasis on serving specialised segments such as forex, insurance, payments, and other banking services. By understanding the unique needs of each segment and providing tailored solutions, we aim to forge lasting relationships with customers across various industries.

AD-I License

Received by AU SFB



**21 States,
3 UTs**

Opportunity to further expand presence

Geographic Opportunity

Geographical diversity as well as a large geographic expanse are key to building a sustainable bank. Although we have achieved notable progress, we recognise that there are still unexplored opportunities in the extensive territory of our nation. Our objective is to expand our presence into untapped regions

and capitalise on the growing demand for financial services.

By doing so, we aspire to extend our offerings to communities that have been overlooked or underserved, ensuring that even the unbanked population gains access to our services.

Tech-led Bank

In the current digital landscape, to build a sustainable bank, one needs to be at the forefront of the latest technology to provide efficiency and data security to our customer. We are a tech-led bank with a focus on digitisation, cybersecurity and building digital distribution channels.

43%

New customer acquisitions from digital products





EXTERNAL ENVIRONMENT

Navigating Converging Challenges and Opportunities

SFBs hold great potential in reaching the unbanked and underbanked population, leading to market expansion. Technology and digital banking enable us to offer innovative services, but regulatory compliance is crucial for profitability. Competition from established banks and emerging fintech startups poses challenges, along with managing operating costs while expanding and investing.



AU SFB's Business Correspondent near Thanagazi, Rajasthan

Digital Transformation and Personalised Banking

The banking industry is undergoing a rapid digital transformation driven by technological advancements. Banks utilise digital channels to offer convenient and seamless banking experiences. This shift disrupts traditional practices and creates new opportunities. Artificial Intelligence (AI) and Machine Learning (ML) revolutionise automation, data analysis, and fraud detection. Banks leverage data analytics, AI, and ML to personalise services, provide tailored recommendations, and deliver superior customer experiences.

Our Response

We are committed to continuously enhance our technology infrastructure and digital capabilities to build a tech-led retail bank. This includes upgrading our Core banking platforms, adopting cloud architecture, development of intuitive mobile apps and online platforms which can cater to customers' individual needs. By integrating AI and ML solutions and using Robotic Process Automation (RPA), we optimise our operations, streamline processes, and fortify data protection. Moreover, we foster collaborations with

legendary Tech companies and upcoming fintech startups to harness cutting-edge technologies and maintain our competitiveness in the digital landscape.

Furthermore, we are investing in building Data Lake and advanced data analytics capabilities to extract valuable insights from customer data. Through the application of AI and ML algorithms, we gain a deeper understanding of customer behaviours, enabling us to provide personalised recommendations.

Enhanced Cybersecurity and Data Privacy

With the increasing digitisation of banking services, the importance of cybersecurity and data privacy has also grown significantly. Cyber-threats and data breaches can severely damage customer trust and a bank's reputation. As a result, banks are implementing cybersecurity measures to protect customer data, investing in robust security infrastructure, implementing multi-factor authentication, and adopting cryptographic techniques.

50 Cr+

Cyber-attacks blocked in India in Q1 FY23

(Source: The Economic Times, May 2023)

Our Response

We have tightened our cybersecurity measures through robust firewalls, intrusion detection systems, and encryption technology. We perform regular security audits and assessments to identify vulnerabilities and resolve them quickly. We also encourage raising customers' awareness of cybersecurity best practices to reduce risk. In addition, we comply with data protection regulations and apply strict data privacy policies to ensure the secure handling of customer information.



Artificial Intelligence and Chatbots

AI technology and chatbots are changing customer interactions in banks. Chatbots powered by AI algorithms allow automatic and instant responses to customer queries, providing round-the-clock support. This trend helps banks improve customer service, reduce operational costs, and increase efficiency by automating routine tasks.



Our Response

We leveraged AI and chatbot technology to launch 'auro', our own chatbot system to improve customer service and streamline operations. It is capable of handling multiple requests, offers personalised recommendations, and supports basic transactions. We also trained auro to recognise and forward complex queries to support agents when needed, ensuring a seamless customer experience.

Sustainable and Responsible Banking

Sustainable and responsible banking has gained momentum in recent years. Customers are becoming increasingly aware of the environmental and social impact of their financial decisions. Banks align their strategies with Environmental, Social and Governance (ESG) principles. They incorporate sustainability considerations into their lending and investment practices, provide green financial products, and support initiatives to drive positive social outcomes.

60%

Of the world's leading banks are committed to Net Zero

(Source: Accenture Report on Sustainable Banking, November 2022)

Our Response

AU SFB's foundation lies in financial inclusion and social financing, with a strong commitment to sustainability and ESG principles. We have established a Board-level sustainability committee and regularly disclose our progress through a comprehensive sustainability report. Recognising the environment as a key stakeholder, our financial products and services support sustainable development. Our robust monitoring and reporting mechanisms ensure transparency and accountability in our sustainability endeavours.

➔ Read more in our Sustainability Report [here](#)

WHAT WENT WELL IN FY 2022-23

Reflecting on a Year of Progress with New Milestones

In the face of macroeconomic and global challenges, we achieved consistent and outstanding performance across our various business segments. We remained committed to building a standardised, scalable, and sustainable banking brand, focusing on deposits, assets, and digital banking initiatives.

Largest Capital Raise in Our History

We successfully raised growth capital of ₹2,500 crore, comprising ₹2,000 crore of Tier-I equity capital and ₹500 crore through Tier-II bonds.



Bonus Issue on Completion of Five Years of Banking Operations

Upon completing five years of banking operations and delivering a robust overall performance, safeguarding the balance sheet from future shocks, our Board rewarded shareholders by issuing bonus equity shares in a 1:1 ratio in June 2022.



Credit Rating Upgrades

Our credit rating witnessed upgrades from all three rating agencies.

CRISIL Ratings, India Ratings, and CARE Ratings upgraded the Bank's long-term credit rating to 'AA+/Stable'.

Additionally, CRISIL Ratings upgraded the rating on the Bank's Fixed Deposit programme to 'AA+/Stable' from 'FAA+ Positive'.

Launched LIT-Industry's First Customisable Credit Card

LIT, the industry-first customisable credit card empowers cardholders to tailor credit card features according to their evolving lifestyle needs, providing flexibility beyond predefined options.



Bancassurance Tie-ups to Strengthen Insurance Offerings

Bancassurance tie-up with HDFC Life and ICICI Lombard General Insurance, two of India's leading life insurers, enabling customers access to an comprehensive range of insurance products.



Reached 1 million UPI QR Codes Deployment

Realising a million dreams through the promise of a Digital India, AU Small Finance Bank is proud to deploy 10 lakh UPI QR codes across India since its launch in FY 2020-21.

Launched 1,000th Banking Touchpoint in Bengaluru

Opening of the 1,000th banking touchpoint in Bengaluru's Indiranagar is a key milestone in our banking journey and reinforces our position in India's Silicon Valley.



Progressive HR Practices for an Inclusive AU

These include menstrual leave for women employees, paid sabbatical leave, AU Forever Pass for AU alumni, education assistance, and subsidised Personal Loan and Home Loan options for employees. Many of these initiatives are industry first and have garnered wide recognition.

Expansion of AU Royale

We extended the AU Royale affluent banking programme to include salaried and business segments, offering exclusive benefits such as up to 1% cashback on Signature Debit Card spends, complimentary movie tickets, airport lounge access, and more. Previously, these privileges were exclusively available to HNI and NRI customers.

Strengthened Our Sustainability Framework

Appointed Ms. Malini Thadani as an Independent Director, who brings global leadership experience in sustainability and ESG.

Hired a senior industry professional to lead our sustainability initiatives.

Released our first Sustainability Report based on the GRI framework.

Launched SwipeUp Platform: An Industry-First, Innovative Credit Card Offering

It enables credit cardholders from other banks to compare their cards within two-to-three seconds and seamlessly upgrade their existing card through a quick digital process that takes only minutes.



Partnered with RBI Innovation Hub to Digitally Empower Women Vendors

Launched an end-to-end digital loan service for the beneficiaries of the PM SVANidhi scheme, reducing loan disbursement time from days to hours.

WHAT WENT WELL IN FY 2022-23

Taking Care of Our Own

Diversity and inclusivity are our core values. We prioritise equal opportunities and support for our employees, demonstrated through innovative policies like the AU Forever Pass, reflecting our commitment to their well-being and happiness.



“During and post the pandemic, we undertook many initiatives to make the workplace safe and healthy for our employees. More recently, we have adopted several policies like donating leaves policy, education assistance programme, personal loan policy, and concessional home loan policy among others to address the changing needs of our employees, their families, and the communities we serve.”

Vivek Tripathi
Head of HR



Team outing at Rishikesh



Women's day celebration

Menstrual Leave

At AU Small Finance Bank, we have implemented a menstrual leave policy for our female employees, aligning with other Indian companies that provide this benefit. This policy aims to create an inclusive workplace for women by granting them an additional paid leave day every month, in addition to their approved leaves. The policy came into effect in February 2023.

Sabbatical Leave

We place a special emphasis on supporting new mothers, which led to the introduction of a sabbatical policy specifically for them. This policy offers additional leave beyond the standard 182 days of paid leave. The sabbatical policy also extends to employees with long tenures at the Bank.

Dedicated sabbatical policy for new mothers, offering extended leave beyond the standard 182 days.



Townhall event

AU Forever Pass

AU Forever Pass is an **industry-first, unique initiative for departing employees**. This initiative offers selected eligible employees, who have served for a minimum of three years and have demonstrated exceptional contributions to our growth, an 'AU Forever Pass' membership. This membership provides them with a guaranteed opportunity to rejoin the Bank whenever they choose to do so.

Industry-first initiative that provides leaving employees an opportunity to rejoin the Bank whenever they choose.

Paternity and Other Leave Benefits

The duration of paternity leave has been increased to seven days, going beyond the regular leave entitlement. Moreover, we have introduced the concept of pre-approved leaves for significant personal events such as birthdays and marriage anniversaries, enabling our employees to spend quality time with their families on these important occasions.

Testimony on Birthday Leave



Ms. Sapna Kumawat
Lead Employee Engagement
& Capability Development-
Bank House, Jaipur

"The Bank's introduction of pre-approved birthday leave has significantly influenced how we celebrate special occasions with our loved ones. Previously, it was often questioned why someone would take leave on their birthday. Now, the perception has shifted to encouraging employees to enjoy their special day. AU SFB has truly revolutionised its outlook and I'm grateful to be a part of this positive change."

Testimony on Menstrual Leave



Ms. Simran Ari
Lead Project Management
& Campus Relations-
Bank House, Jaipur

"I have availed the Menstruation Leave offered by AU SFB. It was a truly beneficial experience. Taking time off to rest and rejuvenate during this period positively impacts work performance. This policy promotes women's health and well-being, reflecting our culture of positive change. I am immensely proud to be a part of AU SFB, which is an exceptional workplace."



MESSAGE FROM MD & CEO

Driving Growth, Achieving Success: A Year of Milestones

**Dear Stakeholders,
Namaskar!**

“A thing of beauty is a joy forever”, wrote John Keats, the famous poet, etching the thought that a subject of our admiration and endeavour would never fade or diminish in value for us.

Seen through a kaleidoscope, the FY 2022-23 saw much of the world embarking on an insightful journey, reshaping priorities, coming out of the pandemic years, and in the wake of an intensifying economic slowdown, geopolitical tensions and increasing liquidity tightening. The stress in the global banking system has given many valuable lessons to bankers and regulators alike.

“We recently celebrated AU SFB’s 28 year anniversary and six years of banking, and akin to the enduring life of a tree, we shall together sow a legacy that grows through eternity. This is my dream, and I am sure, now yours too.”



Personally, this period of reflection ignited a resolute desire within me to work towards building a 'Forever Bank.' In simple analogy, it's like the bond shared by a tree with its countless leaves; leaves shed and regrow, but the tree stands tall and firm. We, as founding employees would nurture the organisation every moment, helping AU SFB outgrow and outlive us all. Forever. We recently celebrated AU SFB's 28-year anniversary and six years of banking, and akin to the enduring life of a tree, we shall together sow a legacy that grows through eternity. This is my dream, and I am sure, now yours too.

You may have noticed the 'Möbius Strip' on our cover. It represents the amazing loop of life and the continuous journey that it is. In other words, our desire to build something forever flows outwards, impacting the world, while simultaneously the outside intelligence and data flow inside, influencing our thoughts. Eventually, we and our ecosystem are endlessly recreated in this everlasting inner-outer medley.

Let me highlight the foundational pillars on which this vision will blossom. These are Trust, Talent, Technology, and Transformation.

Trust

FY 2022-23 was a momentous year for us, as it guided our commitment to building a 'Forever Bank'. Throughout the year, we received several validations from our key stakeholders.

We acquired around 14 lakh 'new-to-bank' customers of which 6 lakh+ were through the digital mode.

Our investors continue to repose their tremendous faith by helping us raise adequate capital. In August 2022, we successfully raised ₹2,500 crore in capital, with ₹2,000 crore for Tier-1 and ₹500 crore for Tier-2 bonds. Despite the challenging market conditions, our Qualified Institutional Placement (QIP) received overwhelming support, and I extend my earnest appreciation for them. This has fortified our balance sheet and empowered us to continue investing in our future.

We are equally grateful to our regulators for reappointing me as MD and CEO, and my colleague, Uttam as Executive Director for a full three-year term. We were also granted the special Authorised Dealer Category-I license which will enhance our product offerings for existing customers and enable us to tap into new customer segments. I am also proud to share that we received an upgrade from three rating agencies, attaining 'AA/Stable' ratings for our long-term debt from CRISIL, India Ratings, and CARE Ratings.

Equally significant is the resilience shown by our valued customers, especially post-COVID, which led to better asset quality. I am delighted to mention that last year, we served 39 lakh active customers, and our wide range of

products and greater distribution pushed up the monthly customer acquisition run rate to 1.2 lakh+ customers. We acquired around 14 lakh new-to-bank customers, of which 6 lakh+ were acquired digitally. We also expanded our third-party offerings through partnerships with HDFC Life and ICICI Lombard.

Our deposits grew by an impressive 32% last year, and our assets by 26% after securitisation. Despite high interest rates, we achieved a sustainable and exceptional Return on Assets (RoA) of 1.8% and Return on Equity (RoE) of 15.4%, without relying on any one-off income from treasury or Priority Sector Lending Certificates (PSLC). Since our loan book has been largely fixed rate, although its share has decreased from 74% to 66% in the past year, we faced some pressure on Net Interest Margin (NIM) due to prevailing high interest rates.

38.6 Lakh+
Active customers served

32%
Growth in deposits



MESSAGE FROM MD & CEO

Such endorsements give me ample confidence that AU SFB is building on its credentials through a strong compliance, robust governance, and sustainable business model.

Technology

We are on a relentless pursuit to build one of the finest tech-led retail banking franchises. To achieve this vision, we have strengthened our tech team and forged partnerships with leading global tech companies, including Amazon, Salesforce, Accenture, Adobe, Oracle, and the National Payments Corporation of India. I am personally engaging with their global leadership teams to enhance our relationships and explore areas of innovation.

Our ongoing technology modernisation has led to the successful implementation of the upgraded Core Banking Solution (CBS), enhancing scalability, resilience, and introducing new functionalities. Significant progress has been made in enhancing our core technology stack, with upgrades to our core banking system and data centre capacity.

We have strengthened our tech team and forged partnerships with leading global tech companies such as Amazon, Salesforce, Accenture, Adobe, and Oracle.

We are implementing Salesforce LOS (Loan Origination System) along with FICO's underwriting tool to enable a seamless processing of vehicle loans. Our aim is to extend these credit automation processes to all types of loans, while also incorporating the Robotic Process Automation (RPA) and Artificial Intelligence (AI) for operational excellence.

Banks, as the custodians of the customer digital footprint, will thrive by leveraging technology to personalise customer experiences. At AU SFB, we are working towards augmenting our understanding of customers by utilising publicly available information. Our long-term goal is to develop a data-driven understanding of customers on par with global tech giants, while strictly adhering to privacy and data protection norms. We are also working to exploit the opportunities presented by India's emerging public digital infrastructure. We are live on the Account

Aggregator platform, one of the early banks on the Open Credit Enablement Network (OCEN) platform, and in discussions with the Open Network for Digital Commerce (ONDC) team to explore innovative use cases for digital commerce. Furthermore, we are collaborating with an RBI Innovation Hub-incubated fintech company to drive the financial inclusion.

Since our digital properties have been well received by our customers, I believe this is the right time to consolidate all our digital businesses (like AU0101, video banking, QR code and merchant lending, etc.) under a single umbrella to drive our business to the next level of scale. A distinction between digital businesses and technology architecture will also allow our technology vertical to have their complete focus on running the Bank's digital infrastructure while continuing their journey of innovation.



Talent

We prioritise progressive HR practices, with an aim to create a Bank where employees can build their careers till retirement. Our recent initiatives such as 'Menstrual Leave' and 'AU Forever Pass' are the first ever in the banking industry. Policies introduced last year, such as leave for occasions like birthdays and anniversaries, paid sabbatical leave for our seasoned employees, education assistance and subsidised loans, align with our philosophy of 'Badlaav Humse Hai'.

We have further fortified our Board, by welcoming three Independent Directors last year. Now we are a 10-member-strong Board with eight Independent Directors which include two highly accomplished women directors. I am also delighted to report that the re-appointment of our Chairman has received regulatory approvals, extending his tenure until January 2024. Our senior management team is stable, with an average vintage of seven years in the Bank, bringing a balanced perspective and

I am proud to say that we are strengthening our focus on priority sector lending by creating a dedicated team to focus on financing small and marginal farmers through refined products.

driving the business with passion, purpose, and agility. On the hiring front as well, we are seeing a great traction.

In recognition of our HR practices, we received the prestigious 'Retail Banker International Asia Trailblazer' award that maintained our three-year streak as a 'Great Place to Work' (GPTW). We were also one among GPTW's top 25 organisations in the BFSI segment. AU SFB was also named the 'Best Small Finance Bank' in the country, by The Financial Express and Business Today.

Transformation

As you may appreciate, technology and talent drive the transformation of any organisation, and we are

As of March 31, 2023, we continue to exceed the requirements of key licensing guidelines:

94%

Achievement towards lending to the priority sector against requirement of 75%

62%

Of our loans are with ticket size up to ₹25 lakh against requirement of 50%

31%

Of touchpoints are in unbanked areas against requirement of 25%

no different. In my new tenure as MD & CEO, my primary focus will be on consolidating our brand strength to foster trust within the ecosystem and strengthen our deposit franchise. We would invest in innovation, cultivate a digital culture, and prioritise a data driven customer-first approach. We have ingrained a culture of "Customer First, And Always" within the organisation, encouraging a greater appreciation of the customers and their needs through right products and superior service throughout their journey with us.

Rural, Impact and Inclusive Banking

AU SFB was founded with a noble vision to empower and enable the economically weaker sections through access to banking. In our illustrious journey so far, we have defined and refined our goals to make a greater impact on society, lending in unserved and underserved markets, pricing the risk adequately, expanding contiguously, and constantly building solutions that meet customer needs. I am proud to say that we are strengthening our focus on the priority sector lending by creating a dedicated team to focus on financing small and marginal farmers through refined products. In the coming year, we hope to establish a specialised unit for our initiatives in the domain of Rural, Impact, and Inclusive Banking to consolidate our efforts towards financial inclusion, which will bring in synergy and consolidate our raison d'être.

Empowering India at its Roots

Aligned with the UN Sustainable Development Goals (SDGs), our business model focuses on lending to underserved



MESSAGE FROM MD & CEO

segments, contributing to their prosperity, and thereby reducing the inequality. With Sustainability and Inclusivity at the core of our thoughts, we are striving to create a positive impact by empowering the youth through the 'AU Skills Academy' for livelihood opportunities, women empowerment through 'AU Udyogini', and 'AU Bano Champion' by supporting sports initiatives for rural children and the youth.

As we embark on our 'Forever' journey, we are committed to integrating ESG principles across our operations. To enhance transparency and accountability, we had initiated the publishing of Sustainability Report last year. This year's Report details our sustainability approach and its performance. Our strong ESG practices have been recognised,

We are striving to create a positive impact by empowering youth through the 'AU Skills Academy' for livelihood opportunities, women empowerment through 'AU Udyogini', and 'AU Bano Champion' by supporting sports initiatives for rural children and the youth.

with an 'AA' rating from MSCI and a medium rating in ESG risk from Sustainalytics. To further drive our sustainability initiatives, we have established a Board-level committee chaired by an independent director.

Transformation within, through SBU Structure

We have successfully implemented a robust SBU structure of 10 units, enabling enhanced agility, flexibility, and employee focus in our business planning. Last year, senior leadership of nine of these SBUs presented their thoughts and outlook with you via four different 'AU Insights' sessions. The SBU structure has also played a pivotal role in attracting talent, fostering leadership development, and promoting cohesive and motivated teams, facilitating an effective succession planning.

Focus Areas for the Coming Years

With a mere 0.4% market share in deposits and assets, our true potential for growth is immense. Thus, our robust business model is focusing on specific market segments, targeting urban areas for deposit acquisition and core/rural markets for lending to take advantage of this opportunity. Our primary objective is to establish a sustainable, low-cost, and granular deposit franchise despite the prevailing higher interest rates. We will prioritise managing our CASA and granular deposits, by enhancing our Current Account proposition. We will also safeguard our margins by strengthening our current account propositions, transaction banking, data analytics capabilities, credit automation, and process re-engineering.

Our primary objective is to establish a sustainable, low-cost, and granular deposit franchise despite the prevailing higher interest rates. We will prioritise managing our CASA and granular deposits, by enhancing our current account proposition.

While our investments to build capabilities may temporarily impact our cost-to-income levels, the benefits of scale are likely to be realised soon. Our investments in merchant lending, video banking, unsecured lending, and cross-selling will positively impact our profitability. Furthermore, we anticipate additional revenue streams from AD-1 business, wealth products, gold loan business, and the gradual profitability of our credit card business in the coming years.

Another key area of focus will be setting up the Transaction Banking vertical to build our business around AD-1 license, which allows us to operate the foreign exchange market and undertake full range of foreign currency related transactions on par with universal banks. This could be a cross-functional business intersecting SBUs from branch banking to commercial banking to forex transactions on our credit cards or Merchant apps. This is an evolving space, and we will update more as we progress.

India's Decade and Destiny

With each passing year, I am growing in confidence that we are on the right path, going the right way, with the right purpose, right strategy, and right attitude. I also feel more excited about the journey ahead of us. As India prepares to become a \$5 trillion economy, the Indian banking system stands poised to embrace tremendous opportunities in the coming decade. India's recent presidency of the G20, a platform representing 85% of the world's GDP, further underscores our nation's prominence in the global arena. This elevated visibility will undoubtedly open doors to new opportunities and collaborations.

Way Forward

As I conclude, in our pursuit of building a 'Forever Bank,' we find inspiration in the words of a renowned Hindi poet that beautifully encapsulate our philosophy:

“सफलता एक यात्रा है, न कि एक निर्धारित स्थान।”
(Success is a journey, not a destination)

With these words echoing in our hearts, I express my heartfelt gratitude for the immeasurable support and trust that you have placed in our organisation and helping us to create another year of extraordinary progress and success.

Thank you. Jai Hind.

Sanjay Agarwal
MD & CEO

THREE PILLARS OF AU

समझदारी
(Prudence)



जिम्मेदारी
(Responsibility)



ईमानदारी
(Honesty)





EXECUTIVE DIRECTOR'S MESSAGE

Empowering Communities, Embracing Success



Dear Stakeholders,

Namaskar 

“I am delighted to share our performance for this year, reflecting on our journey as we continue to build and remain ‘On a Forever Journey’.”

I take immense pride in sharing the progress we have made in transforming the banking landscape and the role we have played in **building India's 'Bharat'** while empowering our customers and communities.

Even in the face of unprecedented challenges, AU SFB has demonstrated resilience to achieve significant growth. Our dedication to our foundational principles of providing security, building trust, compliance-orientation, and maintaining strong governance ecosystems have guided us through these turbulent times. Our achievements this year are the culmination of the unwavering dedication of our talented team and the support of all stakeholders, including you, our valued shareholders.

Forever Is Here to Stay

To build a 'Forever Bank', we have emphasised on deepening our presence in the underserved retail segments through our diverse product offerings. By leveraging innovative technology and adopting a digital-first approach, we are simplifying banking for the common man and delivering rewarding experiences. By prioritising quality over quantity, we have improved asset quality, strengthened our balance sheet, and set a solid foundation for sustainable growth.

We have taken significant strides in expanding our branch network, particularly in urban areas. The number of our urban branches have more than doubled between

FY 2019-20 and FY 2022-23, allowing us to deepen customer engagement and establish a robust retail-led liability franchise.

242

Urban branches as on March 2023 as compared to 98 as on March 2020

We remain committed to financial inclusion and continue to support small businesses in rural and semi-urban India. Our approach of building our liabilities business in urban locations, while strengthening our asset business in rural areas, disbursing much-needed capital there, equips us to serve this vital segment. We have carried forward this legacy as we have grown and evolved.

Doing the Right Things

Embracing the right path, right approach, and the right technology for interventions at just the right time, has been the cornerstone of our growth strategy. By dynamically learning on the job, questioning the status quo, and building trust, we have continuously evolved to meet the diverse needs of our customers. Keeping pace with digital transformation has helped us accelerate customer growth and diversify our customer base at a lower cost of acquisition.

In the past year, our digital offerings have powered significant growth. AU0101, our all-in-one banking 'Super App,' has been a resounding success, with over 19 lakh registrations and 10 lakh monthly active users. This innovative platform has enabled us to offer a seamless, safe, and convenient banking experience to our customers, making banking more accessible and inclusive than ever before.

Our video banking facility has allowed us to diversify our retail customer base across demographics, professions, and geographies. This state-of-the-art service has not only expanded our reach but also enhanced customer satisfaction by providing personalised, face-to-face interaction with our expert representatives.

We have made considerable progress in our credit card offerings, with over five lakh cards issued and nearly one third of all customers availing their first-ever credit card through us. This achievement is a testament to

the trust our customers place in us, and we are committed to offering innovative, tailored solutions to meet their evolving needs and aspirations. Additionally, we have issued over 10 lakh UPI QRs to merchants. This, coupled with QR-based lending, is enabling us to empower this customer segment with improved access to formal credit.

We continue to invest in advanced technologies, transitioning to the Cloud, strengthening our cybersecurity measures, and harnessing the power of AI/ML-based analytics to become a digitally native organisation. Being on par with the pace of technology has allowed us to streamline our operations, enhance efficiency, and deliver a superior customer experience.

A Future of Unlimited Possibilities

The **opportunities** for growth in the banking sector are unlimited, and we are committed to capitalising on these prospects. We aim to grow our urban CASA customer base and deepen our presence in existing geographies, while expanding into select new regions. Through the phygital approach, we are seeing higher conversions and are widening our coverage in metros without significant capex. This allows us to access a broader audience while maintaining cost efficiency.

We are also committed to responsible growth that underlines environmental, social, and governance (ESG) factors. As a responsible corporate citizen, we recognise the importance of contributing to the sustainable development

of our communities and the environment. We are actively working to minimise our ecological footprint, promote diversity and inclusion in our workforce, and support local communities through various initiatives.

In Conclusion

As per the latest projections by the Reserve Bank of India (RBI), India's real GDP growth rate for FY24 is expected to be around 6.5%. The World Bank estimates the Indian economy to continue showing strong resilience to external shocks. We are optimistic about the unfolding India growth story and feel fortunate to be an important cog in the financial ecosystem. Looking ahead, we are determined to remain steadfast in our resolve to create value for our customers and stakeholders and give back passionately to our communities in different ways. Over our last six years as a Bank, we have established the right foundation and so, are confident in our ability to make the most of all opportunities.

I express my deepest gratitude to our shareholders, customers, employees, regulators, and other stakeholders for their unwavering support and trust in us. Together, we will continue to build a Bank that stands the test of time, creating a lasting positive impact in the lives of all those we serve. Here's to building the road to forever, filled with boundless opportunities and success.

Warm regards,

Uttam Tibrewal
Executive Director

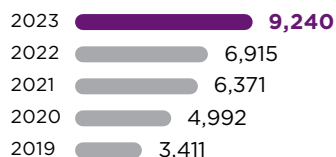
FINANCIAL PERFORMANCE HIGHLIGHTS

Tracking Forever Growth

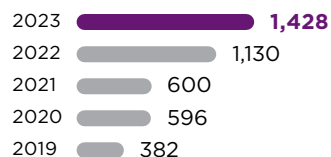
Profit and Loss Metrics



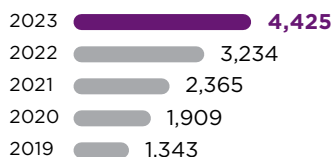
Total Income* (₹ crore)



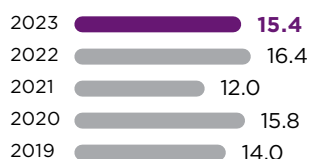
Profit After Tax* (₹ crore)



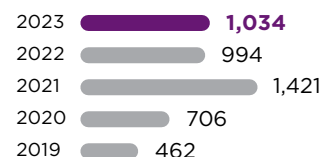
Net Interest Income (₹ crore)



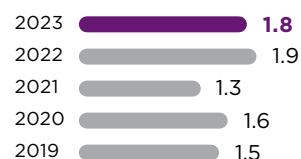
Return on Equity (ROE)* (%)



Other Income* (₹ crore)



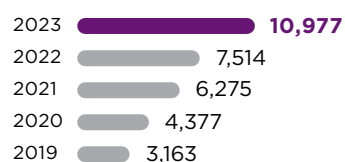
Return on Assets (ROA)* (%)



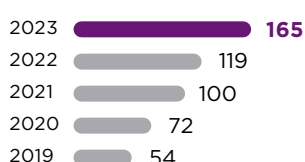
Growth Metrics



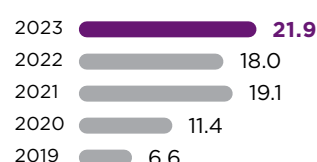
Shareholders' Fund (₹ crore)



Book Value Per Share (₹)



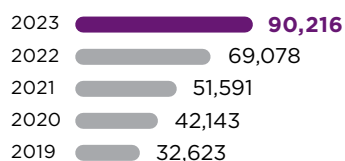
Earnings Per Share (₹)



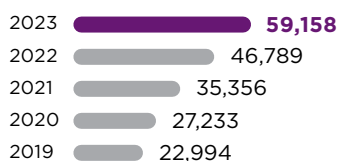
Balance Sheet Metrics



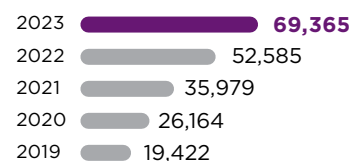
Total Balance Sheet Size (₹ crore)



Gross Advances (₹ crore)



Deposits (₹ crore)

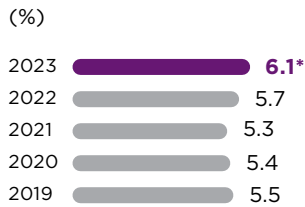


*Figures are excluding profit from stake sale in Aavas in FY20/FY21

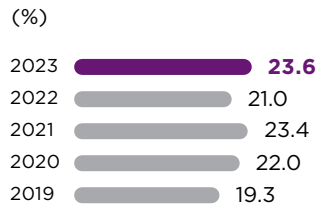
Key Ratios



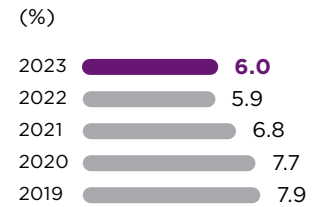
Net Interest Margin



Capital Adequacy Ratio



Average Cost of Funds

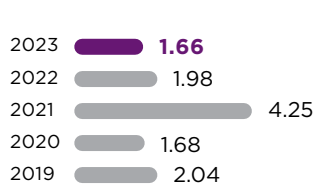


*NIM has been normalised and off-book assets have been included; As per old methodology, figure would be 5.9%.

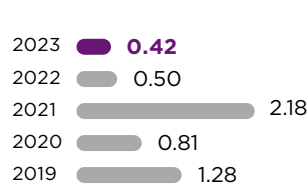
Asset Quality



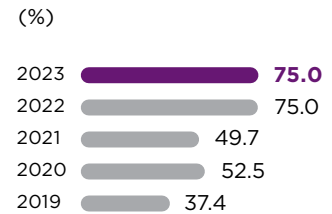
Gross NPA



Net NPA



Provision Coverage Ratio*



*PCR is excluding technical write-off

Credit Ratings



FD Rating
AA+/Stable
By CRISIL Ratings

Long-term Rating
AA+/Stable
By CRISIL Ratings, CARE Ratings and India Ratings

Short-term Rating
A1+
By CRISIL Ratings, CARE Ratings and India Ratings

AWARDS AND ACCOLADES

Celebrating Triumphs



Corporate Excellence

- India's Best Small Finance Bank Award at the BFSI & FinTech Awards 2023 by Dun & Bradstreet
- Best Small Finance Bank at the 27th edition of Business Today-KPMG Best Banks and Fintech Awards
- Best Small Finance Bank at the MSME Banking Excellence Awards 2021 by Chamber of Indian Micro Small and Medium Enterprises
- Excellent Performance in Long Term Refinance Award at the State Credit Seminar by NABARD

- Numero Uno Exemplary Award of Par Excellence in the Beat the Best and Be the Best campaign by Pension Fund Regulatory and Development Authority (PFRDA)
- Master of Risk in Risk Technology at the India Risk Management Award 2023
- VISA Business Excellence Award for Excellence in New Product Design for LIT Credit Card
- Asian Banking and Finance Retail Banking Awards 2022 for Digital Consumer Banking Initiative of the Year and Financial Inclusion Initiative of the Year

Corporate Governance

- Certificate of Recognition for Excellence in Corporate Governance at the 22nd ICSI National Awards for Excellence in Corporate Governance.
- The Second Best in the category 'Private Sector Bank (including Foreign Bank)-SFB' The Institute of Chartered Accountants of India (ICAI) Award for Excellence in Financial Reporting 2021-22.

CSR

- Golden Peacock Award 2021 for Corporate Social Responsibility.



Technology

- Best Technology Bank at 18th Annual Banking Technology Conference, Expo and Awards 2022 by the Indian Banks Association (IBA)
- The Economic Times BFSI Excellence Award 2022 in the Best Initiative in Technology Orientation category
- Technology Innovator of the Year at the 3rd Annual BFSI Technology Excellence Awards 2022 by Quantic India
- Quantic India's Technology Excellence Award 2023 in the Best Team Project in User Engagement Growth-Insurance category

People

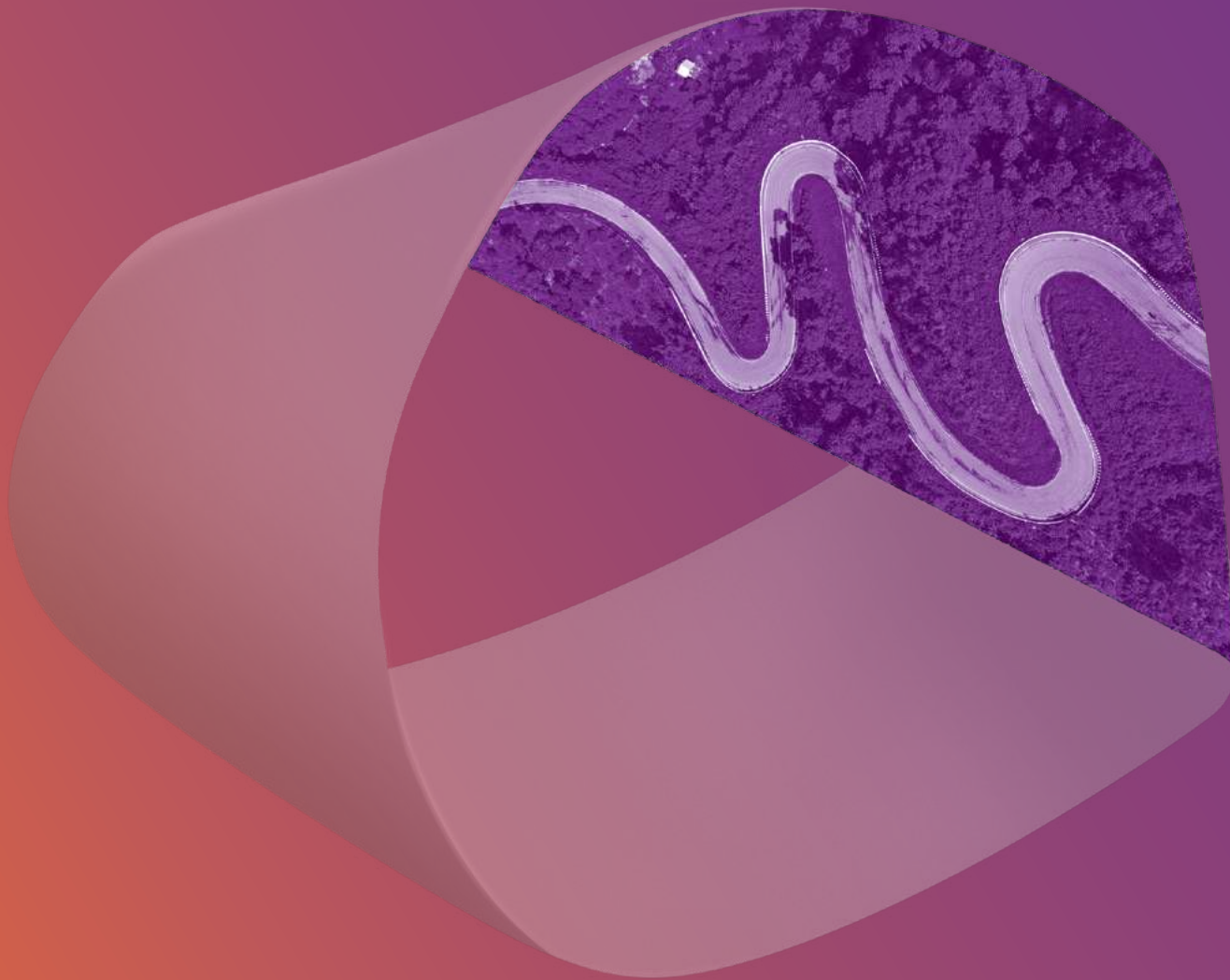
- Great Place To Work Certified January 2023-January 2024
- The Economic Times Employee Excellence 2022 Award
- Recognised among top 30 India's Best Workplaces in BFSI 2022 by the Great Place to Work[®] Institute
- Company with Great Managers 2022 Award
- Retail Banker International Asia Trailblazer Award 2022 for Excellence in Employee Engagement
- Retail Banker International Asia Trailblazer Award 2023 in the Excellence in Talent Management category
- Top 25 India's Best Workplaces in BFSI 2023





STRATEGIC PRIORITIES

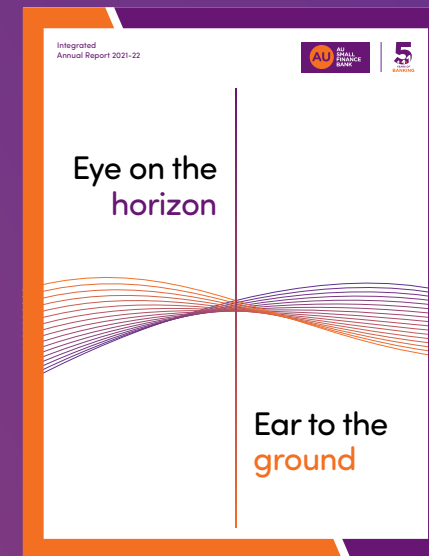
THE KEY TO OUR FOREVER BANKING APPROACH



With the right mindset and adequate opportunity, having the right approach to build a Forever Bank is of utmost importance. With our eyes on the horizon and our ear to the ground, we are focused on our strategy to become a 'Forever Bank'. This entails serving differentiated markets through inclusive banking, embracing a digital outlook, and leveraging technology for enhanced efficiency.

Eye on the Horizon

We have a keen eye on the future while staying connected to ground realities. By anticipating industry trends and listening to customer feedback, we remain proactive and responsive to evolving needs, consistently delivering value to our customers.



Differentiated Markets-Core and Urban

We recognise the significance of catering to differentiated markets. By strategically addressing the needs of both core and urban markets, we provide tailored solutions that align with the specific requirements and preferences of each segment.

78%
Deposits from urban markets

63%
Lending in core markets



Inclusive Banking

Our commitment to inclusive banking aims to provide financial services to previously unbanked or underserved communities. By reaching out to these segments, we empower individuals and businesses, driving financial inclusion and economic growth.

14 Lakh+
New-to-bank accounts opened

Digital Outlook with Tech Efficiency

Our multi-channel approach combines the convenience and accessibility of both physical and digital distribution. We prioritise a digital outlook and embrace technology as a catalyst for improved efficiency. Through automation, artificial intelligence, and data analytics, we streamline operations, enhance productivity, and deliver a seamless banking experiences to our customers.

~19 Lakh
Cumulative registrations on AU0101



Building the 'AU SFB' Brand

We are focused on building a strong and trusted brand. By consistently delivering on our promises, providing exceptional customer experiences, and fostering long-lasting relationships, we aim to establish the 'AU SFB' brand to be synonymous with reliability, innovation, and customer centricity.

**BADLAAV
HUMSE HAI**

STRATEGIC PRIORITIES



Scale Retail-focused, Sustainable Liability Franchise

Our liabilities journey is led by our deposits franchise under the aegis of Branch Banking, which has prioritised acquisition and cultivation of a Granular, Individual and Small Business, Transacting (GIST) customer base as a means of generating low-cost, stable, and retail deposits. Our GIST framework is driven by the on-boarding of high-quality retail customers from urban and metro markets.

84%
CD Ratio

38.4%
CASA

69%
CASA + retail term deposits

Capital Linkage



Material Issues

- Financial and Digital Inclusion
- Economic Performance
- Product Innovation
- Cybersecurity
- Data Privacy



Since March 2020, our total deposit book has grown 2.7x, reaching ₹69,365 crore as of March 2023. During the same period, deposits from our Branch Banking book have grown 3.7x, from ₹12,989 crore to ₹47,968 crore. Notably, our Non-Resident (NR), TASC, Key Account Manager, Enterprise Salary, and Ivy channels now contribute approximately ₹7,000 crore.

Our objective is to provide comprehensive banking solutions to our liability customers by focusing on our relationship strategy across Acquire, Activate, Transact, and Deepen (AATD) stages.

₹69,365 Cr

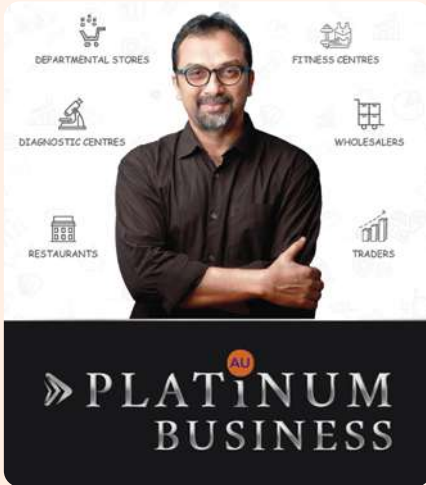
Total deposit book

Deposits Journey (₹ in crore)

	Total Deposits	CASA+ Retail TD%	CASA%
March 18	7,923	41	17
March 20	26,164	44	14
March 22	52,585	67	37
March 23	69,365	69	38

- Branch Banking
- NBFC, FIG, Wholesales, Govt., Co-op Bank, Video Banking

New Initiatives and Updates



Distribution

Our Branch Banking franchise now operates out of 242 Urban branches (from 98 in FY 2019-20), 232 Core branches (from 215 in FY 2019-20), and 73 Unbanked Rural Centres. On average, our urban and core branches have a book size of ₹143 crore and ₹54 crore, respectively.

We added new geographies in Uttar Pradesh, South, and East India to take our total presence across 21 states and three Union Territories (UTs).

We have added Key Accounts Manager (KAM) and Video Banking channels to our existing channels to further strengthen our liabilities distribution. We have started distributing PMS products and have onboarded HDFC Life Insurance and ICICI Lombard General Insurance to diversify our insurance offerings.

78%
Deposits from urban markets

Products

We offer superior family banking propositions via our AU Royale and AU Platinum banking programmes with access to premium services like wealth management, credit cards, dedicated RMs, and Priority Banking.

We launched 'AU Ivy'—an invite-only banking programme for our HNI customers, offering an integrated wealth management journey that is completely paperless and signatureless.

For our CA customers, we aim to provide dedicated merchant solutions and have launched Platinum Business CAs which combines the CA with UPI QR code and a 2-in-1 sound box to provide a seamless banking and payment solution.

We have introduced the industry's first completely digital Current Account (CA) opening journey. Further, we are introducing a data-based merchant lending proposition for our CA customers which with further boost our CASA market share.

Our portfolio of services across all areas of Savings, Payments, Loans, Insurance and Investments will further get a boost with launch of our Wealth management and Foreign exchange services.

7.3 Lakh+
Number of current and savings accounts in 2022-23

Customer Engagement

During the year, 24% of our new customer acquisitions were of high quality (Royal, Platinum and Current Account), **the share of transacting customers increased from 56% to 59%, and product per customer increased from 1.55 to 1.62.** We enhanced our performance across payment channels and introduced preferential pricing to make our retail asset offerings attractive to our liability customers. As a result, **the cross-selling of assets increased by 25% during FY 2022-23.**

People

We have established a comprehensive sales management framework that incentivises our frontline team. We have gamified our sales process by defining key performance indicators, providing clear and concise messaging, offering analytical insights, and recognising performance. We are committed to building a winning team and have invested in building our employees' capabilities. Our sales enablement is completely digitised, and we have **introduced SmartRM, a training application for learning on the go.** Our **IMPACT** programme identifies and grooms future leaders. These changes in our sales operating framework have increased the productivity of our sales resources.

7,000+
Liabilities team

270+
Leadership team

STRATEGIC PRIORITIES



Sustainable Growth from Existing Asset Products and Segments

Our asset franchise is robust and well established due to our adherence to core principles. These include retail and secured lending, risk-based pricing, a focus on end-use with loans being given for income generation purposes, excellence in customer service, and a deep understanding and connect with the local community. We are committed to strengthen our franchise by continuing to grow our core retail loan offerings, such as Wheels, Secured Business Loan (SBL), Housing Loan, and Commercial Banking.

₹59,158 Cr

Gross advances

Capital Linkage



Material Issues

- Financial and Digital Inclusion
- Economic performance
- Product Innovation
- Customer Satisfaction



AU branding at wheels dealership

Performance

Our sustainable and scalable business model delivered a 26% increase in gross advances to ₹59,158 crore, with Retail banking accounting for 78% and Commercial banking at 22%. Loan book created since the start of the pandemic is now 84% of advances having GNPA at 0.7%. The ratio of fixed rate to floating rate loans decreased to 66%:34% in FY 2022-23 from 74%:26% in FY 2021-22.

₹3.6 Lakh
Average loan size
(₹4 lakh in FY 2021-22)

13.4%
Portfolio yield
(13.7% in FY 2021-22)

92%
Secured loans
(93% in FY 2021-22)

1.66%
GNPA
(1.98% in FY 2021-22)

75%/78%
PCR/PCR with
technical write-off
(75%/77% on March 2022)

Business Wise Profitability#

Particulars	*Retail (%)	**Commercial (%)
Share of Advances	78	22
Return on Advances (ROA)	3.8	3.3
Growth rate YoY	23	56

*Retail Assets include Wheels, SBL, Home Loan, Gold Loan, Personal Loan, OD against FD, Financial and Digital Inclusion.

**Commercial Assets include Business Banking, Agri Banking, NBFC Lending, and Real Estate Group.

#Approximated basis internal methodology

New Initiatives and Updates

Products

We are excited about our relatively new unsecured products i.e., personal loans, merchant loans and credit cards. These new products are largely used as a cross-sell product for our existing customers and are designed to provide our customers with greater convenience, flexibility, and financial empowerment.

Going forward, we are focusing on building our Transaction Banking and Small and Marginal Farmer (SMF) business. With the receipt of our AD-I license, we are looking to offer foreign exchange products and services like remittances and cross-border trade financing to our existing and new customers.



An irresistible offer awaits you!

Apply for Pre-Approved
AU Personal Loan

Collections

Our collection mechanism remains robust, and our team had an outstanding year in terms of efficiency. The Engage-Counsel-Resolve principle was integral to our success, allowing us to maintain healthy asset quality with a GNPA of only 1.66%. Much like the previous years, collections played a vital role in supporting our asset quality performance.

We have product-specific collection teams and specialised functional teams for every aspect of collections, which ensures that we can tackle every challenge efficiently. Additionally, our real-time tracking dashboard enables us to monitor collections constantly. We protect ourselves from collection defaults through insurance, and rely on data analytics for informed decision-making.

0.42%
NNPA
(0.50% in FY 2021-22)

Digital

To become a technology-led Bank, we are constantly seeking ways to digitise as many physical processes as possible. We upgraded our digital infrastructure and transitioned to 'Rapid', a top-notch Loan Operating System, which automates the entire journey of an SBL customer, from sourcing to disbursement. We are committed to keeping digitisation at the forefront of our operations, as exemplified by our introduction of digitally signed NOC of mortgaged units, which has increased the collection frequency of funded projects and reduced turnaround time (TAT) by two days. We are also in the process of automating the RERA transfers and the credit assessment process through CREDPRO.

Our wheels business is working towards operationalising an end-to-end digital onboarding to disbursement platform. While Salesforce.com is the front-end partner, Wheels leadership is working with FICO to build an integrated BRE (Business Rule Engine) to fast track the credit decisioning.

People

We formalised a programme called On-the-Job Training (OJT) for our sales employees. The programme assigns a mentor and a buddy to each new sales officer for the first 15 days of their job to guide them. Our team of experienced senior members impart their knowledge and expertise to newcomers across departments. Our hiring philosophy is to attract

local talent who understands the customer's business and the local market. To ensure that all new joiners are familiar with our organisation's culture and practices, we provide centralised training at Jaipur for all new joiners at all locations. We believe in nurturing talent and working together to achieve success.



STRATEGIC PRIORITIES



Build a Tech-Led Ecosystem

We are a tech-led bank and building market leading digital proposition for customers, enhancing automation and cybersecurity. Our focus is on growing stable, retail focused, low cost deposit franchise, developing unsecured lending capabilities, building digital distribution channels, driving automation and operating efficiency and remaining future ready.

19 Lakh+

Digital customers on AU0101

43%

New customer acquisitions via digital products

Capital Linkage



Material Issues

- Customer Satisfaction
- Financial and Digital Inclusion
- Cybersecurity
- Data Privacy
- Product Innovation

Our Partners



Logo usage as per consent from partners

Performance

Our digital proposition has led to a sharp rise in customer acquisitions, with 43% of those acquired in FY 2022-23 being via our digital products. Compared to physical acquisitions, these have been significantly more cost-efficient. Furthermore, customer engagement has been enhanced—57% of all Savings Account customers actively transact each month, averaging 33 monthly transactions per person. Meanwhile, 98% of all transactions (customer-initiated debits) and 92% of liability service requests in March 2023 were handled digitally, thus reducing our marginal cost of providing the same level of service. We also scaled up credit cards acquisition through video banking.

₹800 Cr+

Digital personal loans disbursed till March 2023

5 Lakh+

Credit cards issued

10 Lakh+

Merchant QRs

New Initiatives and Updates

Digital Customer Facing Applications

One of our priorities is to build industry leading digital customer-facing applications, and we have made significant progress in this area since the launch of our digital bank, AU0101, and video banking, in June 2021. AU0101 offers best in class digital banking experience with a comprehensive range of offerings covering deposits, payments, cards, loans, investments, and insurance. We continue to add new functionalities, and further improve the user experience.

For our merchant customers, we're developing an integrated merchant banking app that will include digital journeys for Current Account and QR onboarding, unsecured business loans, segment-focused credit cards, and other banking and value added services.

Building Compelling New Products

Our 'Customer First' ethos drives us to focus on building exciting new products and deliver new customer journeys while addressing their concerns. We have introduced several innovative products including LiT credit card-India's first customisable credit card that allows users to design and customise their card; SwipeUp-a unique programme where existing card holders from any issuer can upgrade their card following a simple, 3-step digital journey. We also recently launched digital customer journey for Current Accounts and are working on new products and journeys.

Personalisation through Data and Analytics

We are executing on a number of key projects to enhance our capabilities around data and analytics. These include building a cloud data platform which would house all of the customer data, provide custom-made business dashboards and allow advanced analytics to be run. Other significant initiatives are around enhancing our understanding of the customer through transactional (both bank's and data obtained through Account Aggregator) and alternative data.

Enhancing Automation and Efficiency

We have made significant progress in digitising our customer onboarding journeys, and related sales processes, with more than 95% of sales teams already enabled with bring your own device (BYOD) customer onboarding apps. We are working with leading technology service providers such as Salesforce to implement cutting-edge solutions. To improve efficiency, we have turned our focus on two specific areas: (i) Leveraging robotics (RPA) to automate processes and reduce manual interventions, and we have already automated various processes using RPA and are working on automating several other across various functional areas (ii) Working with FICO to implement their leading enterprise BRE (Business Rule Engine) solution to automate credit decisioning. This will be first implemented in Wheels business along with the Salesforce onboarding journey, and then extended to other products.

Strengthening our Tech Backbone (Core Architecture, Infrastructure, Cybersecurity, and Cloud)

We continue to make proactive investments to refresh our tech stack, infrastructure, and cybersecurity. In Q4 FY23, we upgraded our core banking system to the latest version, making us the first bank to go live on the Oracle Flexcube version (11.10). We also completed phase 1 of our Data Centre upgrade and migrated to a new DR location, allowing for greater capacity and scalability.

We are also adopting cloud and Cloud-native technologies, with new applications being onboarded directly on Cloud, and are following a phase-wise modernisation and migration of existing applications. We are also modernising our API stack using solutions like Google Apigee. Cybersecurity is an area of key focus and we continue to implement best practices and new solutions to keep our cybersecurity measures robust and up to date.





STRATEGIC PRIORITIES



Best-in-Class Risk Management and Controls

Our governance framework is centred on a strong and integrated risk management function, which is designed to protect the interests of depositors, customers, and shareholders. We recognise that growth comes with inherent risks and we have taken adequate measures to address them.

29

Whistleblower cases
(All resolved in FY 2022-23)

Our Enterprise Risk Model Includes

7

Risk categories

18

Risk factors

53

Risk parameters

Capital Linkage

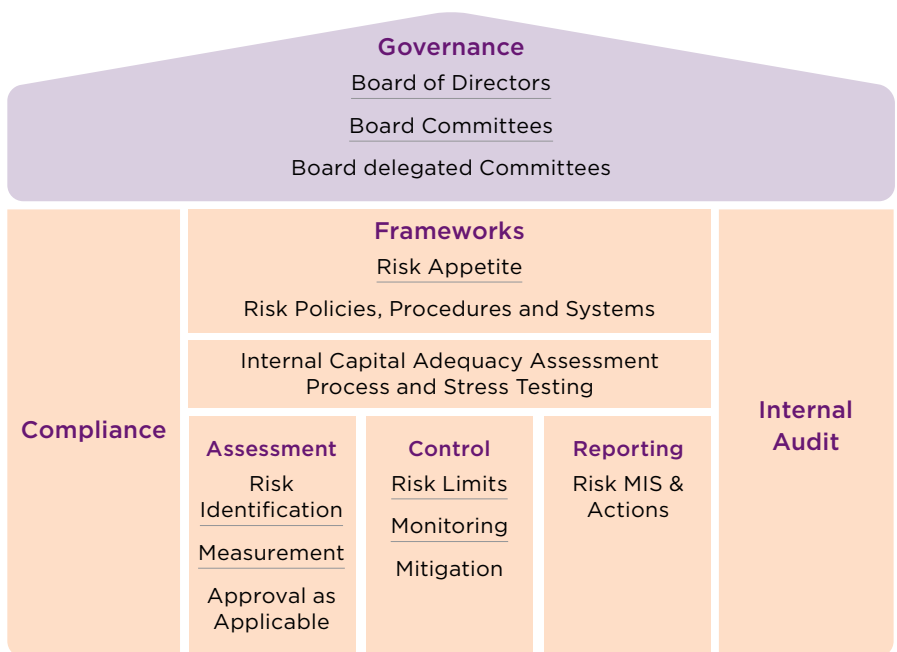


Material Issues

- Compliance
- Cybersecurity
- Data Privacy
- Brand and Reputation Management
- Ethical Business Practices



Risk Management Framework



Risk Governance

The Bank has a multi-layered risk management process to identify, assess, monitor, and manage risks, governed by risk management policies, and approved by the Board of Directors. The risk management process is overseen by various committees, including the Board’s Risk Management Committee, Board-delegated Committees, and the executive management team, as part of the Risk Governance Framework. Our risk management is governed

by the Three Lines of Defence model where First Line of Defence consists of individual business units and support functions that own and manage risks through adherence to laid-down procedures. The second Line of Defence consists of the Risk Management and Compliance departments which ensure the First Line of Defence is properly designed, is in place and operating as intended through regular reporting. The third Line of

Defence consists of the Internal Audit function, which provides the highest level of independent assurance on the effectiveness of governance, risk management, and internal controls through audit in line with the approved audit plan and reporting the same to the Audit Committee of the Board on a regular basis. It also ensures that the first and second Lines of Defence achieve their objectives.

Emerging Risks

Data Privacy

In any retail focussed organisation, data is at the centre of business, and it drives strategy for your Bank. Data is essential to meeting customer needs, responding to sudden market shifts and unforeseen events. Data protection is the process of securing digital information while keeping data usable for business purposes without infringing customer or end-user privacy. Data protection becomes more intricate as the number of devices to monitor and protect expands. Maintaining data privacy at the best possible standards is key focus area for us.

Cybersecurity and Fraud Risk

With growing digitalisation in banking sector, Cyber-attacks are persistently increasing, and attackers are actively looking for their victims for the malicious cyber-attacks on sensitive data of banking and financial systems. Fraud events through Cybercrime occupy a significant place. It is pertinent to note that an increasing number of external & internal frauds today ride on the digital platform as that has become the new normal replacing the physical world. Cybersecurity is a crucial aspect of establishing trust with our stakeholders, which is why we are determined to implement best practices to remain focused on keeping our cybersecurity measures up to date.

Climate Risk

Climate risk is an emerging area from risk perspective and a key focus area of various stakeholders including regulators and the Government. The key risks associated with climate are related to Physical and Transition risk due to extreme weather conditions like cyclones, floods etc. reducing carbon emissions and their probable impact on financial assets and liabilities. Our business model, social financing to retail customers, has lower embedded risk of emissions and climate impact, however it is an area of enhanced scrutiny and focus for the Bank. We have built a strong ESG policy framework to address this risk.

Social Media Risk

Social media plays an important role in people’s everyday life. Bank also leverages social media channels to promote its products and services and engage with their customers. However, in the current age of social media, there are various risks posed by social media which includes reputational risk, liquidity risk, operational risk, compliance risk, legal risk etc. However bank has effective public relations strategy and controls in place to monitor social media risk.



➤ Read more about our traditional risks and their management in our Management Discussion and Analysis on [Page 97](#)

STRATEGIC PRIORITIES



Develop a Highly Empowered and Capable Team

We foster an entrepreneurial work culture that is meritocratic in nature. As we grow as an organisation, benchmarking HR practices and policies has been a key focus area for your Bank. Guided by the AU Dharma principles, we have encouraged a work culture that empowers our people and nurtures talent.

28,320

Total employees
(27,817 on March 2022)

2,353

Women employees
(1,930 on March 2022)

479

Employees with
10+ years vintage

Capital
Linkage



Material Issues

- Diversity and Inclusion
- Employees Training and Education
- Employee Health and Well-being
- Human Rights



Awards Night



MD & CEO's address at Townhall



Marketing team's strategy meet

Over the past few years, we have implemented HR initiatives that have garnered industry-wide recognition. At AU SFB, our employees are given the right opportunities for growth, and with this, we pave the way for continuous progress.

- **Menstrual leave policy** offers one day of additional paid leave every month to women employees
- **Sabbatical policy** for new mothers (over and above the 182 days of paid leave), and employees with a long-service record (>=10 years) with your Bank
- Established '**She Matters**' guidelines to enhance women's safety
- Additional **paternity leave** of seven days
- **AU Forever Pass** offered to eligible exiting employees to rejoin AU SFB anytime
- Conducted awareness sessions, diversity blogs, and inspirational series for women and specially-abled employees
- Organised the **AU Khelotsav**, the Sports Festival, for employees as an engagement and fitness initiative

New Initiatives and Updates

Employee Engagement Survey

AU Vibes, our Annual Engagement Survey—assisted by an AI-based pulse module to gain an overview of our key cultural metrics—saw participation from 80% of our workforce. The results revealed an overall happiness index score of 88, which confirms our conviction in our people-focused practices. This was followed by manager engagement programmes to assist them in identifying areas that needed development. The insights gathered further improve our future strategy, policy development, and frameworks, leading us towards managerial excellence, fostering trust and creating a more inclusive workplace.

88%

Happiness Index score

Diversity and Inclusion

Guided by our Board committee, we are focusing on three major areas to strengthen workforce Diversity and Inclusion: Women diversity; specially abled employees; and widening education diversity. Our aim is to continually record improvement in these areas and to cross 10% women representation by 2025. Additionally, we have a significant proportion of millennials and Gen-Z employees and have deployed 90% employees to their home state to increase customer connect and employee comfort. We implemented a range of targeted initiatives and policy improvements to enhance inclusivity and improve decision-making.

Reward Framework

All our initiatives focus on employee well-being, long-term retention, and keeping our people engaged and motivated. Our 360-degree reward framework includes quarterly Reward & Recognition, SPOT, and Value awards apart from annual appraisals and various team recognition events through the year. The AU Achievers Club with 1,400+ high potential, consistently performing employees provides special interventions to help them take on additional responsibilities and prepare for higher roles. Long-service employees were given subsidised loans and the benefit of paid sabbatical leave.

Additionally, over 1,900 employees were awarded ESOPs during the appraisal cycle, with about 870 first-time recipients.

1,400+

Employees in AU Achiever's club

Employee Well-being

Our wellness programme includes online doctor consultations and discounted medical health screenings for our employees and six family members. We offered employment to the spouses of two employees who passed away during their tenure with us. The children of deceased employees also receive an education allowance.

481

Beneficiaries of Prevention, Cure, and Security (PCS) programme

Talent Hiring and Retention

It is our endeavour to provide an environment where employees can bring their authentic selves to work. Your Bank has created a 'winning team' that is an ideal mix of fresh and vintage talent. Despite shifting industry trends and a talent battle in the market, we hired 85 Vice President and above level individuals, and now employ over 28,000+ people. We added 542 personnel to IT and Digital to further improve our IT platforms and processes. In FY 2022-23, we hired a total of 1,022 engineers and CA/CS/ICWA.

80%

Young talent (millennials)

90%

Posted in their home state

Learning and Development

Identifying training needs and enhancing the learning and development of our winning team via various training programmes, which include a mix of product, process, sales-oriented, soft skills, and behavioural training is a focus area for AU SFB. We also offer web-based IT-related, behavioural, and skill-based training, and short-duration certifications. We launched gamified and GIF-based learning on internal platforms, including mandatory ones like Prevention of Sexual Harassment (POSH) training.

21.5

Average training hours per employee

STRATEGIC PRIORITIES



Create a Strong Brand Identity

As an institute with 28 years of expertise in the financial sector, AU Small Finance Bank is committed to building a ‘Forever Brand’. We embarked on a transformative journey with our ‘Badlaav Humse Hai’ campaign that strategically captured the trust and attention of a diverse customer base across various channels. This campaign helped to evolve our brand persona into a youthful and dynamic challenger in the industry. **The evidence of this successful transformation is the 2x growth in brand awareness and a top-of-mind recall leap from zero to 12% post-campaign.**

Capital Linkage



Material Issues

- Brand and Reputation Management
- Product Innovation
- Compliance
- Ethical Business Practices



AU Jaipur Marathon 2023

What has further strengthened our brand value among customers is our unwavering commitment to providing excellent customer service. We deliver a stress-free, easy and digitised retail banking experience, ensuring that our customers’ needs are always met. This approach has led to a shift in perception. AU SFB is no longer viewed as a secondary banking option but as a primary banker for many, signalling our evolution into a ‘forever brand’. We are poised to continue growing and adapting to the ever-changing financial landscape to serve our customers better.

Honouring Changemakers

AU Small Finance Bank has always been a believer in the power of positive change. In keeping with this ethos, we launched the ‘Badlaav Humse Hai’ campaign in collaboration with media conglomerate Network18. This initiative spanned six months

and shed light on 20 inspiring changemakers who have become catalysts of progress against the odds. Our champions, hailing from diverse fields like education, healthcare, and environment, were selected for their profound impact on their communities. Their stories of unwavering determination, told through television and digital channels, have resonated with crore, fortifying our brand’s position as a changemaker in the banking industry.

This campaign concluded with a grand finale in Mumbai, a vibrant event attended by notable dignitaries such as Nobel laureate Mr. Kailash Satyarthi, Ramon Magsaysay awardee Dr. Prakash Baba Amte, and renowned Bollywood actress Dia Mirza.

This event, aired on prominent news channels and live-streamed on YouTube, successfully reached a wide audience, reinforcing our commitment to positive societal transformation.

New Initiatives and Updates

Sports: Our Passion, Our Drive

At AU SFB, we are passionate about sports and the transformative power it holds in shaping lives. With a commitment to nurturing young talents and promoting health and wellness, we have sponsored several events.

Conducted the 8th AU Jaipur Marathon with over 1 lakh runners, and the 3rd AU Cyclothon. We also introduced AU Healthon in Lucknow, a significant initiative that made an impact on our audience's health awareness. Simultaneously, our Yog Mahotsav in Rajasthan reached 11 major cities, benefiting numerous fitness enthusiasts.



To cater to HNI customers, we sponsored Golf and Badminton tournaments, resulting in successful lead generation and strong brand recall. These sports driven initiatives are fostering a sense of unity and connection with our customers.

Activities at Ground Zero

To strengthen our brand identity and market presence, we've strategically undertaken various initiatives focused on societal welfare. Collaborating with government bodies, associations, NGOs, condominium and clubs, we have made significant strides in enhancing our brand visibility and making a positive societal impact.

We've sponsored and participated in events that cater to professionals, MSMEs, HNIs, and residents, empowering our business teams while increasing our brand visibility. We've also engaged with traffic police departments to spread social welfare messages. By conducting health check-up camps and distributing plant pots in housing societies, we have positioned our brand among potential customers and showcased our products and services.

We've also consistently engaged with our customers across geographies through social days and festive events. Occasions such as Mother's Day, Teacher's Day, Nurses Day, CA Day etc. have fostered customer delight.

Amplifying Brand Visibility

At AU SFB, we understand the importance of visibility. Through above-the-line initiatives, we've amplified our brand presence and ensured strong recall among a broad audience. Our partnerships with ICICI Lombard General Insurance and HDFC Life have been prominently advertised, giving our customers convenient access to comprehensive insurance solutions.

We have strategically placed ads in renowned television news channels and during popular cricket series, successfully communicating our competitive fixed deposit rates and monthly interest payouts for Savings Account holders. Out-of-home campaigns at high-traffic tourist spots have further enhanced our visibility, ensuring AU SFB is at the forefront of our potential customers' minds.

Building Awareness and Consideration on Digital Platforms

Our digital footprint has grown significantly due to strategic social media campaigns, influencer collaborations, and high-decibel performance campaigns. In FY 2022-23, the digital brand generated impressions of 184 crore+, leading to 1 crore+ visits on our website/platforms.

This surge in web visits reflects the growing curiosity and preference for AU SFB's offerings, as customers actively seek information and explore our comprehensive range of banking solutions. These metrics clearly demonstrate that we have successfully captured the attention and consideration of customers, positioning us as a preferred choice in the banking industry.



Grand Finale - Badlaav Humse Hai event

STRATEGIC PRIORITIES



Strengthen Our Environmental, Social and Governance (ESG) Commitments

We are a Bank that is ‘Sustainable by Design’. With sustainability in our DNA, we have built an institution that has changed the face of societal impact through our extensive presence in the remotest of geographies.

552.4 kg
CO₂ emissions intensity

16,843
CSR beneficiaries
(covering AU Ignite, AU Udyogini and Bano Champion)

Carbon Neutral
AGM and
Board Meetings
Certified by



Capital
Linkage



Material Issues

- Climate Risk
- Sustainable Operations
- Financial and Digital Inclusion
- Corporate Social Responsibility
- Water Conservation
- Resource Efficiency



Our business model focuses on lending to underserved segments in rural and semi-urban/low-income urban areas, fostering employment, empowerment, and financial inclusion.

To ensure a steadfast commitment to sustainability, we have established a Board-level Sustainability Committee, chaired by Ms. Malini Thadani, a respected sustainability expert, and supported by experienced board members. At the Bank

level, we have a Sustainability Steering Committee responsible for implementing the Board Committee’s directives.

Demonstrating our dedication to sustainability, we have an approved sustainability policy and recently released our first externally assured Annual Sustainability Report, following GRI standards. This Report underscores our unwavering focus on sustainability and enhances our credibility in sustainability-related disclosures.

Recognising the environment as a key stakeholder, we design responsible financial products, support climate change initiatives, and foster a 'climate conscious culture'.

Through CSR initiatives like 'AU Ignite' for youth empowerment, 'AU Udyogini' for women empowerment, and

'AU Bano Champion' for sports promotion, your Bank contributes to building a better society and tailors actions to meet the unique needs of diverse communities. Financial and digital inclusion efforts align with the National Strategy of Financial Inclusion, focusing on improving access, increasing usage, and enhancing quality in unbanked rural areas.

Our dedication to sustainability and stakeholder value has earned us high ratings from global platforms like MSCI, Sustainalytics, and Refinitiv.

**Overarching Sustainability Framework
Structured Governance around Sustainability**



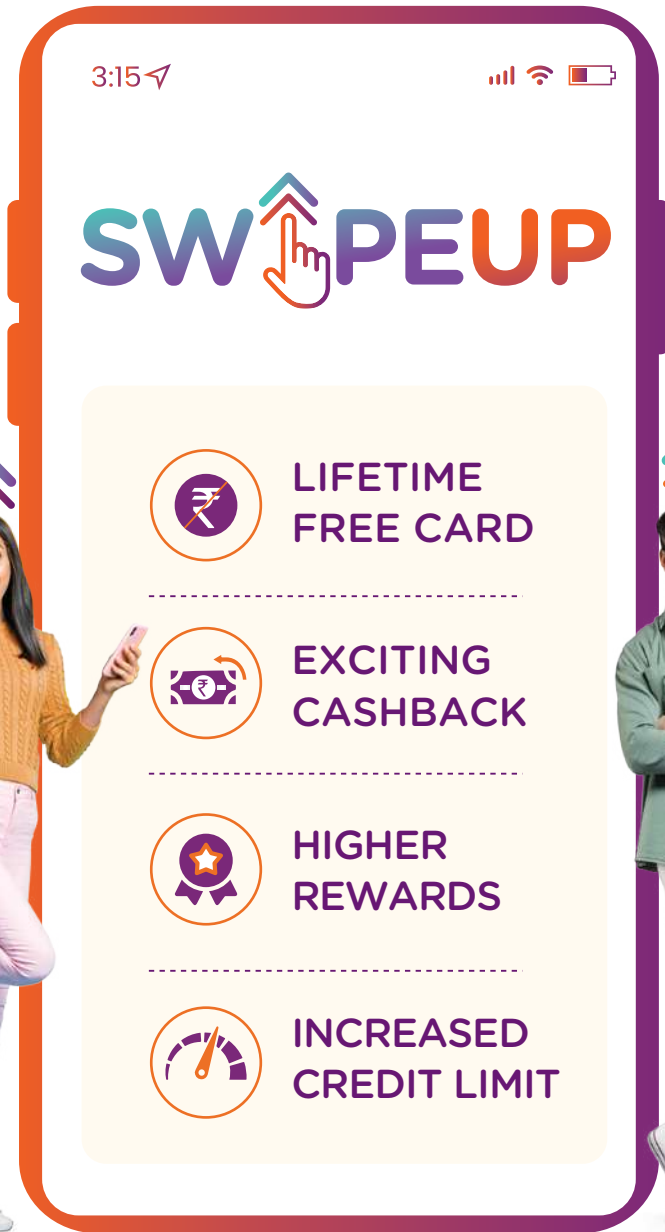
**Stakeholder Engagement and Insights
Communication and Advocacy**

➤ Read more about our sustainability efforts in our Sustainability Report [here](#)
 ➤ Read more about our BRSR on [Page 186](#)

Upgrading Your Credit Card has never been easier.



An **innovative platform**
which offers an
assured upgrade from
any other bank's
Credit Card to
AU Credit Card.



Scan to Upgrade

*T&C apply

CORPORATE INFORMATION

Registered Office

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Rajasthan, India
Contact: 0141 - 4110060

Head Office

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

Corporate Office

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

Joint Statutory Auditors

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

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

Secretarial Auditor

M/s V.M. & Associates
Company Secretaries
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Jaipur – 302001, Rajasthan

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Management Discussion and Analysis

Economic and Industry Overview

Global Economy

The steady global economic recovery at the beginning of 2022 was marred by the Russia-Ukraine conflict, leaving supply chains in disarray, and pushing inflation to multi-decadal highs with elevated commodity and energy prices. Further, China's stringent 'Zero COVID' policy only aggravated the situation. This led to aggressive rate hikes by major central banks, which not only weighed on growth but also stoked fears of a recession in some developed countries.

Moreover, the collapse of Silicon Valley Bank (SVB), Signature Bank and First Republic Bank in the US, and the Swiss regulator-led takeover of Credit Suisse by UBS fuelled fears of a global banking contagion. However, as it stands today, the sector seems to have stabilised. A milder winter in Europe and an earlier-than-expected reopening in China improved economic prospects in the fourth quarter of 2022. In fact, growth remained better than expected as the US, the Eurozone, and the economies of other countries, began to show indications of recovery in the third quarter, though inflation is decelerating at a slower-than-anticipated pace.

Global inflation in CY2022 stayed at 8.5%, while real GDP growth slowed from 6.5% in CY2021 to 3.3% in CY2022. The International

Monetary Fund (IMF) estimates the world economic growth to bottom out at 2.8% in 2023, and pick up to 3.0% in 2024, led by Asia, especially India and China. Further, the IMF expects global inflation to moderate to 6.6% in 2023 and further to 4.3% in 2024.

Global GDP Growth Trend

	2022 (%)	2023E (%)	2024E (%)
World Output	3.4	2.8	3.0
Advanced Economies	2.7	1.3	1.4
Emerging Economies	4.0	3.9	4.2

Source: IMF World Economic Outlook, April 2023

Indian Economy

Despite the several global headwinds, India remained a bright spot. However, inflation remained persistent and was above the upper band of the RBI target range. The RBI also adopted a hawkish stance and raised rates by 250 bps during FY 2022-23 to 6.5%. However, it signalled a pause in the rates during the Monetary Policy Committee (MPC) meeting held in April, as inflation in India started abating. In fact, inflation stayed in the RBI's target range in March and April 2023, with the Consumer Price Index (CPI)-based inflation falling to 4.7%, the lowest-ever since October 2021.

The Indian economy exceeded all expectations and grew at 7.2% in FY 2022-23. During the year, the index of industrial production (IIP) grew 5.1%, impressive, on the back of the 11.4% growth in FY 2021-22. During the reporting period, the manufacturing sector grew 4.5% YoY, electricity grew 8.9% YoY and mining grew 5.8% YoY. Most high-frequency indicators

remained robust. Gross GST (Goods and Services Tax) came in at ₹18.10 lakh crore, with gross monthly collections averaging ₹1.51 lakh crore, up 22% YoY.

Outlook

Although headwinds have pushed most multilateral agencies such as the IMF to lower their GDP growth expectations for India, the projected numbers remain in the range of 5.9-6.5%, higher than that of any major economy in the world. This is the result of multiple tailwinds like the Government impetus on capital expenditure (budgetary allocation of ₹10 trillion), schemes such as PLI and PM Gati Shakti, credit guarantee programme for SMEs, robust private expenditure and strong corporate balance sheets.

Indian Banking Industry

While global banking was staring at a crisis, the Indian banking sector demonstrated strength and resilience in FY 2022-23. Incremental credit stood at ₹17.83 lakh crore and incremental deposits stood at ₹15.78 lakh crore. As a result, the incremental credit-deposit ratio was at a 15-year high of 113%. Credit growth for the year was at 15%. Going ahead, the growth momentum is expected to remain strong supported by moderate inflation and some easing in the liquidity conditions. However, deterioration in global macro and geopolitical situation remain key risks.

Small Finance Banks (SFBs)

SFBs were created with an objective to extend financial services to the informal segment of the society and support financial inclusion at grass root level. SFBs still form a small part of the banking sector with little over 1% market share in advances and deposits. As of March 2022, SFBs, albeit on a smaller base, have outperformed commercial banks in deposit and advances growth.

SFB Deposits and Advances

	March 2018	March 2019	March 2020	March 2021	March 2022
Deposits	26,470	55,687	82,488	1,09,472	1,44,138
Advances	46,774	69,827	90,576	1,08,613	1,34,693

(₹ crore)

Source: CareEdge

SFB GUIDELINES

75%

Priority Sector Lending

50%

Loans upto ₹ 25 lakh

25%

Unbanked Branches



Loans and Advances

As most SFBs transitioned from being NBFC/MFI (micro-finance institutions), the share of unsecured loans declined from 41% of advances as on March 31, 2018, to 33% as on March 31, 2022, and the share of secured loans

(as a % of total advances) increased from 44% as on March 31, 2018, to 56% as on March 31, 2022, as per the CareEdge Ratings report. Gradually, SFBs have diversified into MSME loans, affordable housing finance, gold loans as well as vehicle loans.

remains low at approximately 9%-10% of the overall credit outstanding. Further, there are ~7 crore MSMEs in India, contributing ~30% to the country's GDP and ~48% to total exports. Credit growth to the MSME sector has been at over 30.6% on average during January-November 2022, supported by the extended Emergency Credit Linked Guarantee Scheme (ECLGS). A recent CIBIL report (ECLGS Insights, August 2022) showed that 83% of the borrowers under ECLGS were micro-enterprises.

SFB Loans and Advances Composition (%)

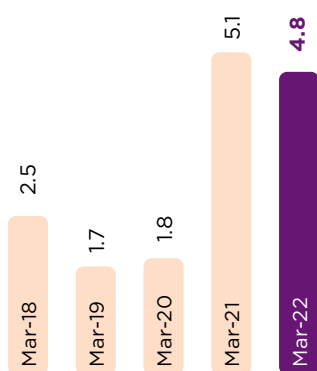
	March 2018	March 2019	March 2020	March 2021	March 2022
MFI Loans	41	37	36	34	33
Vehicle Loans	21	20	20	18	18
LAP Loans / SBL	17	18	20	22	20
Business Banking	1	2	3	2	3
Housing Loans	1	3	3	5	6
Others	19	20	18	19	20

Source: CareEdge

Asset Quality

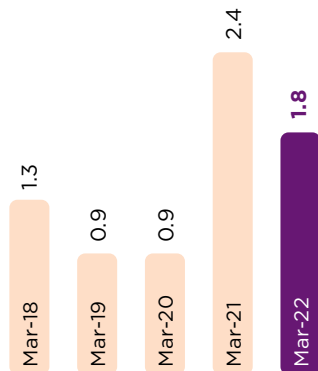
The asset quality of MFIs was impacted during the pandemic, mainly due to exposure to a relatively weaker borrower segment. SFBs with more exposure to unsecured credit were severely impacted. Situation is expected to have much improved in FY 2022-23 basis the initial data that is available.

GNPA (%)



Source: CareEdge

NNPA (%)



Opportunity

The SFB opportunity will be largely supported by the rural segment, the presence of informal credit channels, geographic diversification, loan recovery mechanism, the ability to manage

local stakeholders, access to low-cost funds and significant cross-selling opportunities. India offers a vast opportunity landscape for SFBs catering to the informal economy. Despite its larger contribution to GDP of 47%, the rural segment's share in credit

Addressable Credit Gap

₹25.8 trillion

Credit gap in MSME space

Source: Report by the UK Sinha Committee constituted by the RBI in June 2019

9%-10%

Rural credit out of total credit

47%

Rural GDP contribution



Our Business Overview

FY 2022-23 was a challenging year for business planning with uncertainty around inflation, liquidity, and interest rates. This complex macro environment was balanced by a strong credit demand and robust asset quality. Despite the challenging environment, the operating matrices of the bank continue to be very strong.

Key Activities

To build a Bank that sustains forever, our foundation mindset needs to go beyond stability and growth. It requires us to be more proactive and have a forward thinking and innovative approach. In pursuit of this objective, the Bank initiated various steps during FY 2022-23 and some of the key accomplishments / initiatives are described in this section.

Board Expansion

To build a forever bank, focus on enhanced governance, diversity and inclusion remains our priority. During the year, we appointed three Independent Directors: Mr. Kamlesh Vikamsey, Ms. Malini Thadani, and Ms. Kavita Venugopal. With this, we expanded our Board to a total of 10 directors, including eight independent directors, two of whom are women. This step significantly strengthens our bank's governance framework, fostering a robust and inclusive approach.

Reappointment of Chairman, MD & CEO, and ED

In FY 2022-23, the regulator approved the re-appointment of the Chairman, Mr. R. V. Verma for his residual tenure till

January 2024 and that of MD and CEO, Mr. Sanjay Agarwal and ED, Mr. Uttam Tibrewal for the period of three years, as was recommended by the Board. This reappointment reinforces that we are heading on the right path with strong compliances, governance and sustainability practices.

Capital Raised

A healthy capital structure is a key requirement for a sustainable and a forever bank. With this objective, we raised growth capital of ₹2,500 crore with a mix of ₹2,000 crore of Tier 1 equity capital and ₹500 crore via Tier-II bonds during the year. This capital raise helped us achieve a Capital Adequacy Ratio of 23.6% as of March 2023, as against regulatory requirement of 15%.

Authorised Dealer Category-1 License

The Bank has received the coveted Authorised Dealer Category - I (AD Cat I) license in April 2023 from RBI. This will allow us to deal in foreign exchange and offer cross-border trade and services positioning us well to offer a complete suite of products to our customers. We are diligently working on the logistics associated with launching AD-I related offerings and anticipate their introduction within the current year.

Rating Upgrade

We recognise the paramount importance of earning the trust and confidence of all stakeholders in fostering a sustainable bank. During the year, the credit ratings of the Bank were upgraded to

AA/Stable by leading credit rating agencies: CRISIL, CARE and India Ratings. This credit rating upgrade serves as a testament to the bank's credibility and resilience. It reinforces our commitment to maintaining a strong and trustworthy position in the market.

Asset Quality

Building a sustainable business model for any lending institution, requires that asset quality be accorded the top most priority. At AU SFB, credit underwriting, collections and strong asset quality have been key pillar of strength throughout our history. Our asset classification process is fully automated. Our NPA recognition has been happening automatically from the system on a daily basis and in last couple of years, this system has been tested and audited to maintain highest levels of system integrity. As of March 2023, our Gross Non-Performing Assets (GNPA) ratio stands at 1.66%, which is among the lowest in the banking industry. Additionally, our Net Non-Performing Assets (NNPA) ratio is 0.42% as of the same period. These figures highlight our unwavering commitment to sound asset management practices.

Technology-led Ecosystem

In the current global digital landscape, staying abreast of the latest technology and implementing robust cybersecurity measures is imperative for a bank's efficiency, success and even survival. As a tech led bank our key focus remains on digitisation, automation and cybersecurity.



One of our key priorities is to build strong digital customer-facing applications. During the year, we continue to make proactive investments to refresh our tech stack, infrastructure, and cybersecurity. We continue to implement best practices and new solutions to keep our cybersecurity measures robust and up to date.

Core Banking System Upgrade

During the year, we upgraded our core banking system to the latest version and became the first bank to be live on the latest Oracle Flexcube version (11.10). With this upgrade, our CBS has the latest technology stack and a future ready architecture to power our aspirations of serving delight to the ever-increasing base of crore of customers.

Data Warehouse and Analytical Workbench

We are leveraging data and analytics to further strengthen our unsecured lending capabilities - building a cloud data warehouse platform and setting up a dedicated analytics team are steps that we have taken in this direction.

Robotic Process Automation

We are adopting robotics to bring efficiency into the system and cut down on manual interventions which can be avoided by using technology. We have automated 165 processes till date using RPA (Robotic Process Automation) and have taken up the exercise of identifying bank wide processes which can be automated with increased focus and commitment.

Digital Current Account

During the year, we enabled Digital Current Account opening through Video Banking VKYC process and

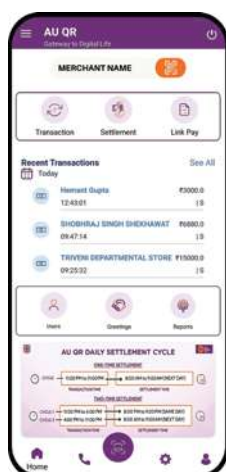
we are dedicated to further expand the suite of Digital Video Banking Services. We strongly believe that Video Banking holds the potential to replace branches for most of the use cases that do not involve cash and our strategic focus is to further strengthen the proposition as, together, our AU0101 app and Video Banking offer complete digital banking suite.

BBPS on Video Banking

Our Bank has become the country's first commercial bank to connect with the Bharat Bill Payment System (BBPS) and deliver bill payment services via video banking. The fundamental goal of this effort is to increase digital accessibility and economic capabilities, which will lead to greater financial inclusion.

Merchant App

We are working on launching a Merchant App which is an all-in-one SME banking solution that offers account services (current, savings, loans, and deposits), QR collections, single and bulk payments, tax payments, digital marketplace, basic to advanced invoicing, accounting services, and much more.



User interface - Merchant app

Automation and Efficiency

To remain competitive and sustainable in the rapidly evolving world, automation plays a crucial role in enhancing productivity, efficiency and accuracy. During the year, we have been working with leading technology service providers such as Salesforce to implement cutting edge solutions. To improve efficiency, we are focused on leveraging robotics (RPA) and working with FICO to implement their leading enterprise Business Rule Engine solution to automate credit decisioning.

HR Initiatives

The presence of a dedicated and motivated team is a crucial factor for the long term success of any sustainable financial institution. We are developing a highly empowered and capable team with an entrepreneurial work culture to drive the bank. Over the last few years, we have implemented various industry first HR initiatives which have garnered market recognition like Menstrual leave policy, Sabbatical policy, AU Forever Pass, Leave Bank etc.

➔ For more details, please refer to [Page 62](#)



Physical Expansion

Having geographical diversity and a wide presence are vital factors for a bank to achieve long term success and sustainability. Over the last few years, we have been steadily expanding our footprint across the country and currently operate in 21 states and 3 Union Territories. Our future plans involve further expansion nationwide, with a special focus on garnering liabilities from urban centres and generating assets from rural and semi-urban centres. This strategic approach will contribute to our continued growth and balanced regional coverage.

AU Ivy

With an attempt to redefine the premium banking segment, AU SFB has launched its new super premium banking programme –AU Ivy. AU Ivy is currently offered very selectively by invitation only to crème-de-la-crème ultra-HNI customers. AU ivy programme offers a no-charge promise to the customers on various banking products & services along with some unparalleled privileges beyond banking. The programme is complemented with an exclusive AU Ivy debit card offering, a specially designed metal debit card that is a first on the VISA Infinite platform for the bank.

Sustainability

Sustainability is an inseparable part of our bank's strategy and as an overarching goal, our efforts are circled around building a sustainable future for our planet through responsible business practices. Our initiatives to reduce carbon footprint through optimisation in consumption, carbon emission and proactive

ways to reduce, reuse, recycle waste, are some of the important activities and initiatives that will help us in achieving our goal. During the year, we released our first Sustainability Report and have formed a Sustainability Committee led by industry veteran Ms. Malini Thadani.

Securitisation

The efficient use of capital is a fundamental pillar in a bank's journey towards sustainability. Securitisation serves as an effective tool to churn assets on the portfolio and reach out to an increasing number of borrowers to help them achieve their dreams. During the year, we securitised assets worth approximately ₹5,000 crore, strategically leveraging our capital to its potential. This approach ensures optimal capital utilisation and supports our commitment to sustainable growth.

Bancassurance

Establishing strategic partnerships and ensuring comprehensive product accessibility are crucial for a bank's success. With this objective, we partnered with ICICI Lombard General Insurance and HDFC Life during the year for bancassurance tie-ups to provide our diverse customers access to a range of insurance products.

AU Insights

Ensuring transparency is a crucial aspect of establishing a lasting and sustainable banking institution. With this principle in mind, we have created the AU Insights forum, where the leaders of our Strategic Business Units (SBUs) share their ideas and strategies. The presentations delivered by our nine SBUs are available on the AU

SFB website (aubank.in/investors/au-insights) and provide valuable insights into the unique offerings of each SBU, enabling a deeper comprehension.



Rural Banking

With 65% of the Indian population residing in the rural areas of the country, expanding the outreach beyond the cities is paramount to achieving financial inclusion. The very formation of Small Finance Banks (SFB) was coined to cater to the unserved section of society who otherwise were left at the mercy of moneylenders. With a 31% presence in unbanked rural centres (URC) and ~94% achievement towards lending to the priority sector, we are committed to reversing the scenario and nurturing the development of the hinterlands of India. Additionally, we are working towards growing our engagement with Small and Marginal Farmers (SMF) and as a first step, we have initiated funding to Farmer Producers Organisations (FPOs).

Customer Centricity

The satisfaction and happiness of customers are essential prerequisites for any successful institution. This holds even greater significance for a long-lasting bank, where the trust of our customers is an absolute requirement. Our purpose of



existence is defined by our customers, and we strongly believe in nurturing trustworthy and enduring relationships with them.

We ensure that our customers experience delight through various means. Firstly, we interact with them with the right attitude and extensive knowledge,

Complaint Resolutions

35,322

Customer complaints received

34,316

Customer complaints resolved

97%*

Complaint resolution ratio

* 3% Open complaints under redressal process as on March 31, 2023

ensuring that their needs are met effectively. Our services are executed exceptionally, aiming to exceed their expectations. Moreover, we maintain open lines of communication, actively seeking their honest feedback, which helps us improve and grow.

To foster a deeper connection with our customers, we are committed to enhancing the quality of our workforce, ensuring that we hire the best talent. Additionally, we actively engage with our customers through various programmes and initiatives, enabling their active participation and involvement.

Unsecured Lending

Having a comprehensive range of products is an essential necessity for a bank to thrive in the long term. Keeping this in mind, we have expanded our unsecured lending offering this year – by expanding digital personal loans

proposition and initiating business loans to small merchants basis their transaction data on our bank's QR. We have disbursed ₹800 crore in Personal Loans and ₹200 crore in UPI QR transactions-based lending so far.

RBI Innovation Hub

As part of the PM Street Vendors' AtmaNirbhar Nidhi (PM SVANidhi) scheme, we have partnered with the Reserve Bank Innovation Hub during the year to offer digital loans to women street vendors across India.

Floating to Fixed Rate Loans

To align with the cost of funds which is largely floating in nature, our bank is focussing on building more floating rate assets. The proportion of floating rate loans has increased from 26% in FY 2021-22 to 34% in FY 2022-23.



PM SVANidhi Customer

Financial Performance Highlights

Your Bank displayed a good performance despite a challenging economic environment, and we are proud of the achievements we have recorded over the past year. We successfully executed our strategic priorities, delivered strong financial results, and continued to enhance our customer experience. In FY 2022-23, we:

- Raised growth capital of ₹2,500 crore with a mix of ₹2,000 crore of Tier-I equity capital and ₹500 crore of Tier-II bonds
- Deposits book grew by 32% YoY to ₹69,365 crore along with greater granularity. CASA ratio stood at 38.4% as of March 31, 2023 (vs 37.3% as of March 31, 2022)
- Gross advances increased by 26% to ₹59,158 crore; Securitised book stands at ₹4,914 crore
- Bank delivered profitability growth by 26% YoY at ₹1,428 crore; RoA at 1.8% and RoE at 15.4%
- Asset quality improved with GNPA at 1.66% (vs 1.98% in FY 2021-22); Net NPA at 0.42% (vs 0.50% in FY 2021-22)
- Full-year cost of funds maintained at 5.96% (vs 5.95% in FY 2021-22)
- CD ratio improved to 84% (vs 88% in FY 2021-22)

Profit and Loss Account

Particulars	(₹ crore)	
	FY 2022-23	FY 2021-22
Net Interest Income	4,425	3,234
Other Income	1,034	994
Net Total Income	5,459	4,228
Employee Cost	1,793	1,379
Other Operating Expenses	1,647	1,034
Operating expenditure	3,440	2,413
Operating Profit	2,019	1,815
Net Provisions and Contingencies	155	361
PBT	1,865	1,454
Provision for Tax	437	324
PAT	1,428	1,130

Non-Interest Income

Particulars	(₹ crore)	
	FY 2022-23	FY 2021-22
Loan Assets Processing and Other Fees	637	425
General Banking, Cross-sell and Deposit-related Fees	210	152
PSLC Fees	56	225
Credit Card-related Fees and Charges	112	20
Miscellaneous	64	29
Core Other income	1,079	851
Income from Treasury Operations	(44)	143
Total Other Income	1,034	994

Earnings

Our total income increased by 34% to ₹9,240 crore in FY 2022-23 from ₹6,915 crore in FY 2021-22, driven by 39% growth in interest income and 27% growth in other core

income. Our net interest income increased by 37% to ₹4,425 crore in FY 2022-23, from ₹3,234 crore in FY 2021-22, driven by a healthy gross advances growth of 26% and stable cost of funds.

Operational Expense

Our cost-to-income ratio increased to 63% in FY 2022-23 from 57.1% in FY 2021-22. This was primarily due to investment in



our digital franchise, building digital capabilities for the future (credit card, merchant solutions, video banking), expanding distribution and branch franchise, and investing in brand building. In FY 2022-23, the bank invested ₹506 crore towards these areas.

Profitability

Profit After Tax (PAT) grew by 26% to ₹1,428 crore in FY 2022-23 from ₹1,130 crore in FY 2021-22, driven by consistent growth, stable costs and improving asset quality.

Our Bank delivered an RoA of 1.8% for FY 2022-23, as against 1.9% in the previous year. In terms of RoE, the bank delivered 15.4% for FY 2022-23, as against 16.4% in FY 2021-22. The marginal fall in RoA and RoE is indicative of the shift in the asset mix towards home loans and commercial banking-related assets.

Net Interest Margin

Despite a 250bps increase in the domestic Repo rates, our Net Interest Margin (NIM) for

the FY 2022-23 remained stable at 6.1% (same as FY 2021-22) supported by factors like equity capital raise, just 1 bps increase in full year cost of funds and leveraging securitisation to raise long term funding.

The full-year NIM has been normalised to include impact of off book assets in the Interest earning assets for more accurate representation.

Balance Sheet

Particulars	(₹ crore)	
	FY 2022-23	FY 2021-22
Liabilities		
Capital and Reserves	10,977	7,514
Deposits	69,365	52,585
Borrowings	6,299	5,991
Other Liabilities and Provisions	3,575	2,988
Total liabilities	90,216	69,078
Assets		
Cash and Bank Balances	9,425	5,929
Investments	20,072	15,307
Advances	58,422	46,095
Fixed Assets	740	623
Other Assets	1,557	1,125
Total Assets	90,216	69,078

Deposits

Our deposits base grew by 32% YoY and stood at ₹69,365 crore as on March 31, 2023 with improving granularity. We continue to focus on quality over quantity, and the result is reflected in the contribution of retail deposits (CASA + retail TDs), which increased to 69% of deposits from 67% YoY.

FY 2022-23 was a year of rising interest rates where the Central Bank increased the repo rate by 250 bps. Despite this increase in rates, the full-year cost of funds stood at 5.96% (against 5.95% in FY 2021-22).

Capital Raise and Capital Adequacy

Your Bank raised growth capital of ₹2,500 crore during FY 2022-23, of which Tier-I equity capital is ₹2,000 crore and ₹500 crore was Tier-II bonds. With this capital raise, the total net worth of the Bank stands at ₹10,977 crore as of March 31, 2023.

Our capital adequacy ratio improved to 23.6% as of March 31, 2023 from 21.0% as of March 31, 2022. The Tier-I ratio also improved to 21.8% as of March 31, 2023 from 19.7% as of March 31, 2022.

Liquidity

We prudently managed liquidity. The average LCR in FY 2022-23 was at 127% (vs regulatory requirement of 100%). We also hold additional liquidity, which is invested in highly rated corporate bonds.

Distribution

In FY 2022-23, we expanded distribution and opened 69 new liability branches taking the total branch count to 474, and entered newer states. Our touchpoints increased by 108 during the year to 1,027. Further, we were able to acquire 1.9 lakh+ savings account customers through the video banking channel in the year.

Priority Sector Lending

Informal lending at higher interest rates is still a prevalent practice due to the lack of formal banking services for a significant portion of the population. Financial inclusion has always been the government's priority, therefore, Priority Sector Lending (PSL) is considered the most popular and efficient channel for disseminating formal credit to overlooked sections of society.

PSL includes loans to farmers, agriculture and allied activities, food processing, MSME, housing, social infrastructure, education, and loans to certain weaker sections, with a minimum threshold being mandatory in certain PSL categories. To achieve financial inclusion and ascertain formal credit flow to the bottom of the population pyramid, SFBs have

been entrusted to extend at least 75% of their advances to PSL.

While PSL is a regulatory requirement, your Bank has taken the opportunity to achieve PSL targets and fulfil the credit requirements of the unbanked and underserved with our strong foothold in rural and semi-urban areas, and product offerings that meet the need of the rural population and micro-entrepreneurs.

Our inherent model helps to generate PSL advances. We are delighted to inform you that AU SFB has been able to achieve the regulatory PSL requirements YoY, and in FY 2022-23 too we exceeded the advances target and achieved 94%, against the mandatory requirement of 75%.

Small ticket-size loans in unbanked locations pose an inherent credit risk. With the extensive insight gained from lending to various micro and small businesses over the years, we have been able to create and deliver the right product offerings, while mitigating the risks, and concurrently achieving the PSL target.

AU SFB has also been instrumental in helping micro-entrepreneurs get back on their feet after the pandemic, with seamless and quick delivery of services and products at affordable price points. We continue our endeavour to meet the financial needs of the underserved, cater to their credit requirements, and partner with them in their growth, responsibly and sustainably on our Forever journey.

Total Loans and Advances

(₹ crore)

	FY 2022-23		FY 2021-22	
	Gross Advances	Assigned Loans	Gross Advances	Assigned Loans
Wheels	19,023	3,859	16,438	912
SBL-MSME	18,535	1,040	16,313	274
Home Loan	4,283		2,655	
Commercial Banking	12,759	3	7,986	4
Business Banking	4,969		2,900	
Agri	3,998		2,259	
NBFC	2,551		2,036	
REG	1,240	3	791	4
Credit Card	1,468		409	
Personal Loan	642		331	
Others	2,200		2,293	
SME*	248	11	363	15
Total	59,158	4,914	46,789	1,206

*SME book is in run down

Asset Growth

Gross advances for FY 2022-23 grew 26% YoY to ₹59,158 crore, driven by growth in all key segments. The Net advances for the same period was at ₹58,422 crore. Notably, during

the year, the Bank also securitised ₹4,943 crore of loan portfolio mostly comprising of Wheels and SBL loans. Please note that for the business analysis of each of the SBUs and in the entire MD&A section, for accurate representation purposes, we

shall be using the Loan Portfolio as the loan matrix instead of Gross Advances.

Loan Portfolio = Gross Advances + Assigned/ Securitised loans



Provisioning and Contingency

(₹ crore)

Particulars	FY 2022-23			
	No. of Loans	Loan Amount	Provisions	Coverage
GNPA	45,904	981	695	71%
COVID-related restructuring (Standard)	8,539	700	116	17%
Contingency provisions			90	
Floating provisions			41	
Stressed and contingencies provisions		1,681	942	
Provisions towards Standard Assets			191	
Total Provisions			1,133	
Provisions as a % of gross advances			1.91%	

Particulars	FY 2022-23	FY 2021-22
Gross NPA (₹ crore)	981	924
Gross NPA %	1.66%	1.98%
Net NPA (₹ crore)	245	231
Net NPA %	0.42%	0.50%

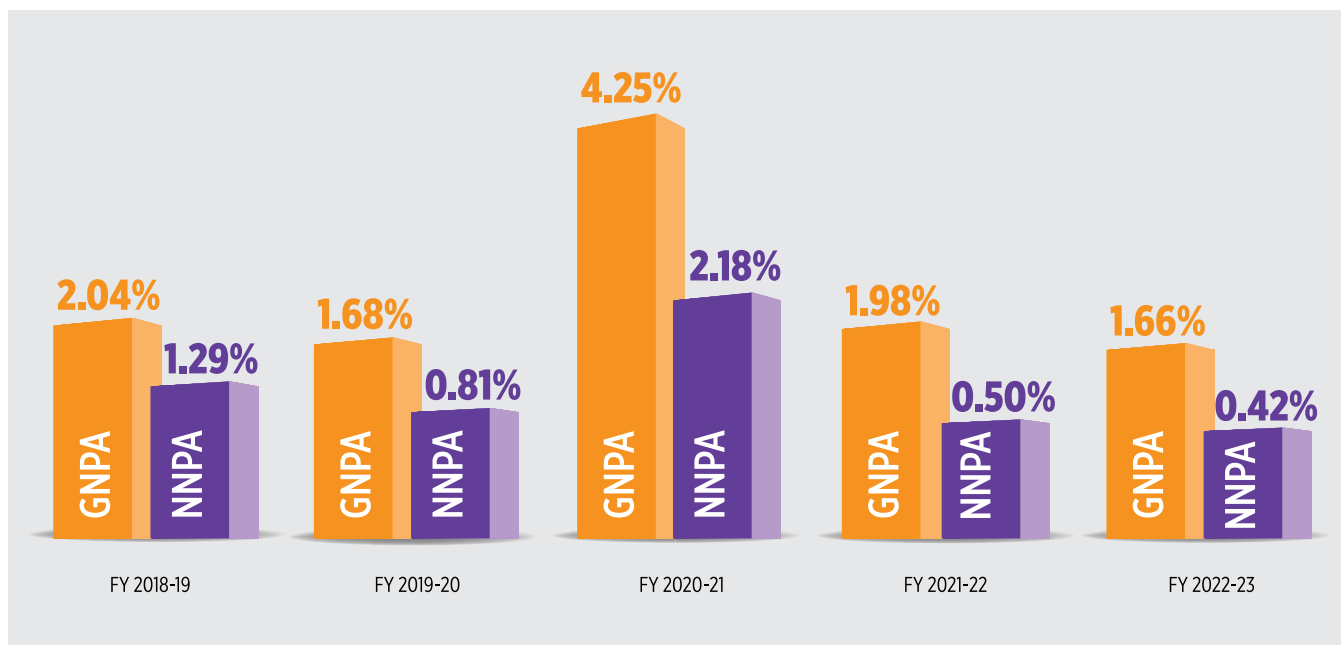
Asset Quality Performance

Gross NPA and Net NPA stood at 1.66% and 0.42%, respectively, as of March 31, 2023 as compared to 1.98% and 0.50%, as of March 31, 2022. The continued improvement in asset quality is mainly driven by an increased proportion of home loan and

commercial banking assets; and the secured and small-ticket nature of our asset book.

In FY 2021-22, AU SFB moved to a more conservative provisioning policy. Provision Coverage Ratio (PCR) stood at 75% (78% incl. technical w/off) as on March 31, 2023, as compared to 75% (77% incl. technical w/

off) as on March 31, 2022. Besides provision on standard assets, we were carrying 17% provisioning against restructured loans, an additional ₹90 crore of contingency provisions and ₹41 crore of floating provisions. Total provisions, including standard assets as % of gross advances, stood at 1.91% as of March 31, 2023.



Business Performance and Highlights

Strategic Business Units (SBUs)

1 Branch Banking

In our journey of building your Bank, it was clear to us early on that we needed to invest in establishing our retail liabilities franchise as it would give us a long-term sticky customer base to whom we can offer our complete suite of banking products and build sustainable long-term relationships. Towards this, we reorganised our liabilities business into Branch Banking, Cooperative Banks and FIG, Government Business and Wholesale Liabilities Segments.

Branch Banking has focused on building the GIST (Granular, Individual and Small Business, Transacting) customer base to raise low-cost, stable, retail deposits. Since March 2020, our total deposit book has grown 2.7x, to reach ₹69,365 crore as of March 2023.

We continue to focus on building a base of GIST customers, which furthers our objective of building a predictable, scalable, sustainable, and replicable Branch Banking franchise.

The GIST framework is powered by onboarding high-quality retail customers from Urban Markets, and by following the AATD (Acquire, Activate, Transact and Deepen) framework. We deepen our engagement with them by bringing them the optimal mix of a comprehensive bouquet of products and solutions, and prompt personalised and high-quality customer service backed



Bank branch - Jagatpura, Jaipur



by top-notch digital solutions. Our AU0101 app, credit cards, asset businesses (auto loans, housing loans, business banking, etc.), investment and insurance services, trade, and foreign exchange

offerings, help us fulfil the needs of customers across Savings, Payments, Loans, Insurance, Investments and bring the entire bank to the customer.

Deposits (₹ in crore)

March 18	7,923	7,923	41	17	
March 20	12,989	13,175	26,164	44	14
March 22	34,757	17,828	52,585	67	37
March 23	47,968	21,397	69,365	69	38
			Total Deposits	CASA+ Retail TD%	CASA%

● Branch Banking
● NBFC, FIG, Wholesales, Govt., Co-operative Bank, Video Banking

Distribution

In the urban markets in the country, top 136 centres have 65% of the total deposits in the country. With our urban market branches thriving in the existing and new geographies of UP, South and East India, we now have a pan-India presence across all the key states (21) and UTs (3) of the country.

We have a segmental approach for Current Account, Non-Resident, Government Business, TASC and Enterprise Salary segments. This strategy has helped us build a sizeable portfolio of customers in these segments. In FY 2021-22, we added a dedicated Ivy RM Channel (Key Account Manager, now renamed Ivy Relationship Manager) with specialised bankers to cater



to HNI customers. The CA, NR, TASC, ES and Ivy channels now contribute ₹7,000+ crore to the overall liabilities business. We continue to build these channels to broadbase our liabilities further.

Channel Performance

Channel	FY 2022-23 Book (in crore)	FY 2021-22 Book (in crore)	Growth
NR Book	2,227	991	2.2x
TASC Book	2,921	2,665	10%
KAM Book	1,855	1,300	1.4x
Enterprise Salary (salary credit)	166	105	1.6x

Payment Channels

We are emerging as an important throughway in the financial network of the country with 23.7 lakh+ savings accounts, 5 lakh+ Credit Cards, 10 lakh+ QR codes and 48 thousand+ FASTags. The network effects are strengthening our presence with customers known and unknown in a subtle way. Every transaction that passes through our network only embeds us into the financial network of the country deeper.

Focus on Small Businesses

With the increasing formalisation and digitisation, many small businesses are getting into mainstream banking. With our expertise in small business credit, best-in-class products (Royale Business, Platinum Business) and our capability to provide tailor-made solutions, we are emerging as the natural choice for small businesses. To cater to their varied needs, we offer a wide range of products, including credit offerings (SBL and Business Banking), transaction banking services (CMS, QR and UPI, API-based transactions) and complete family banking solutions (Royale and Platinum programme with wealth and insurance offerings).

This year, several new initiatives were rolled out to further strengthen our offerings for small businesses. We launched a completely digital current account journey, which is DIY enabled, as well as our QR-based lending product, DL OD. With the impending operationalisation of our trade offering through the AD-1 License and the launch of our merchant app, we are positioned as a one-stop-shop for all the banking needs—business or personal—of small merchants.

We are pleased to report that our efforts to be a complete banking partner for small businesses are bearing fruit, as 37% of our small business customers also have a deposit relationship with us.

Positioned to be Future Ready

We will continue to acquire low-cost GIST customers and focus on building a granular CA book. Hassle-free banking continues to be our cardinal principle, and we are introducing a single dial-in contact number for our customers to engage with us for all banking solutions. We leverage data analytics to gain valuable insights that help us make informed decisions in retail asset-led liability acquisition.

In our endeavour to meet Generational Banking needs, we have started positioning ourselves as the Bank of Choice for our customers. We aim to achieve this by providing exceptional personalised customer services, offering need-based products, customised solutions, making banking easy, providing value-added services that go beyond traditional banking such as financial/investment planning, and fostering a culture of innovation.

2 Wheels

Overview

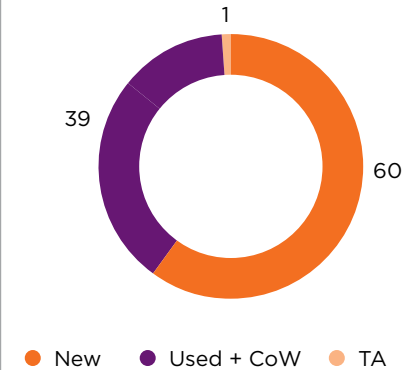
Vehicle loan, with a vintage of 28 years, has been an important pillar among assets and is the most seasoned book in our portfolio. Vehicle loans have witnessed various cycles of highs and lows in the automobile sector, but with our deep expertise and experience, our vehicle loan portfolio has grown steadily and forms 36% of our total loan portfolio, as of the end of FY 2022-23.

We extend credit for a wide range of product offerings, and it is extended to customers looking to buy anything from 2-wheeler to 22-wheelers for personal or commercial usage. We offer loans

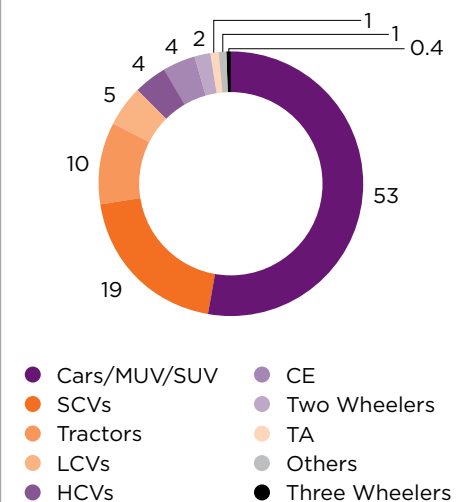
for new and pre-owned vehicles across several categories including Cars, Multi-Utility Vehicles (MUVs), Sports Utility Vehicles (SUVs), Light Commercial Vehicles (LCVs), Medium and Heavy Commercial Vehicles (MHCVs), Construction Equipment (CE), tractors, 2- and 3-wheelers.

In the commercial space, we serve First Time Buyers (FTBs), First-Time Users (FTUs), Small Road Transport Operators (SRTOs) and captive users. In the personal segment, we serve Salaried, Self-Employed Professionals (SEP), Self Employed Non-professionals (SENP), agri and dairy farmers, etc. The average loan tenure is of ~3.5 years in our book and is also secured through the hypothecation of the vehicle.

Segment-wise Portfolio Split (%)



Vehicle Type-wise Portfolio Split (%)



Branding at used car dealer premises





Performance Review

₹22,882 Cr

Loan portfolio

2.2%

GNPA

FY 2022-23 Highlights

During the year, we took several initiatives on the product side that helped us stay ahead of the curve:

- Maintained a multi-product strategy to cater to varied customer segments as well as maintaining asset quality
- Used vehicles remained our key focus area with a large opportunity base and increase in formalisation of the used market in the last few years
- Customer-friendly business practices were adopted such as Digital Welcome Video and Letter, and continuous efforts were made towards grievance resolution
- Established a dedicated CV team focusing on market opportunity and aiding to yield requirement
- Gained operating rhythm in new geographies
- EV push: Employee-friendly financing policy launched

Wheels SBU draws inspiration from the strong India story. With the country's aim to double its auto industry size to ₹15 lakh crore by the end of 2024, vehicle finance is expected to reap benefits. With vehicle penetration still on the lower side, demand is expected to remain robust in the upcoming year. The Wheels SBU is aligned and aptly positioned to leverage these benefits.

3 Secured Business Loans

Overview

Secured Business Loan (SBL) is a flagship product within the retail assets segment. Our loans primarily serve MSMEs with a few years of track record in such businesses, generating cash flows at high frequency, with limited formal documentation (such as grocery/kirana stores, dairy/cattle rearing and hotel/restaurants). We are focused on the financing of consumer-driven unserved and underserved MSME businesses. We understand our customers' business and their future requirements, their existing and projected cash flow, and on-ground feedback to arrive at the loan amount that can be

offered to them. Such loans are backed-up by business cash flows, and are for working capital and business expansion. Further, as these loans are secured in nature, we take physical collateral as a deterrent to loan, which also helps in steady behaviour of repayment along with cash flows.

Our funding is to different businesses and different participants in the supply chain which further helps in creating employment opportunities.

Along with the unserved and underserved segments of the economy, we also serve to the formal segment, that have more

structured businesses. Our target customer base includes traders, wholesalers, distributors, retailers, manufacturers and self-employed professionals, and these loans are meant to meet their needs for expansion, working capital and purchase of equipment. The average loan tenure is 8-10 years.

There is a huge addressable credit gap in the MSME sector and a majority of the demand is from MSMEs located in rural and semi-urban geographies. As per a report by UK Sinha Committee constituted by RBI in June 2019, the MSME credit gap is estimated to be around ₹20-25 trillion.



SBL customer premises

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

Out of the total 6.3 crore MSMEs, 74% are based in 10 States and AU SFB has good penetration in four of these States, namely Rajasthan, Madhya Pradesh, Maharashtra, and Gujarat. Moreover, we are present in 9 States and 1 Union territory with a network of 440+ branches.

Source: MSME Annual Report 2022-23

With rising numbers of MSMEs and rapid formalisation in the sector, the size of the pie will keep expanding. AU SFB has been serving these segments for the last 28 years, and SBL has been in this business for 13+ years and has built a sustainable business model to serve the majority of customers in rural and semi-urban areas. We are well-poised to move deeper in our existing markets and to venture into new geographies.

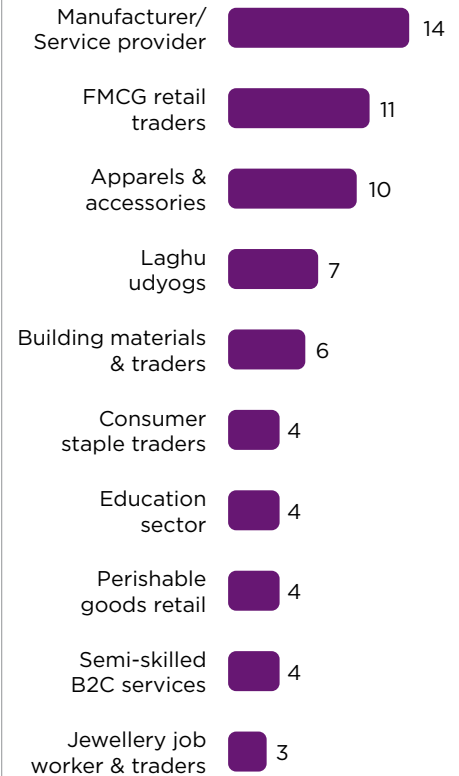
After the disruption caused by the pandemic, FY 2022-23 turned out to be a good year for the economy. A majority of the MSME businesses recovered from the havoc, with some of them being in recovery phase.

During the year, RBI hiked the repo rates multiple times to contain the rising inflation. This took some toll on the overall credit demand in the economy as lenders increased the rate of interest on all forms of loans.

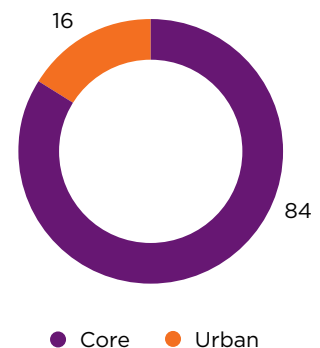
However, overall credit offtake in FY 2022-23 remained strong compared to the last couple of years. The service sector registered a remarkable comeback after the long hiatus caused by the pandemic. The hospitality industry, in particular, showed the best resurgence in recent times as there was a huge demand for hotels, resorts, restaurants, etc. throughout the year. Credit enquiries from schools and coaching centres also made a strong comeback during the year. Essential goods businesses had already reverted to normal and have performed well throughout the year.

Our Customer Profiles and Distribution

Top 10 Customer Profiles (%)



Core*-Urban Mix (%)



*Core means Rural & Semi-Urban geographies



Strategy	Strategy in Action
1 Focus on core market	• 84% customer base in rural and semi-urban geographies
2 Focus on low-ticket size	• 83% of loan accounts are in ticket sizes upto ₹15 lakh • Average ticket of the portfolio is ₹10.3 lakh
3 Focus on self-occupied collateral	• Around 85% of the portfolio has been backed with self-occupied properties.
4 Introducing banking to the masses	• 71% of the customers are new to AU SFB • 21% of the customers are New-to-Credit
5 Assessment of income	• Majority of our funding is based on the business model & cash flows of client

Performance Review

₹19,575 Cr

Loan portfolio

2.5%

GNPA

FY 2022-23 Highlights

- As one of the strongest pillars of AU SFB, the SBL business is one of our key focus areas. Despite the challenging macro environment during the year, SBL business registered an 18% growth.
- Demand for loans has been quite strong of late, despite the headwinds caused by repo rate hikes and the challenging global environment. We see a strong demand for credit in coming quarters, and being a tech-led bank, we intend to explore all the channels within the bank including digital channels. The focus continues to be on customer experience and value proposition.
- Our strong asset quality gives us the confidence to venture into unexplored territories and serve an increasing number of underserved and unserved MSME businesses. The upcoming year seems to be promising, from deepening our reach in existing geographies and venturing into new locations.

4 Housing

Overview

India's housing market has recovered from a prolonged slowdown between 2013-2020, with housing sales picking up momentum since the pandemic. Based on various market estimates, India's home loan market is poised to double by FY 2027-28, with 15-16% CAGR from the current ₹26 trillion, which is around 29.9% of overall retail credit on the back of secular trends around improving affordability, rising urbanisation and penetration beyond Tier-I locations. India's urban mortgage penetration (~0.14 home loans per household) remains significantly low. While demand continues to remain high, affordability and the pace of urbanisation are key factors that drive housing purchase decisions. The government's impetus (under the broad umbrella of 'Housing for All') has also been a key catalyst. The government has been trying to create a favourable ecosystem for homebuyers by rolling out measures such as the allocation to the Pradhan Mantri Awaas Yojana (PMAY) in the Union Budget was enhanced by 66% to over ₹79,000 crore in FY 2023-24, from ₹48,000 crore in FY 2022-23.

We provide a comprehensive range of home loan products to meet every home buyer's needs (self-construction, purchase of flat/house, extension/renovation, and takeover/top-up), with a focus on the affordable housing segment. We offer loans from ₹2 lakh to ₹500 lakh for a maximum 30-year tenure for salaried customers, and 20 years for self-employed customers. With an average ticket size of ₹10.2 lakh, we are focused on catering to Tier-2,



Tier-3, and Tier-4 cities, where we target salaried as well as business-class customers. Our tailor-made product suite, doorstep services, acceptability of a wider range of properties and income profiles, minimal documentation, in-depth knowledge of target segments and wider geographical presence, bank platform and an approach to educate and serve the needs of the customers are our key differentiators.

Armed with well-trained relationship officers who empower the customers to select the right loan mix, growing alternate channels, extensive branch network and ground presence, we are well-placed to scale up the business exponentially. Currently, we operate at 240+ locations in

eight states: Rajasthan, Madhya Pradesh, Maharashtra, Gujarat, Delhi, Chhattisgarh, Punjab, and Haryana. We aim to expand our product offering to all AU SFB's 1,000+ bank locations in the years to come.

₹4,283 Cr

Loan portfolio

0.3%

GNPA



FY 2022-23 Highlights

- Despite the 250 bps repo hike in the last financial year and discontinuation of PMAY (U) subsidy to EWS and LIG segments, we were still able to scale up our home loan business with 61% growth in FY 2022-23 over FY 2021-22
- We have funded over 26,000 homes till date and approx 11,000 of these homes in FY 22-23 helping the customer get their dream home
- Adoption and implementation of strategic steps in the dynamic market environment by using our expertise in urban and core markets, our right product mix, and our commitment to serving the unserved have led us to acquire a good set of customers and a quality portfolio
- We are committed to building a mass-market Forever Bank that focuses on building long-term sustainable relationships with its valuable customers. AU SFB's linchpin strategy has been about penetrating rural/semi-urban areas, and we have around 58% loan count in these areas, with 41% funding going to salaried individuals and 59% to self-employed
- We have consistently invested in nurturing talent and developing leaders and that has helped us build a quality book. The product structure around housing finance is well-equipped to cater for all kinds of housing needs. With that, we are focusing to build digital adoption i.e., E-KYC, E-loan agreements, etc. for onboarding home loan customers
- The housing market is set to chart a new chapter of growth, fueled by affordability, a reinforced desire to own a house, and renewed interest from all buyer categories and we expect FY 2023-24 to be another year of credit growth for financial institutions

5 Commercial Banking

Our commercial banking business caters to various segments of small and medium-sized businesses, including MSMEs, asset finance companies, housing finance companies, MFIs and real estate developers. We categorise our commercial banking business into:

Commercial Banking Categories

a Business banking loans	b Agri banking loans	c Real Estate Group (REG)	d NBFC lending
-------------------------------------------	---------------------------------------	--------------------------------------------	---------------------------------

Category-wise Assets

Loan Portfolio	FY 2022-23	FY 2021-22	FY 2020-21
Business Banking	4,969	2,900	1,824
Agri Banking	3,998	2,259	1,127
NBFC Lending	2,551	2,036	1,426
Real Estate Group (REG)	1,243	795	626

(₹ crore)

FROM DREAM, INNOVATION, TO EXPANSION. we are here for you!



a Business Banking

Business Banking provides working capital facilities (overdraft, cash credit, letter of guarantee, bank guarantee) and long-term facilities (term loans) to wholesalers, retailers, traders, manufacturers, service providers, contractors, distributors, educational institutes, and healthcare enterprises in the market.

The Bank's focus in this segment is on programme-based lending, which is granular and well-collateralised. Our focus on 360° customer-centricity and internal collaboration enabled us to deliver a wide spectrum of solutions addressing their evolving business needs such as customised offerings, faster turnaround time and transaction convenience.

During the fiscal, we witnessed strong growth in deposits and advances led by our focus on

building granularity across businesses. Our portfolio registered a healthy YoY growth of 71% in FY 2022-23.

Our disbursements across the product segments continued to improve sequentially and touched new highs during the year led by improved rigour, rhythm and operational efficiencies resulting in total number of customers crossing 5,400 during the year.

Our continuous monitoring of exposure, usage of various EWS to take corrective action wherever necessary and proactive analysis and detection of stressed cases have led us in maintaining a healthy portfolio with 0.18 % NPA in the FY 2022-23.

A key differentiator for Business Banking is our self sustainability, i.e., the book is largely funded through own liabilities. We have been successful in growing liability

relationship with our customers and aim to deepen the relationship further by offering a wide range of CMS solutions and enhancing our customer's banking experience.

Our strong performance in FY 2022-23, gives us confidence that we are on track to achieve our strategic objectives. With constant awareness of the changing macro-economic variables along with adherence to the regulatory compliances, we are optimistic that our strategy to diversify and build granularity will help us deliver sustainable growth.

₹4,969 Cr

Loan portfolio

0.2%

GNPA



Making of gulkand at an Agro unit

b Agri Banking

Bank continues to focus on funding to various Agri Value chain actors/ anchors like flour/dal/oil/rice mills, Agri & food processors, dairy units, warehouses/cold storages, animal feed manufacturer, seed multipliers, poultry farms, nursery, Cotton ginning, Financing to Farmer Producer Organisation (FPO)/ Farmer Producer Company (FPC), Hi-tech Agriculture activities, green financing like solar projects. Bank is totally committed to furthering the Government's agenda by supporting its various schemes be it FPO/ Agri infra (AIF) /Prime Minister formalisation of micro food processing enterprises (PMFME)/ PM Kusum (Pradhan Mantri Kisan Urja Suraksha Evam Utthan Mahabhiyan Scheme for farmers). Agri Banking business has crossed gross portfolio of ₹3,900 crore with stable and granular asset quality. During entire year incremental disbursement of -₹2,500 crore is made due to conducive environment and by

growing our footprints into newer geographies like Uttar Pradesh, Andhra Pradesh/Telangana and West Bengal.

Farmer Producer Organisations (FPOs):

Leveraging the Government scheme for formation and promotion of 10k new FPOs (Credit guarantee is available from CGTMSE/NABARD), Bank has aligned its business goal with national priority, and is funding eligible FPOs for working capital and term loan requirements. Scale up of business was done through support from ITC Agri business division by funding FPOs promoted/nurtured by them. As on March 31, 2023, we funded 102 FPOs in three states viz. Rajasthan, Madhya Pradesh and Maharashtra. We have touched more than 35,500 farmers' lives through our FPO initiative. Going forward, we wish to expand to other states like Gujarat and Uttar Pradesh as well to augment business. Through this initiative, Bank will be able to reach a larger number of small and marginal farmers.

PM Kusum: The governments, both at the Central and State levels, have been providing strong fillip for harnessing renewable energy potential. Solar Energy occupies a critical place in India's power strategy due to its scalability, easy deployability and availability of abundant sunshine. In line with government objective and mission, bank has disbursed 9 renewable energy projects in FY 2022-23 which facilitated in mitigating carbon emissions and also improving economic well-being, and hence promoting 'green banking'.

₹3,998 Cr

Loan portfolio

0.4%

GNPA

c Real Estate Group

Real Estate group caters to the credit needs of the developers, who specifically operate in either small scale projects (up to two tower projects) or affordable and mid housing segments.

Basis the understanding so developed over the years, the business model is designed to fund for the completion of the project and avoid funding of growth capital for the developers.

Certain specific parameters, like financial closure and avoiding over- or under-funding are key to our assessment. The disbursement pattern is designed as Activity-

Based Disbursement rather based on percentage completion method.

The selection of the customer is based on the logic of the relationship being of high importance to both the developer and Bank. In other words, we would prefer not to be a non-significant lender to a borrower. Moreover, the developers focusing on developing limited number of projects in a specific concentrated sub micro-market are preferred over large and over leveraged customers.

Along with important policy initiatives of Government such as 'Housing for All' and the PMAY, the government has been developing

infrastructure mega-projects like highways, new airports, metros, etc. These factors will stimulate both the quantitative and qualitative growth of real estate portfolio.

₹1,243 Cr

Loan portfolio

0.3%

GNPA



d NBFC Lending

Our loan portfolio has over 150 Non-Banking Financial Companies (NBFCs) with presence in over 15 states/UTs in the country. Our book has shown resilient performance despite macro headwinds like Demonetisation,

NBFC crisis and the COVID-19 pandemic and our key advantage is our 'ears-to-the ground' approach, and having retail infrastructure in areas where these NBFCs are active.

Our NBFC customer profile is predominantly secured, with approximately 65% of funds being allocated to asset financing customers who provide loan against collaterals such as CV, 2WLs, MSME, HFC, and gold, among other assets.

Our client selection looks at demonstrated track record of raising timely debt and equity while maintaining low leverage. The median leverage of portfolio companies is approximately 2.2X. The portfolio in the 'A and above' category has been 62% as of March 31, 2023.

We have also been successful in growing liability relationship by extending multiple banking products like transaction banking, CMS, CA/SA, and ACH/NACHs, including e-NACHs, corporate credit card, and corporate salary accounts, among others.

₹2,551 Cr

Loan portfolio

0.1%

GNPA



6 Digital Banking

Our digital proposition has accelerated customer acquisitions and increased engagement. 43% of our customers acquired in FY 2022-2023 were through digital products and at a much lower cost compared to physical acquisitions. We won high ratings and accolades and were awarded 'Best Technology Bank' and 'Best Digital Engagement' by the Indian Banks Association (IBA), and our Digital Savings Account was rated the 'Best in Industry' by Forbes Advisors.

AU0101 update

Since the launch of AU0101-our digital bank in June 2021, it has grown nearly four-fold with 19 lakh digital customers and 11 lakh monthly active users. Our digital

bank offers a range of services including deposits, payments, credit cards, loans, investments, insurance, recharge, and gift cards. AU0101 differentiates itself from its peers with seamless onboarding and an intuitive interface. We are also integrating our digital bank with the country's public digital infrastructure and are among the first banks to go live on the Account Aggregator framework. In addition to the AU0101 app and Net Banking, we made further progress on our other channels of digital banking. Our chatbot 'auro', and WhatsApp Banking are now more powerful than ever and more than 38 account and card-related services are being fulfilled on these channels. Moreover, we are also working on several initiatives to offer a powerful digital banking proposition for small merchants.

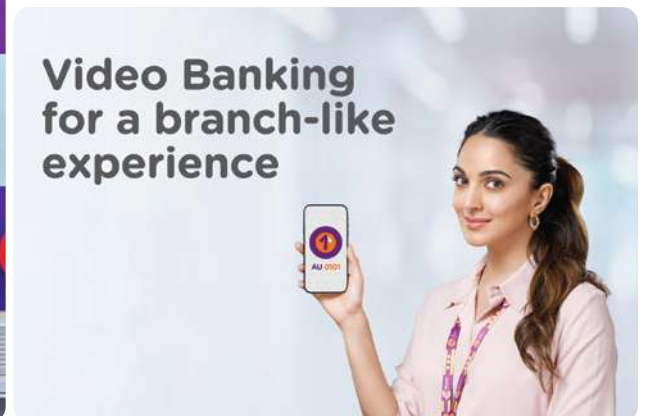
Through AU0101, we have also continued to scale up our digital distribution.

Our video banking function has also grown significantly as we deliver personalised, secure services through video calls. We opened 2.9 lakh full KYC accounts and raised over ₹1,150 crore in deposits. Video banking services are now also available for bank's NRI customers, with 400+ account related services available over a video call. We recently added digital current account opening through video KYC, aiming to expand our suite of digital video banking services.

➔ Read more [Page 58](#)



Video Banking set up at Mumbai





Business card launch event

7 Credit Cards

India has always been severely underpenetrated when it comes to credit cards. With only ~7 crore cards issued to date, we see a huge potential for growing market demand for credit cards. Sustained growth of this market is also imperative as credit cards are integral to retail digital payments that have seen strong adoption and impressive growth. With the launch of our own Credit cards in 2021, we have positioned ourselves strongly to tap this opportunity.

Our credit card proposition continues to achieve scale with strong performance across key metrics. We have issued more than 5 lakh cards with a monthly issuance run rate reaching 50,000+ cards in March 2023. Just within two years of launch, we are among the top 10 issuers in the country in terms of incremental monthly issuance.

We launched LiT, India's first customisable credit card proposition, and SwipeUp, a programme that allows cardholders from any issuer to upgrade their card in a simple,

3-step digital way. With such offerings, our credit card proposition is at the forefront of innovation and customer-centricity in the industry.

We have built strategic partnership with NPCI and are leveraging the extensive reach and secure infrastructure provided by NPCI. This partnership aims to deliver specialised credit card products and services that empower small businesses and self-employed professionals to thrive in today's dynamic market. We have launched Business cash back credit card with Rupay in April 2023 in presence of our MD Mr. Sanjay Agarwal and NPCI's MD and CEO Mr. Dilip Asbe.

From onboarding to services, AU0101 app offers a full suite of card management features, and we are fulfilling 14 card-related services over WhatsApp and Chatbot banking as well. To leverage our customers' presence on other platforms in the digital ecosystem for better engagement on our cards, we have enabled the Tap and Pay feature on India's leading payment apps. LiT card, where

customers can digitally choose features as per their requirement and pay per feature, further shows our intent to increase digital engagement with customers.

Delivering a digital native experience has resulted in encouraging response with over 90% of our cards being activated within one month of issuance and a high proportion of those being actively used for transactions every month. At ₹20,500 spends per card per month, the average spend on our cards also stood better than the industry average in March 2023.

To execute the credit cards opportunity, we have built multi-channel distribution targeting specific segments. Against 2,900 locations from where we were sourcing cards till FY 2021-22, we are now sourcing from 4,300+ locations in the country. While our well-established digital channels and strong digital partnerships are enabling us to scale in urban markets, our traditional strength in semi-urban and rural markets through physical distribution touchpoints is poised to enable our expansion in those markets as well. To further augment our distribution capabilities and target specific customer segments, we are also launching co-branded credit cards with top players in certain segments. We have also recalibrated our credit decision rule engines to source cards across customer profiles including self-employed, NTC (New to credit) and others, and manage credit risk.

We will continue to innovate and scale our credit card proposition to unlock limitless possibilities for our consumers.

8 Merchant Solutions Group

Merchants have been the core of our business. They constitute a majority of our customer base and we have been traditionally serving this segment with innovative solutions around business loans.

With the increasing formalisation of businesses through government initiatives such as Udyam registrations, NIC codes, GST, and the digitalisation of commerce, we believe this segment is poised to experience sustained growth.

Our proposition for small merchants has also scaled up to newer heights this year and AU UPI QR continues to play a key role as a low-cost acquisition tool. We have installed over 10 lakh QRs to date and 68% of these are activated. Along with UPI-QR, our POS business has also been steadily increasing. We have installed 20,000+ devices to date, processing transactions of ₹ 2,000 crore+.



Prioritising customer engagement has led us to record higher transactions, clocking 170% YoY growth in the number of transactions, and 171% YoY growth in the value of transactions –both remaining higher than the growth of the number of QRs installed.

We have also scaled up our unsecured business lending basis transactions on our QRs. We have disbursed ₹200 crore of such loans with an average ticket size of ₹1.8 lakh. We have started lending to existing customers beyond the pre-approved base and to 'New to Bank' customers as well. With higher transactions rendering us richer data, we would further expand this programme, albeit cautiously.

While we have a very strong presence in this segment through our existing physical channels, we have built digital channels to augment our distribution. We have recently launched a digital current account opening journey with integrated video KYC. We have also launched an upgraded digital journey for unsecured business loans.

We are also building our capabilities to tap the opportunities available through

ecosystem developments around public digital infrastructure. We have started lending through OCEN network on GEM sahay portal and we are working to integrate the Account Aggregator framework in our digital unsecured lending journey for no pre-approved existing customers and New-to-Bank merchant customers. As these ecosystems evolve further with the implementation of ONDC and the extension of DigiLocker to entities, we are in a position to capitalise on the developments.

To offer one-stop digital banking solutions to cater to the segments' requirements, similar to what we offer for our retail customers in the form of AU0101, we are working to build an integrated merchant banking application. Recently launched digital journeys for Current Account onboarding, unsecured business loans and lending through OCEN on GeM Sahay would be integrated into this application. Along with these, solutions around payments (UPI QR), segment-focused credit cards and integration with all the ecosystem platforms/networks would be key differentiators of your Bank's proposition to this segment.

9 Treasury and Debt Capital Market

The treasury function at AU SFB is primarily responsible for our Asset Liability Management (ALM), which includes effective fund planning and positioning, day-to-day liquidity and fund management, managing statutory reserves in adherence to the statutory guidelines and judiciously managing investments and trading portfolio, according to regulatory and internal policy frameworks. In addition, risk management is a key focus for us, whereby market risks, ALM risks, interest rate risks, and liquidity-related risks are effectively monitored and managed. The treasury facilitates mobilisation (CASA, retail deposit and bulk deposit) and rupee borrowing in the form of CDs, term money, securitisation of portfolio, subordinated debt and re-finance from various domestic financial institutions (NABARD, SIDBI, MUDRA, NHB and others), with focus on cost optimisation and ALM management. The treasury closely works with the internal teams and monitors deposit mobilisation, besides regularly analysing the competitive landscape of interest rates to benchmark our deposit



rates. It also regularly monitors the portfolio, the incremental cost of funds and the CD ratio. It undertakes the implementation of suitable measures to optimise the cost of funds by facilitating branches to garner granular retail deposits through competitive rates of interest considering the prevailing interest rate scenario, and competition in the market, among other factors.

During FY 2022-23, major central banks, including RBI, shifted their policy stance from supporting growth to managing inflation due to geopolitical conflicts that led to synchronised hikes in policy rates and tighter liquidity conditions to rein in inflation. While RBI raised policy rates by 250 bps, major advanced economies saw sharper hikes. This resulted in a steep rise in the shorter end of the yield curve and 1 year T-bill rising 270 basis points, and 5-10 years moving up by 100 basis points. The treasury, therefore, avoided taking any MTM risk in the AFS portfolio and showed caution when investing in non-MTM instruments like T Bills and High-Quality non-SLR instruments, viz. CP CDs and NCDs, to optimise returns on liquidity. The treasury, however, continued to gradually build its HTM portfolio within the regulatory permissible limit of 23%, at attractive levels.

However, despite the challenging interest rate environment, we could maintain our CASA ratio and Cost of Funds (CoF) corresponding to the previous year.

As a part of the overall strategy, the treasury regularly ensured the maintenance of sufficient liquidity buffers in the form of excess SLR and high-quality non-SLR instruments to generate liquidity

in case of requirement. Further, your Bank continues to have alternate channels of fundraising.

In April 2023, your Bank received the Authorised Dealer Category-I (AD Cat-I) license from Reserve Bank of India (RBI). This license will allow your Bank to undertake various foreign currency (FCY) transactions and operate in the foreign exchange market. It will also allow us to onboard a new category of customers and service our existing customer base with a full range of foreign exchange services on the trade and remittance side. The services include issuing forex cards, and import and export credit solutions, making your Bank complete in terms of our offerings to customers.

In FY 2022-23

₹151%

LCR

₹660 Cr

CD Issued

₹4,943 Cr

Portfolio securitised

₹500 Cr

Tier-II capital raised via 10-year bonds

₹5,069 Cr

Refinance book



10 Financial and Digital Inclusion

The vision of our financial and digital inclusion SBU is to build a society in which every individual is financially included in a way that enhances their livelihoods and drives sustainable development. The process of ensuring access to and usage of quality financial services at an affordable cost in a transparent manner is called financial inclusion.

In terms of ensuring access, around 30% of our total touch points/branches are in unbanked rural centres (Tier-VI towns with a population less than 5,000, and Tier-V towns with a population less than 10,000). We are also present in 52 special focus districts with 92 touchpoints.

Our PM Jan Dhan Yojana Initiatives

Particulars	BSBDA	MUDRA	PMJJBY	PMSBY	APY
Count as of March 31, 2023	3,26,800+	2,75,700+	57,300+	83,900+	66,600+

As part of our financial and digital literacy initiatives, in FY 2022-23, we organised 1,700+ financial and digital literacy camps at our rural branches. We also conducted a capacity-building programme for these branches in collaboration with National Centre for Financial Education (NCFE).

As part of the PM SVANidhi initiative, we supported 800+ street vendors, and under the IGUCY initiative, we supported 580+ micro-entrepreneurs.

➤ Read more about our sustainability efforts in our Sustainability Report [here](#)



Empowering customer digitally

Risk Management

Over quite some time, the finance industry witnessed significant transformations due to advancements in technologies, business model transformations, changing regulatory standards, and many other external and internal factors. Risk is the most critical element for banks, and in the banking industry, this element is paramount, considering banks are custodians of public deposits. The nature of risk in the industry is wide and it includes Credit Risk, Market and Liquidity Risk, Operational Risk, IT and Cyber Security Risk, Compliance Risk and others. Your Bank has adopted a multi-layered risk management process to identify, assess, monitor, and manage risks through the effective use of processes, information, and technology.

The good risk management practices of your Bank helped in navigating the tough years of the pandemic, and our Enterprise Risk Management (ERM) framework helps us strategically benchmark the practices across different business lines to best-in-class levels.

Your Bank has an integrated risk management function that sits independent of business functions and is entrusted with the responsibility of managing risks prudently. The risk management philosophy and approach are designed to protect depositors, customers' and shareholders' interests.

The risk management function considers risk as an integral part of growth and accordingly integrates its scope in sync with the growth of your Bank. The risk function

understands that growth comes with inherent risk and it is to be addressed through adequate controls and measures.

For effective risk management across your Bank, it is ensured that all officials at the leadership level are suitably qualified and experienced as per industry standards, with the necessary skill sets, and should be updated as an ongoing process. We also arrange trainings for the officials to enhance their competencies. This helps us effectively ensure Risk Mitigation and Management.

Your Bank had developed an enterprise risk assessment model that is designed to strengthen our ability to identify, measure, monitor and mitigate and report all risks in a timely and comprehensive manner.

The Risk Management Process is monitored by risk management policies and the delegation matrix approved by the Board of Directors. The Board is supported by an experienced executive management team, Board Committees and Board Delegated Committees as part of the Risk Governance Framework. The Board

has oversight of the management's efforts to balance growth and prudent risk management while creating value for stakeholders.

Pursuant to Regulation 21 of the SEBI Listing Regulations, the Bank has constituted a Risk Management Committee which oversees the implementation of the risk governance framework in line with the guiding principles and as mandated by the regulatory provisions. The Bank's Chief Risk Officer (CRO) administers the risk associated key verticals i.e. Credit Risk, Market and Liquidity Risk, Operational Risk, Fraud Risk, Information Security Risk, Compliance Risk and other risks under the Board-approved risk management policies and by the approval and responsibility delegation matrix. The CRO has unhindered access to the Risk Management Committee of the Board and interacts regularly with the Committee Members. The CRO is primarily responsible for making decisions on risk management issues that directly impact the strategic direction of the Bank and monitoring the progress of risk management activities.

Effective Risk Management Framework: Layered Structure and Key Aspects

<p>Credit Risk Management</p>	<p>Operational Risk Management</p>	<p>Market Risk, Liquidity and Asset Liability Management</p>
<p>IT Risk Management</p>	<p>Reputation Risk Management</p>	<p>Compliance Risk Management</p>



Credit Risk Management

Risk

Credit risk arises from business operations that give rise to actual, contingent, or potential claims against any counterparty, borrower, or obligor. The scope of the Credit Risk unit includes measuring, assessing, and monitoring credit risk within your Bank through strengthening underwriting norms, and keeping a close watch on asset quality trends and concentrations at individual exposures as well as at the portfolio level.

Mitigation

Credit Committee and Credit Risk & NPA Management Committee (CRNPAC) oversees and reviews the credit risk and is responsible for prudential limits on large credit exposures, asset concentration, portfolio management, loan review mechanism, risk concentration, monitoring and evaluation, provisioning, regulatory and other issues around it. All aspects of credit risk are governed by the Credit Risk Management Policy and other

Policies. Your Bank has laid down prudential limits and caps on various aspects to control the magnitude of credit risk. The defined risk limits are forward-looking and are reviewed in sync with future business plans. Loan administration and monitoring are carried out through Portfolio Profiling, Early Warning Framework, Rapid Portfolio Review, Annual Monitoring of High-Value Customers and other credit risk activities.

The CRNPAC looks after credit risk assessment on a quantitative and qualitative basis. The Bank has a defined mechanism for necessary action to be taken in case of any alarming situation. Key risk indicators are defined for all major products having a significant contribution to the asset book.

Credit Risk and NPA Management Committee follows the listed guiding principles:

- Ensure that a governance framework is established for effective oversight, segregation of duties, monitoring and management of Credit Risk and NPA Committee

- Ensure that the sourcing and approval of credit proposals are as per the defined strategies, systems, and processes
- Ensure that guiding principles shall be laid down for the setting up and monitoring of the credit and credit risk appetite and limits
- Establish standards to facilitate effective identification and assessment of credit risks in the Bank
- Establish standards for effective measurement and monitoring of credit risk and NPA
- Ensure adherence to the guidelines/policies related to credit, credit risk and NPA management as issued by the Reserve Bank of India (RBI) from time to time

The Board Delegated Credit Committees submit their updates to the Risk Management Committee of the Board at regular intervals.



Operational Risk Management

Risk

Operational Risk has been defined by the RBI as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes Legal Risk but excludes Strategic and Reputational Risk.

Mitigation

The Bank has a Board delegated Operational Risk Management Committee (ORMC) to oversee the implementation of the operational risk management framework across the Bank and advise on the implementation of measures for risk mitigation which further reports to the Risk Management Committee of the Board. Your Bank follows an integrated risk approach, where operational risks and their monitoring fold into the Chief Risk Officer (CRO) and ORMC. We have a board-approved Operational Risk Management Policy, which includes a comprehensive Operational Risk Management Framework for documenting, assessing, and periodically monitoring various risks and controls linked to various processes across all business verticals.

Your Bank also has a Risk Containment Unit (RCU) that is guided by a Board approved Fraud Risk Management Policy. Fraud cases reported in the Bank are apprised to the Audit Committee and the Board and fraud cases over ₹1 crore or

more are specifically reported and dealt with by the Special Committee for Fraud Monitoring (SFMC) of the Board. The Bank is continuously strengthening its systems, operational practices and processes, procedures, controls, and review mechanism so that fraud-prone areas are sanitised against internal and external breaches and by continuously monitoring that these control measures are operating effectively.

With Digital Banking services, we have achieved significant milestones in both customer-facing technologies and internal digitisation. To ensure safe and secure transactions and improve the customer experience on the digital front, your Bank monitors the transactions on an ongoing basis. As we prepare to take the next step in the world of Digital Banking, we are confident that our technological capabilities will propel the next phase of growth.

Your Bank has in place a comprehensive Outsourcing Risk Policy in line with RBI guidelines released on a time-to-time basis keeping in view the extensive use of outsourcing by the Bank. The Board shall have the ultimate responsibility for the outsourced activity. However, for ease of functioning, the powers have been delegated to the Risk Management Committee of the Board (RMCB) and Committee for Outsourcing of IT and Financial Services. The outsourcing policy document of the Bank lays down the framework adopted by the Bank for reviewing and approving outsourcing of

services that includes plans and procedures to evaluate, assess, approve, review, control and monitor the risks and materiality of all its vendor/outsourcing activities and serve as a guide to adopt sound and responsive risk management practices for effective oversight, due diligence and management of risks arising from outsourcing activities.

Your Bank has a comprehensive Business Continuity Management (BCM) plan, policy, and procedures in place to ensure the continuity of critical operations of the Bank in the event of any disaster/ incident affecting business continuity. The Bank's business continuity programme is developed considering the criticality of the functions performed and the systems have been designed to minimise the operational, financial, legal, and other material consequences arising from such a disaster and focus is on ensuring faster recovery and minimising the impact on the IT systems of the Bank. Your Bank has dedicated DR sites and there are periodic drills in place to validate the effectiveness of our business continuity plans. These controls help execute immediate action in case any business/application level issue arises which is leading to an impact on banking services/operations. The learning from the BCP drill exercises is used in refining the BCP framework.



Market Risk, Liquidity and Asset Liability Management

Risk

Market Risk originates from investment and trading in securities, which are undertaken both for the customers and on a proprietary basis. The market risk management framework of your Bank sets the benchmark for market risk exposures, the performance of portfolios vis-à-vis the market risk limits and comparable benchmarks, which guide to optimise the risk-adjusted rate of return of the Bank's investment portfolio. Liquidity risk refers to the institution's inability to fund an increase in assets or withdrawal of liabilities and meet both expected and unexpected cash & collateral obligations at a reasonable cost without adversely impacting its financial condition.

Mitigation

Market risk management is guided by well-defined policies, guidelines, processes and systems for the identification, measurement, monitoring and reporting of exposures against various risk limits set per the risk appetite of the Bank. The Bank utilises analytical tools for the market risk management of its trading and investment portfolios.

The Asset Liability Management (ALM) Policy stipulates a broad framework for liquidity risk management to ensure that the Bank can meet its liquidity obligations as well as to withstand a period of liquidity stress from Bank-level factors, market-wide factors, or a combination of both. The Board approved policy captures the risk appetite around the liquidity and market risk of

the Bank and helps to put in place a defined governance structure in consonance with our Risk Appetite.

The Asset Liability Management Committee (ALCO) of AU oversees the framework for identification, measurement and management of market risk, interest rate risk and liquidity risk in the Bank and ensures compliance with established internal and regulatory prudential limits and operates within the risk appetite approved by the Board.



IT Risk Management

Risk

Your Bank is growing with digitisation and aimed at leveraging digital technology to provide a best-in-class experience for its customers while simultaneously enhancing productivity and improve on IT risk management. The risk of cyber attacks on your Bank's systems arises among others from computer viruses, malicious or destructive code, phishing attacks, denial of service or information, application vulnerability and other security

breaches resulting in disruption of its services or theft or leak of sensitive internal data or customer information.

Mitigation

Your Bank has established a robust information and cybersecurity framework for securing its IT infrastructure and systems. IT Steering Committee and Information Security Risk Management Committee reports to Board level IT Strategy and Information Systems Security Committee. This committee reviews and monitors IT security infrastructure and vigilance over

IT-related vulnerabilities against emerging cybersecurity risks. The Chief Information Security Officer (CISO) is responsible for monitoring the information security risks covering all aspects of data security for your Bank and reports to Chief Risk Officer (CRO). Cyber Security Operation Center (CSOC) with qualified professionals reports to the CISO for monitoring of real-time cybersecurity glitches. Your Bank has also deployed advanced controls at various layers to ensure that cybersecurity risk is minimised.



Reputation Risk Management

Risk

Reputation risk can negatively impact the Bank's ability to attract or retain customers and expose it to litigation and regulatory action.

Mitigation

Your Bank assesses and manages Reputation Risk on a periodic basis. Your Bank communicates with its stakeholders regularly through appropriate engagement mechanisms to address.

stakeholder expectations and assuage their concerns, if any. There is Zero tolerance for knowingly engaging in any activities that are not consistent with the values, Code of Conduct, or policies of the Bank.



Compliance Risk Management

Risk

The adoption of effective KYC/AML standards is an essential part of the Bank's Risk Management practices. Banks with inadequate Compliance (AML/KYC) risk management programmes may be subject to significant risks, especially legal and reputational risks. Sound Compliance (AML/KYC) policies and procedures not only contribute to a Bank's overall safety and soundness but also protect the integrity of the banking system by reducing the likelihood of

Banks becoming vehicles for money laundering, terrorist financing and other unlawful activities. Recent initiatives to reinforce actions against terrorism in particular have underlined the importance of banks' ability to monitor their customers wherever they conduct business.

Mitigation

Your Bank has a dedicated Compliance Department that continuously monitors new developments and updates the Board and senior management about their implications.

There is a strong compliance culture with well-articulated policies concerning conduct, Vigil Mechanism, AML & KYC, and engagement with third-party vendors. The Compliance and Risk departments update the status of compliance and controls to the Audit Committee of the Board (ACB) regularly, to review and for advice on the implementation of measures for AML /KYC risk mitigation, along with effective transaction monitoring.



Human Resources

AU SFB's Human Resources department takes great pride in its proactiveness when it comes to implementing the best policies and practices that foster a culture characterised by participation,

collaboration, cohesion, and a strong focus on employees. We are thrilled to have received the 'Great Place to Work' certification for the third consecutive time and have also been acknowledged as one of the 'Top 25 Best Places to Work' in the BFSI sector. Our commitment

to continuously benchmark our people practices ensures we are always in alignment with our business objectives and provide a rewarding experience to our employees.

[Read more Page 62](#)



Townhall at Bhilwara with MD & CEO

Credit Management

The credit risk framework at AU SFB is established through credit policies and product policies that outline the principles and control requirements for extending credit to customers across various business sectors. These policies and standards encompass all stages of the credit cycle, including origination, credit approval, documentation, administration, monitoring, and recovery.

To control the magnitude of credit risk, your Bank has implemented prudential limits and caps on

various aspects. The organisation places great importance on timely risk reporting, supported by effective control mechanisms. Loan administration and monitoring are conducted through portfolio profiling, an early warning framework, and other credit risk activities that focus on asset quality trends and concentration.

Your Bank's credit culture mandates lending decisions be based on thorough credit analysis, with a comprehensive understanding of the loan's purpose and alignment with the customer's financial situation and ability to repay from their business operations. Off-balance sheet

transactions and on-balance sheet transactions undergo the same rigorous credit analysis. We have credit-approving authorities and committee structures that are linked to the risk levels associated with borrowers and transactions. The level of collateralisation is determined based on the nature of the transaction and the credit quality of the borrower. Delegation of authority is reviewed at least annually.

Despite the challenges posed by the external environment in FY 2022-23, our asset quality demonstrated improvement and is expected to remain stable.



Digital payment collection

Collections

Despite asset quality facing recurring periods of sectoral stress, and the challenges posed by the COVID-19 pandemic, our collection process has demonstrated remarkable resilience. We have implemented strong mechanisms to effectively manage collections, including dedicated business-level collection teams, real-time tracking dashboards, data analytics-driven decision-making, specialised functional teams to handle all aspects of the recovery process, and insurance protection against collection defaults. These measures have played a crucial role in maintaining robust collection efficiencies throughout the pandemic period, over the past three years. It is worth noting that our asset quality

performance is, to some extent, a testament to the strength of our collection management system. Various external factors such as geography, delinquency, products, and customer repayment history, as well as internal factors like our collection strategy, collectively influence our collection outcomes.

We continuously enhance our collections methodology through regular audits, reinforcing compliance measures, and providing regular training to ensure that our teams and leadership are well-informed about important collection practices and protocols.





Internal Control Systems

Our comprehensive internal controls are guided by robust policies and procedures, creating a strong control framework. These controls undergo periodic reviews across all processes, units, and functions. The business credit teams actively monitor and address emerging risks through built-in processes. The controls establish standards and establish policies and procedures for managing risks, ensuring compliance with regulatory guidelines, laws, operational controls, and ethical conduct. Additionally, senior officers within the operating and business units oversee the implementation of various risk mitigation measures.

To ensure effective oversight, we have established executive-level committees that include representatives from different business and control functions. These committees are responsible for reviewing and supervising critical aspects of our operations.

Our internal audit function operates independently to assess the adequacy and effectiveness of internal controls, information security controls, risk management, governance systems, and processes. We have

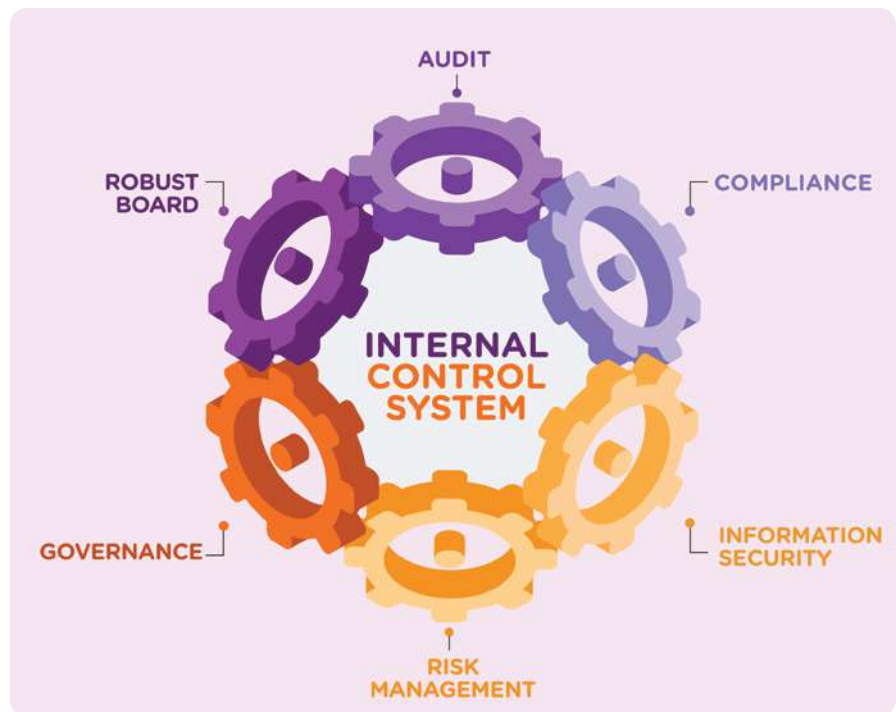
a dedicated information systems audit team that identifies and addresses technology and IT-related security issues aligned with the complexities of our operations. The internal audit department and compliance function conduct reviews to ensure business units adhere to internal processes, procedures, regulatory requirements, and legal obligations. They provide timely feedback to management for corrective action, including minimising any potential design risks. The Audit Committee of the Board plays a crucial role in

evaluating the performance of the audit and compliance functions, as well as assessing the effectiveness of controls and compliance with regulatory guidelines.

Based on our Board's evaluation, our internal control systems are considered adequate and effectively operational.

Opportunities and Threats

➤ For Opportunities and Threats, refer to **Page 34, 61**, and MD and CEO's message on **Page 40**



Supercharge Your Business with 2% Savings.

BUSINESS CASHBACK CREDIT CARD for Small & Medium Business Owners.



Stay Secured with
Complimentary Shop
Insurance



48-days Interest Free
credit period



Easy Monthly Fee
instead of Annual Fees



Travel In Comfort
with Complimentary
Railway Lounge



Get 'Extra' Mileage
with 1% Fuel
Surcharge Waiver*



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*T&C apply



Board's Report

Dear Members,

Your Board of Directors are pleased to present the Twenty-Eighth Annual Report of the AU Small Finance Bank Limited (“Bank”) covering business and operations together with the Audited Financial Statements and Independent Auditors’ Report for the financial year ended March 31, 2023.

A. Financial Summary & Highlights

The summary of the financial performance of your Bank for FY 2022-23 is presented below:

Particulars	(₹ in crore)	
	March 31, 2023	March 31, 2022
Total Income	9,239.87	6,915.42
Interest Income	8,205.41	5,921.73
Other Income	1,034.46	993.69
Interest Expenditure	3,780.13	2,687.61
Operating Expenses (excluding depreciation)	3,254.84	2,272.60
Profit before Depreciation, Provisions and Tax	2,204.90	1,955.21
Depreciation	185.42	140.17
Provision for Income Tax	436.71	324.24
Other Provisions and Write-offs	154.84	360.97
Net Profit	1,427.93	1,129.83
Appropriations		
Transfer to Statutory Reserve	356.98	282.46
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961	115.00	117.30
Transfer to Capital Reserve	2.52	18.52
Transfer to Investment Reserve Account	-	-
Transfer to Investment Fluctuation Reserve	17.20	20.24
Dividend pertaining to previous year paid during the year	31.51	-
Dividend (in ₹) (Per Equity Share)	1	0.50*
Surplus carried over to Balance Sheet	4,287.14	3,382.42
Earnings Per Share (EPS) (in ₹) (After excluding Exceptional Items not annualised)		
Basic (in ₹)	21.86	18.03
Diluted (in ₹)	21.74	17.85

*The Board recommended dividend of ₹1 per equity share on pre-bonus share capital for the year ended March 31, 2022. Further, consequent to approval of the Bonus Issue of 1:1 by the shareholders vide Postal Ballot dated May 29, 2022, the dividend was proportionately adjusted to ₹0.50 per equity share on post-bonus share capital which was duly approved by the shareholders at the 27th Annual General Meeting (“AGM”) held on August 23, 2022.

Key Performance Highlights

Your Bank witnessed growth and consistent performance in FY 2022-23. The key financial performance indicators for the year are as follows:

- Profit Before Tax increased to ₹1,864.64 crore for FY 2022-23 vis-à-vis ₹1,454.07 crore for FY 2021-22 registering YoY growth of 28.24%.
- Net Profit After Tax increased to ₹1,427.93 crore for FY 2022-23 vis-à-vis ₹1,129.83 crore for FY 2021-22 registering YoY growth of 26.38%.
- Balance sheet size grew to ₹90,216.12 crore as on March 31, 2023 vis-à-vis ₹69,077.80 crore as on March 31, 2022 registering YoY growth of 30.60%.

- Deposits grew by 32% YoY to ₹69,365 crore and CASA ratio improved to 38.4% as on March 31, 2023 against 37.3% as on March 31, 2022 resulting to consistent and strong performance across parameters while continuing to progress on the journey of building a standardised, scalable, and sustainable banking franchise in deposits, assets, and digital banking.
- Gross NPA and Net NPA ratio continue to gradually decline to 1.66% and 0.42% as on March 31, 2023 vis-à-vis 1.98% and 0.50% as on March 31, 2022 on account of significant improvement in the asset quality.

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

B. Dividend

The Board at its meeting held on April 25, 2023 recommended dividend of 10% i.e., ₹1 per fully paid-up Equity Share of ₹10 each for the year ended March 31, 2023. The payment of dividend is subject to approval of the shareholders at the forthcoming AGM of the Bank.

In terms of regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**") and Reserve Bank of India ("**RBI**") guidelines, your Bank has formulated and adopted a Dividend Distribution Policy which *inter alia* balances the objective of rewarding its shareholders by sharing a part of profits and ensuring that sufficient funds are maintained for the growth of the Bank.

The dividend declared is in compliance of Dividend Distribution Policy and applicable RBI guidelines/Regulations. The Dividend Distribution Policy was reviewed by the Board from time to time and the same has been hosted on the website of the Bank at <https://www.aubank.in/investors/secretarial-policies>.

C. Business Overview

The FY 2022-23 witnessed a period of unpredictable macro and global headwinds with constrained liquidity and elevated inflation resulting in notable upsurges in interest rates and intensified competition for deposits. Amidst this challenging and unsettled environment, Bank exhibited commendable resilience and achieved remarkable results across various key performance indicators and remained steadfast in commitment to establish a robust Banking ecosystem encompassing Deposits, Assets, and Digital Banking. Bank continued its efforts towards developing a standardised, scalable, and sustainable banking brand and strategically enhanced its distribution channels and made continuous investments in digital initiatives, branding, and distribution. These efforts are aimed at capitalising the substantial opportunities within the Banking sector and ensuring readiness of Bank for future.

The Bank demonstrated strong performance across key parameters including an enhanced CASA ratio and a balanced mix of retail deposits, acquisition through digital products, credit growth across all lending verticals, stable spreads and asset quality, reduction in GNPA ratio supported by strong collections remaining north of 100% achieving an overall robust level of profitability.

The Bank continued its momentum on harnessing the digital capabilities through diversified digital banking offerings, i.e. AU 0101, Video Banking, Credit Cards, UPI QR, and more, all of which continued to see strong momentum during the year and notably, over 5 lakh cards issued and out of which nearly one-third of customers availing their first-ever credit card and over 1 million UPI QRs to merchants were issued. This coupled with QR-based lending, enabled us to empower this customer segment with easy access to formal credit.

As on March 31, 2023, Bank has established operations across 1,027 Banking touchpoints while serving 38 lakh+ customers in 21 States & 3 Union Territories with an employee base of 28,320 employees. Bank's focus on digital initiatives has seen significant traction in all areas.

Bank is delighted to announce that the RBI through its letter dated April 19, 2023, has issued a licence authorising the Bank to operate as an Authorised Dealer Category-I (AD-I) under Section 10 of the Foreign Exchange Management Act, 1999 to engage in foreign exchange transactions, including buying and selling currencies, facilitating international trade, and providing foreign exchange services to its Business including EXIM customers, Resident & NR customers. This shall facilitate international trade by providing services such as issuing letters of credit, handling import/export documentation, and offering trade finance solutions leading to competitive advantage, diversification of revenue streams and enhanced Credibility and Trust.



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

D. Credit Rating

The details of credit rating assigned to the Bank for debt instruments issued and outstanding as on March 31, 2023 along with outlook is provided below:

Nature of Debt Instrument	Nature of Term	CRISIL*	India Ratings#	CARE@
Fixed Deposits	Long-Term	AA+/Stable	-	-
Long-Term/ Subordinated Debt/ Tier II Bond	Long-Term	AA/Stable	AA/Stable	AA/Stable
Certificate of Deposits	Short-Term	A1+	A1+	A1+

Note:

*CRISIL rating upgraded long-term rating to AA/Stable from AA-/Positive and reaffirmed Short-Term Ratings to A1+ and also upgraded FD ratings to AA+/Stable from FAA+/Positive on June 29, 2022. CRISIL assigned AA/Stable to Tier II Bond and withdrawn the ratings of Subordinated Debt as the Bank has repaid the term loan in full on July 7, 2022

#India Ratings upgraded long-term Tier II bonds ratings to AA/Stable from AA-/Stable, reaffirmed Short-Term Ratings to A1+ and has withdrawn the ratings of Subordinated Debt & Bank Facilities as the Bank has repaid the term loan in full on July 22, 2022.

@CARE Ratings has reaffirmed the Long-Term Tier-II Bond Rating to AA/Stable and reaffirmed rating of Certificate of Deposits to A1+ on April 4, 2023.

The above rating details is available on the website of the Bank and can be accessed at <https://www.aubank.in/credit-rating>

E. Change in Nature of Business

During the year under review, there were no changes in the nature of business of the Bank.

F. Transfer to Reserves

In terms of RBI regulations and other applicable regulations, the Bank has proposed to transfer the following amounts to various reserves for the financial year ended March 31, 2023 as mentioned below:

Amount transferred to	Amount (₹ in crore)
Statutory Reserve	356.98
Transfer to Special Reserve U/s 36 (1) (viii)	115.00
Transfer to Capital Reserve	2.52
Transfer to Investment Fluctuation Reserve	17.20

During the year under review, no amount was transferred to general reserves by the Bank.

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

In accordance with Section 124 and 125 of the Companies Act, 2013 (“Act”) read with applicable rules, as amended, there was no unclaimed/unpaid dividend or shares liable to be transferred to the IEPF during the FY 2022-23.

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

H. Deposits

Being a Banking company, the disclosures required under Rule 8(5)(v) & (vi) of the Companies (Accounts) Rules, 2014 read with Sections 73 and 74 of the Act and Companies (Acceptance of Deposits) Rules, 2014 are not applicable. The details of the deposits received and accepted by your Bank as a Banking company have been disclosed in the financial statements for the financial year ended March 31, 2023.

I. Capital Structure & Fund Raising

Authorised Share Capital

During the period under review, the Authorised Share Capital of the Bank increased from ₹350 crore to ₹1,200 crore comprising of 1,20,00,00,000 equity shares of ₹10 each.

Paid-up Capital

Pursuant to the below allotments of equity shares, the total issued, and paid-up equity share capital of the Bank increased by ₹351.85 crore to ₹666.75 crore as on March 31, 2023 as compared to ₹314.90 crore as on March 31, 2022.

● Bonus Issue

During the year, the Bank had allotted 31,50,93,233 equity shares of ₹10 each as fully paid-up Bonus Equity Shares to the eligible shareholders as on the record date i.e. June 10, 2022 in the proportion of 1:1, i.e., 1 (One) bonus equity share for every 1 (One) fully paid-up equity shares held. The shareholders approved the above issue of bonus shares vide postal ballot dated May 29, 2022.

● Qualified Institutions Placement

Pursuant to the provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 and the Act and considering the growth aspirations, your Bank successfully completed Qualified Institutions Placement (“QIP”) of 3,44,82,758 equity shares of face value of ₹10 each at an issue price of ₹580 per Equity Share (including a security premium of ₹570 per Equity Share) on subscription by Qualified Institutional Buyers (“QIB”) aggregating to ₹2,000 crore. The issue was opened on August 3, 2022 and allotment of Equity shares were made on August 9, 2022.

With respect to disclosure under Regulation 32(7A) of SEBI Listing Regulations, the Audit Committee of the Board at its meeting held on October 19, 2022, had reviewed, and confirmed that the funds raised through QIP issue during the year have been fully utilised for the intended object as mentioned in the private placement document and there was no deviation or variation in utilisation of the said funds. Further, No allotment was made to Promoter and Promoter Group under QIP.

● Allotment of Equity Shares pursuant to exercise of Stock Options

The Board of Directors allotted 22,69,033 equity shares pursuant to exercise of ESOP under different ESOP Schemes.

Non-convertible Debentures (“NCDs”)

During the year, your Bank has successfully raised Tier-II capital of ₹500 crore by way of private placement by issuing 500 (Five Hundred) 9.30% Unsecured, Not guaranteed, Subordinate – Tier 2 – Lower, Taxable, Non-Cumulative, Rated, Redeemable, Non-Convertible Debentures having a face value of ₹1,00,00,000 (Rupees One crore only) each for cash.

Accordingly, total outstanding NCDs stood at ₹1,000 crore as on March 31, 2023 against ₹500 crore as on March 31, 2022.

Details of outstanding NCDs as on March 31, 2023 are as below:

Sr. No.	ISIN	Series	Amount (₹ in crore)	Date of Issue	Date of Allotment	Date of Maturity
1.	INE949L08418	-	500	April 26, 2018	November 30, 2018	May 30, 2025
2.	INE949L08442	Series I Debentures	350	July 29, 2022	August 3, 2022	August 3, 2032
3.	INE949L08434	Series II Debentures	100	July 29, 2022	August 3, 2022	August 13, 2032
4.	INE949L08426	Series III Debentures	50	July 29, 2022	August 3, 2022	August 23, 2032

The Audit Committee of the Board at its meeting held on October 19, 2022, had reviewed, and confirmed that the Bank had utilised the said funds for the intended object as mentioned in offer document and there was no deviation or variation in utilisation of the said funds.



J. Employee Stock Option Schemes

Your Bank has formulated several Employee Stock Option Schemes (“Schemes”), which have been duly approved by the shareholders of the Bank. The Schemes have been devised in accordance with the SEBI (Share-Based Employee Benefits) Regulations, 2014 read with SEBI (Share-Based Employee Benefits and Sweat Equity) Regulations, 2021 (“**SBEB & SE Regulation – 2021**”) as amended from time to time.

The Option grants to employees under the schemes are approved by the Nomination and Remuneration Committee (“**NRC**”) in terms of Compensation Policy of the Bank, as part of Annual Performance Review of employee’s performance and at the time of hiring. Several factors including scale, designation, performance, grades, period of service, criticality of role and their contribution for the Bank’s overall performance is taken into consideration for deciding number of options to be granted to the employees.

The Bank had following Employee Stock Option Schemes as on March 31, 2023:

- Employee Stock Option Scheme 2015 - Plan A (ESOP 2015 – Plan A)
- Employee Stock Option Scheme 2015 - Plan B (ESOP 2015 – Plan B)
- Employee Stock Option Scheme 2016 - (ESOP 2016)
- Employee Stock Option Scheme 2018 - (ESOP 2018)
- Employee Stock Option Scheme 2020 - (ESOP 2020)

The details of vesting of various schemes are as follows:

ESOP Scheme & Plan	Vesting Period	% of vesting of Options
ESOP 2015 – Plan A	1 year from the date of grant or at the time of IPO whichever is later	20%
	Expiry of 1 year from 1 st vesting	30%
	Expiry of 2 years from 1 st vesting	50%
	Total	100%
ESOP 2015 – Plan B	1 year from the date of grant or at the time of IPO whichever is later	20%
	Expiry of 1 year from 1 st vesting	30%
	Expiry of 2 years from 1 st vesting	50%
	Total	100%
ESOP 2016	Options granted under this scheme would vest after one year but not later than six years from the date of grant of options	100%
ESOP 2018	Options granted under this scheme would vest after one year but not later than six years from the date of grant of options	100%
ESOP 2020	Options granted under this scheme would vest after one year but not later than six years from the date of grant of options	100%

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

The Brief Details of Existing ESOP Schemes as on March 31, 2023 is given below:

Particulars	ESOP Plan A 2015	ESOP Plan B 2015	ESOP Scheme 2016	ESOP Scheme 2018	ESOP Scheme 2020
Date of Shareholders Approval	31-Aug-15	31-Aug-15	10-Oct-16	07-Aug-18	23-Dec-20
Total Number of Options approved (Pre Bonus)	38,36,058	49,33,194	21,00,000	49,33,200	50,00,000
Increase in Number of options due to Bonus	39,425	1,60,243	10,71,733	31,27,329	49,96,200
Total Number of Options approved (Post Bonus)	38,75,483	50,93,437	31,71,733	80,60,529	99,96,200
Total Number of options outstanding at the Beginning of the period [@]	1,18,000	22,000	11,04,139	28,84,340	16,23,695

Particulars	ESOP Plan A 2015	ESOP Plan B 2015	ESOP Scheme 2016	ESOP Scheme 2018	ESOP Scheme 2020
Total Number of Options granted (during FY 2022-23)	-	41,000	37,468	6,11,828	50,98,223
Total Number of Bonus Options Issued during the FY 2022-23	-	22,000	10,54,575	28,35,939	16,22,925
The Pricing Formula (per share)	₹10.11	₹16.69 (₹33.37 prior to Bonus Issue)	Market Price Linked [#]	Market Price Linked	Market Price Linked
Options Vested (during FY 2022-23) [@]	-	11,200	4,17,278	26,42,164	6,27,176
Options Exercised (during FY 2022-23)	1,18,000	-	3,00,397	17,84,285	66,351
Total Number of shares arising as a result of exercise of option	1,18,000	-	3,00,397	17,84,285	66,351
Options lapsed/Forfeited (during FY 2022-23) [@]	-	-	44,033	1,45,346	4,70,897
Total Number of options exercisable at the end of the year [@]	-	16,000	6,17,020	19,56,556	5,76,857
Total Number of options outstanding at the end of the year [@]	-	85,000	18,51,752	44,02,476	78,07,595
Variation in terms of options	Appropriate adjustments with respect to the exercise price and/or the number of stock options were made to give effect of bonus issue completed during FY 2022-23 for options which were available for grant and those already granted but not exercised as on Record Date. No variation in terms of options were made during the FY 2022-23.				
Money realised by exercise of Options (during FY 2022-23) (in ₹)	11,92,980.00	-	6,21,31,266.00	59,31,30,686.50	3,72,79,984.00
Total Number of Options granted to Key Managerial Personnel	Refer Note 1				
Any other employee who received a grant in any one year of options amounting to 5% or more of options granted during that year	Nil	Nil	Nil	Nil	Nil
Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Bank at the time of grant	Nil	Nil	Nil	Nil	Nil
Diluted Earnings Per Share (EPS) of the Bank after considering the effect of potential equity shares on account of exercise of Options	Please refer Note 2				
Impact of the difference between the Intrinsic Value of the Options and the Fair Value of the Options on Profits and on EPS	Please refer Note 2				
Weighted average share/exercise price of the shares exercised during the year (in ₹)	₹10.11	-	₹206.83	₹332.42	₹561.86
Weighted average fair values of the outstanding options (in ₹)	Please refer point no. 25 of B. Other Disclosures of Schedule 18 of Notes to accounts to Audited Financial Results for FY 2022-23				

[@]In terms of SEBI circular dated June 15, 2021 regarding relaxation from the requirement of minimum vesting period in case of death of employee(s) and provisions of the SEBI (Share-Based Employee Benefit and Sweat Equity) Regulations, 2021, options granted to employees who have demised, have been vested in the legal heirs or nominees of the deceased employees immediately. The numbers given above include the options vested in legal heirs/nominees of deceased employees.

[#]Pricing for ESOP Scheme 2016 was changed from fixed price of ₹140 to market linked price with the approval of shareholders obtained in the Annual General Meeting held on July 19, 2019.



Note 1

Sr. No.	Name of Official	Designation	Number of Options Granted in	
			ESOP 2018	ESOP 2020
1	Uttam Tibrewal	Whole-Time Director	-	54,136
2	Vimal Jain	Chief Financial Officer	22,781	-
3	Manmohan Parnami	Company Secretary	-	13,546
Grand Total			22,781	67,682

Note 2

The Securities and Exchange Board of India (“SEBI”) has prescribed two methods to account for stock grants; namely (i) the intrinsic value method; (ii) the fair value method. The Securities and Exchange Board of India (“SEBI”) has prescribed two methods to account for stock grants: namely (i) the intrinsic value method; (ii) the fair value method. The Bank adopts the intrinsic value method to account for the stock options grants to the employees. Further, the Bank calculates the fair value of options at the time of grant using Black-Scholes pricing model for Whole-Time Directors, Chief Executive Officers/Material Risk Takers and Control Function staff as per RBI guidelines dated November 4, 2019 with the following assumptions:

Particulars	March 31, 2023
Risk free interest rate	7.12% - 7.45%
Expected life	3 Year - 5.5 Year
Expected volatility	41.37% - 48.62%
Expected dividends	0.08% - 0.10%

Had the Bank used the fair value model to determine the compensation, its profit after tax and earnings per share as reported would have changed to the amounts indicated below:

Particulars	(₹ in crore)	
	Year ended March 31, 2023	Year ended March 31, 2022
Profit after tax as reported	1,427.93	1,129.83
Add: ESOP Expense already booked (net of tax)	15.53	13.76
Less: ESOP cost using fair value method (net of tax)	77.62	48.53
Profit after tax (adjusted)	1,365.84	1,095.06
Earnings Per Share		
Basic		
- As reported	21.86	18.03
- Adjusted for ESOP cost using fair value method	20.91	17.48
Diluted		
- As reported	21.74	17.85
- Adjusted for ESOP cost using fair value method	20.79	17.30

Particulars	(₹ in crore)	
	As on March 31, 2023	As on March 31, 2022
Stock options outstanding (gross)	229.16	203.94
Deferred compensation cost outstanding	30.67	26.16
Stock options outstanding (net)	198.49	177.78

In accordance with SBEB & SE Regulation - 2021 necessary disclosures are made in Schedule 18 - Notes forming part of the financial statements for FY 2022-23 and are included in the annual report and also disclosed on the website of the Bank at <https://www.aubank.in/reports/disclosures>.

K. Detail of Board of Director's and Key Managerial Personnel

The composition of the Board of Directors of the Bank ("**Board**") is governed by the provisions of the Act, the Banking Regulation Act, 1949 ("**BR Act**"), the SEBI Listing Regulations other applicable laws, and the Articles of Association of the Bank. At the end of March 31, 2023, the Board of your Bank had 10 Directors, out of which 8 were Independent Directors and 2 were Executive Directors.

During the FY 2022-23 and up to the date of this report, following changes took place in the Board of Directors and Key Managerial Personnel of the Bank:

Appointments

1. Mr. Kamlesh Shivji Vikamsey (DIN: 00059620) was appointed as Additional Director (Independent) for a period of 3 years with effect from April 25, 2022 to April 24, 2025. Further, shareholders vide resolution passed through postal ballot approved his appointment as Independent Director on May 29, 2022.
2. Ms. Malini Thadani (DIN: 01516555) was appointed as Additional Director (Independent) of the Bank to hold office for a period of 3 years with effect from November 25, 2022 up to November 24, 2025. Further, shareholders vide resolution passed through postal ballot approved her appointment as Independent Director on December 30, 2022.
3. Ms. Kavita Venugopal (DIN: 07551521) was appointed as Additional Director (Independent) of the Bank to hold office for a period of 3 years with effect from March 29, 2023 up to March 28, 2026. Further, shareholders vide resolution passed through postal ballot approved her appointment as Independent Director on April 30, 2023.

Re-appointments

4. Re-appointment of Mr. Mankal Shankar Sriram and Mr. Pushpinder Singh, Independent Directors for a second term for a period of 3 years commencing from October 21, 2022 to October 20, 2025 and of Mr. Kannan Gopalaram Vellur, Independent Director for a second term for a period of 3 years commencing from January 22, 2023 to January 21, 2026 has been approved by the shareholders in its 27th AGM held on August 23, 2022 after taking into the consideration the balance of skills, knowledge, qualifications, experience and basis the 'fit and proper assessment' carried out by the NRC & Board.
5. With the approval of the Board of Directors at their meeting held on October 10, 2022, the proposal for re-appointment of Mr. Raj Vikash Verma (DIN: 03546341) as Part-time Chairman (Independent Director) of the Bank for a period from April 8, 2023 till January 29, 2024, was submitted to RBI. The proposal has been approved by RBI for the above-mentioned period and communicated vide its letter dated February 22, 2023. Further, shareholders vide resolution passed through postal ballot has already approved his re-appointment as Part-Time Chairman (Independent Director) on November 12, 2022.
6. Re-appointment of Mr. Sanjay Agarwal (DIN: 00009526) as Managing Director & CEO and Mr. Uttam Tibrewal (DIN: 01024940) as Whole-Time Director has been approved by RBI vide its letter dated April 12, 2023, for a period of 3 (three) years w.e.f. April 19, 2023 till April 18, 2026. Further, shareholders vide resolution passed through postal ballot has already approved their re-appointment on March 9, 2022 vide resolution passed through postal ballot.
7. In accordance with the provisions of Section 152 of Act, Mr. Sanjay Agarwal, Managing Director & CEO retired by rotation at the previous AGM and shareholders approved his re-appointment. Further, Mr. Uttam Tibrewal, Whole-Time Director of the Bank shall retire by rotation at the ensuing AGM and being eligible for reappointment, offers himself for re-appointment.



Completion of Tenure

8. Mr. Krishan Kant Rathi (DIN: 00040094) and Ms. Jyoti Narang (DIN: 00351187) ceased to be the Independent Directors of the Bank with effect from March 29, 2023 (close of business hours) on completion of their tenures. The Board hereby places on record its sincere appreciation for Mr. Krishan Kant Rathi and Ms. Jyoti Narang for guidance and wisdom to Board during their tenure.

During the year, no other change took place in the Board of Directors or in Key Managerial Personnel of the Bank. The composition of the Board of Directors and Key Managerial Personnel of the Bank was compliant with the applicable regulatory norms.

Further, none of the directors have been debarred from holding office as director by virtue of any order of the SEBI or any other authority.

L. Code of Conduct for Directors and SMPs

In accordance with Regulation 17(5) of SEBI Listing Regulations, the Bank has adopted the Code of Conduct for Directors and Senior Management Personnel (“SMPs”). The code of conduct sets forth the guiding principles for orderly & fair conduct by Directors and SMPs. All Directors and SMPs have affirmed the compliance of the code for the FY 2022-23 and a declaration to this effect signed by the MD & CEO forms part of Report on Corporate Governance annexed with Board’s Report as **Annexure - I**. The Bank’s Code of Conduct for Directors and SMPs is disclosed on the website of the Bank at <https://www.aubank.in/investors/secretarial-policies>.

M. Number of Meetings of Board

During the period under review, Sixteen (16) Board Meetings were held and the gap between the said meetings did not exceed the limit of 120 days as prescribed under the provisions of Act and Rules made thereunder, Secretarial Standard-I Issued by the Institute of Company Secretaries of India and provisions of SEBI Listing Regulations. The dates of Board meetings and details of attendance of each Director have been disclosed in the Report on Corporate Governance annexed with Board’s Report as **Annexure-I**.

N. Committees of the Board

The Bank believes that Board Committees are critical to promote best Corporate Governance practices within the Bank. Accordingly, the Bank has constituted various Board Committees to improve the Board effectiveness and to support in decision-making. The constitution of these Committees is in compliance of provisions of the Act and relevant rules made thereunder, SEBI Listing Regulations, BR Act, RBI Circular & Guidelines, Articles of Association of the Bank and other guidelines issued from time to time.

Further, in view of completion of tenure of Mr. Krishan Kant Rathi & Ms. Jyoti Narang as Independent Directors on the Board w.e.f. March 29, 2023 (closure of business hours) and appointment of Ms. Kavita Venugopal as an Independent director w.e.f. March 29, 2023, the Board of Directors at their meeting held on March 10, 2023 have approved the revised constitution of Board Committees effective from March 30, 2023. The details of the Board Committees of the Bank including, constitution, their scope, number & date of meetings held during FY 2022-23 and attendance thereof are disclosed in the Report on Corporate Governance annexed with Board’s Report as **Annexure-I**.

O. Meeting of Independent Directors

As per the requirement of the Section 149(8) read with Schedule IV of Act and Regulation 25 of SEBI Listing Regulations, a meeting of the Independent Directors of the Bank is required to be held at least once a year in absence of non-independent directors.

During the year under review, the Independent Directors of the Bank met 2 (Two) times on April 25, 2022 and on March 10, 2023, chaired by Mr. Raj Vikash Verma and attended by all the Independent Directors of the Bank and discussed & reviewed *inter alia* below matters:

- Performance of Non-Independent Directors, the Board of Directors as a whole, and Chairperson of the Bank.
- Assessed the quality, quantity, and timeliness of flow of information between the management of the Bank and the Board of Directors that is necessary for the Board of Directors to perform their duties effectively and reasonably.
- Assessed whether adequate time is spent by the Board/Committees on discussions on important issues.
- Reviewed the criteria for evaluation of performance of Board Committees.
- Familiarisation Programme held during the year.
- Reviewed the revised composition of Board Committees of the Bank.

P. Familiarisation Programme for Independent Directors

In accordance with Regulation 25(7) of SEBI Listing Regulations and RBI guidelines, the Bank conducted various familiarisation programme during FY 2022-23 for the Independent Directors to enable them to familiarise with the Bank, its Management, Bank's Business, and its operations for better understanding of their responsibilities, roles, and rights for effective contribution in sustainable growth of the Bank.

The Details of familiarisation programme and other sessions organised for Independent Directors during FY 2022-23 is disclosed in the Report on Corporate Governance annexed with Board's Report as **Annexure-I** and on the website of the Bank under <https://www.aubank.in/investors/secretarial-policies>.

Q. Declaration of Independence

In accordance with provisions of Sections 149(6) and 149(7) of the Act, Schedule IV and Regulation 16(1)(b) and 25(8) of the SEBI Listing Regulations, the Bank has received necessary declarations/disclosures from all the Independent Directors confirming that they meet and comply with the criteria of independence.

All the Independent Directors possesses requisite domain knowledge, experience, expertise, integrity, and proficiency as required under the Code applicable for Independent Directors as stipulated under Schedule IV of the Act and in terms of policies of the Bank.

R. Compensation Policy for appointment and remuneration of Director's, Key Managerial Personnel, Senior Management Personnel, Material Risk Takers (MRTs) and Control Function Staff

In accordance with the provisions of Section 178(3) of the Act read with relevant rules made thereunder, SEBI Listing Regulations, RBI guidelines and on the recommendation of the NRC, the Bank has formulated and adopted a compensation policy for appointment and remuneration of its Directors, Key Managerial Personnel ("**KMP**"), Senior Management Personnel ("**SMP**"), Material Risk Takers ("**MRTs**") and Control Function Staff.

Compensation policy regulates the appointment and remuneration of Directors (including Independent Directors), KMP, SMP, MRTs and Control Function staff as applicable in accordance with criteria formulated by the NRC of the Board under the requirement of the Act read with applicable Rules under the Act and SEBI Listing Regulations and other applicable guidelines.



The key objectives of policy are as under:

- Establish standards on compensation/remuneration including fixed and variable pay - covering share-linked instruments, which are in alignment with the applicable rules and regulations and is based on the trends and practices of remuneration prevailing in the industry.
- Retain, motivate, and promote talent and to ensure long-term sustainability of talented WTDs, KMPs, SMPs, MRTs, Control Function Staff and other employees as applicable.
- Define internal guidelines for payment of other reimbursement to the Directors and KMPs.
- Institutionalise a mechanism for the appointment/ removal/ resignation/evaluation of performance of Directors.
- Perform such functions as are required to be performed by the NRC under the Securities and Exchange Board of India (Share-Based Employee Benefits and Sweat Equity) Regulations, 2021, including the following:
 - (a) administering the ESOP plans;
 - (b) determining the eligibility of employees to participate under the ESOP plans;
 - (c) granting options to eligible employees and determining the date of grant;
 - (d) determining the number of options to be granted to an employee;
 - (e) determining the exercise price under the ESOP plans; and
- Ensure compliance with applicable laws, rules, and regulations as well as 'Fit and Proper criteria' of directors before their appointment.

The policy is reviewed by the Board of Directors in addition to the other amendments that may be required in the policy. The Policy is hosted by the Bank on its website at <https://www.aubank.in/investors/secretarial-policies>.

The terms of reference of the NRC and Compensation Policy have been provided in Report on Corporate Governance annexed with Board's Report as **Annexure-I**.

S. Evaluation of the Directors, the Board and Committees

In accordance with the provisions of Section 149(8) read with Schedule IV, Section 178(2) of the Act, Regulation 17 and other applicable Regulations of SEBI Listing Regulations, and in consonance with Guidance Note on Board Evaluation issued by the SEBI, the Board assesses the performance of the Individual Director, Board Committees and Board as a whole on the basis of various criteria with the aim to improve the effectiveness of the individual Director, Committees and the Board.

The description and process of annual performance evaluation has been provided in Report on Corporate Governance annexed with Board's Report as **Annexure-I**.

T. Statutory Auditors and their Report

In accordance with the 'Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)' dated April 27, 2021 ("**RBI Guidelines**") issued by RBI, Banks shall appoint the Statutory Auditors for a continuous period of three (3) years, subject to the firms satisfying the eligibility norms each year and the approval of RBI on an annual basis.

M/s. Deloitte Haskins and Sells, Chartered Accountants (Registration No. 117365W) and M/s. G. M. Kapadia & Co., Chartered Accountants (Registration No. 104767W) were appointed as the Joint Statutory Auditors for a period of Three (3) years by the Shareholders of the Bank at the 26th AGM held on August 17, 2021, to hold office from the conclusion of the 26th AGM till the conclusion of the 29th AGM of the Bank subject to the approval of the RBI on annual basis.

There are no qualifications, reservations or adverse remarks made by M/s. Deloitte Haskins and Sells, Chartered Accountants and M/s. G. M. Kapadia & Co., Chartered Accountants, Joint Statutory Auditors of the Bank, in their report on the financial statements for the FY 2022-23. Further, pursuant to Section 143(12) of the Act the Statutory Auditors of the Bank have not reported any instances of frauds committed in the Bank by its officers or employees.

The Statutory Auditors have confirmed their eligibility under Section 141 of the Act and as per the guidelines issued by RBI from time to time. Further, as required under the relevant provisions of SEBI Listing Regulations, the Statutory Auditors had also confirmed that they had subjected themselves to the peer review process of the Institute of Chartered Accountants of India (“ICAI”) and they hold a valid certificate issued by the Peer Review Board of ICAI.

U. Secretarial Auditors and their Report

In accordance with the provisions of Section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Regulation 24A of SEBI Listing Regulations and upon recommendation of the Audit Committee, the Bank has appointed M/s. V. M. & Associates, Company Secretaries (Registration No. P1984RJ039200) to undertake the Secretarial Audit of the Bank for the financial year ended March 31, 2023.

During the year under review, pursuant to provisions of the Section 143(12) of the Act no frauds have been reported by the Secretarial Auditors, and there were no observations or qualifications made by the Secretarial Auditors in their Report. The Secretarial Audit Report for FY 2022-23 in form MR-3 is annexed with Board’s Report as **Annexure-IV**.

V. Particulars of Loans, Guarantees and Investments

In accordance with the provisions of Section 186(11) of Act the provisions of Section 186 of the Act except sub-section (1), do not apply to loans made, guarantees given or securities provided or acquisition of securities by a Banking company in the ordinary course of business and are exempted from disclosure requirement in the Annual Report.

However, the particulars of investments made by the Bank are disclosed in Schedule 8 of the Financial Statements for FY 2022-23, forming part of this Annual Report, as per the applicable provisions of BR Act.

W. Related Party Transactions

During FY 2022-23, the Bank has not entered into any materially significant transaction with its related parties, which could lead to a potential conflict of interest between the Bank and these parties. All the related party transactions that were entered into during the year were on an arm’s length basis and in ordinary course of business.

The Audit Committee of the Board has given omnibus approval for related party transactions of repetitive nature and entered in the Ordinary Course of Business. Further, the Audit Committee of the Bank reviewed details of all related party transaction entered by the Bank on quarterly basis.

Hence, pursuant to Section 134(3)(h) of the Act read with Rule 8(2) of the Companies (Accounts) Rules, 2014, there are no related party transactions that are required to be reported in form AOC-2. The requisite disclosure has been made under Schedule 18 of the notes forming part of audited financial statements for the financial year ended March 31, 2023.

The Policy on Related Party Transactions and Materiality as approved by the Board is available on the website of the Bank at <https://www.aubank.in/investors/secretarial-policies>.

X. Material Changes and Commitments, if any, affecting the Financial Position of the Bank

There are no material changes and commitments which affect the financial position of the Bank which have occurred between the end of the financial year i.e. March 31, 2023 up to the date of this Report.



Y. Conservation of Energy, Technology Absorption & Foreign Exchange Earnings and Outgo

Since inception, your Bank has operated responsibly towards environment sustainability. The Bank has taken proactive measures to address its emissions footprint by leveraging digital interventions, and implementing emission reduction initiatives wherever possible.

(a) Conservation of Energy

Steps taken or impact on conservation of energy, utilising alternate sources of energy and capital investment on energy conservation equipment's:

Your Bank has launched a gamut of initiatives that are a testimony of Bank's strong intent towards simplifying Banking by eliminating unnecessary steps and enabling smooth onboarding of customers while reducing negative impact on the environment. The Bank has undertaken the following initiatives for conservation of energy:

- AC capacity planning ensures optimal sizing to prevent over consumption of energy.
- Energy-efficient Star Rated equipments are installed for saving of electricity cost.
- Bank promotes green plant & garden in premises to reduce air conditioning load.
- Installation of an i-Touch manager to help monitor and control electricity usage, reducing consumption by 20% and preventing pilferage.
- Variable Refrigerant Volume (VRV) based Chiller used for energy usage reduction in ACs.
- Insulation used to minimise Heat load in offices and to reduce the need for excessive air conditioning.
- Use of LED instead of tradition lighting to reduce electricity consumption.
- Natural Sunlight is maximised through Green Building design in Offices to the extent possible to reduce reliance on artificial lighting to the extent possible.
- Installation of Timer for signages to optimise energy usage.
- Power factor system installed in Electrical panel for optimum usage of electricity.
- UPS & Inverter used to minimise reliance on Diesel generator set.

As part of Bank's commitment to environmental responsibility and to conserve energy, Bank installed a 1.25-Megawatt Solar plant a renewable source of energy that is long-lasting source, thereby resulting into numerous benefits, including reducing energy and carbon intensities, saving of cost, minimising environmental impact, mitigating climate change, and conserving water resources.

Using power supervision technology and guidelines: With installation of range of tools and systems that are designed to monitor, control, and optimise power usage in existing buildings and assets of the Bank, increased energy efficiency is achieved through the replacements and lighting retrofits including installation of intelligent energy management devices among other measures.

Using Cloud based technology and virtualised info Centre: Your Bank strives to channelise its efforts and investment towards infrastructure development in the digital space. The Bank makes use of virtual machines and cloud-based technologies to create a virtual ecosystem. This not only reduces dependency on physical servers thereby reducing operational wattage and space, new, energy efficient, reliable, and vastly advanced cloud-based systems have been put in place.

Being a technology absorption measure as well, Bank shall be immensely benefited with virtualisation of server where there will be saving energy cost due to high availability under cloud based technology, reduced need for on premises physical servers, scalability, workload sharing, elasticity, and rapid resource provisioning etc., thereby achieving enhanced efficiency, flexibility, and cost-effectiveness.

Recycling systems and supplies: Your Bank also practices highly efficient management methods to refurbish aging IT systems. This is carried out to avoid sending hazardous materials into huge landfills and scaling down the load on already overburdened junkyards. The Bank also employs a coherent system of recycling slightly older IT systems by assigning them to the staff that does not need to perform heavy data processing on their system. By doing so, the Bank successfully reduces the demand for new desktops and laptops even with the growing workforce.

Scrap Disposal

There is limited scope for Scrap build up & disposal as the Bank is into financial Services Space. Further, in respect of IT Assets, the same were disposed through E-Waste vendor and details are covered in the Business Responsibility and Sustainability Report of FY 2022-23 annexed with Board's Report as **Annexure-V**.

(b) Technology Absorption

I) The efforts made towards Technology absorption:

1. **Digital Banking:** The Bank witnessed strong growth in the adoption of Tab-based account opening, Android-based Mobile Banking, WhatsApp Banking (24/7 Banking solutions), and Net Banking, thus minimising paper usage, reducing waste generation, and achieving improved waste management.
2. **AU 0101 App:** This app enables the customers to Bank from anywhere and which contributes to reducing carbon footprint through a video-enabled chat with Bank's executives, eliminating the need to travel.
3. **Video Banking:** Launched Video Banking with a vision of offering all Bank's services virtually through video-enabled chat with branch executives, eliminating the need for Branch visits. This initiative helped two-fold in promoting Digital Banking and inspiring customers to adopt a more environmentally sustainable Banking channel and saving of fuel by reducing commutation.
4. **E-receipts Culture:** E-receipts at ATMs, followed by a detailed SMS regarding the last transaction and Bank balance sent to the customer's registered mobile number, resulting in reduced consumption of paper.

II) The benefits derived like product improvement, cost reduction, product development or import substitution:

Bank is continuously taking various steps on the product improvement. Bank is in the process of implementation of new and upgraded version of ITAM tool (IT asset management tool). This tool will manage all Bank's IT assets life cycle i.e., from procurement to scrap and disposal of asset, for PAN INDIA banking operations. Highly efficient use of technology through software helps in save time, improve efficiency, reduce costs, improve productivity, more agile and helps in information security.

III) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year):

- a) The details of technology imported: Nil
- b) The year of import: Nil
- c) Whether the technology been fully absorbed: Nil
- d) If not fully absorbed, areas where absorption has not taken place, and the reasons thereof: Nil

IV) Expenditure incurred on Research and Development:

Since financial services is being primarily covered under Service Sector, the details of this clause are not applicable to the Bank.



(c) Foreign Exchange Earnings and Outgo

During the financial year ended March 31, 2023, the foreign exchange earnings was ₹3.53 crore and the foreign exchange outgo was ₹12.31 crore.

Z. Risk Management

Your Bank operate in a highly dynamic, evolving, competitive and strict regulatory environment. Constantly identifying the emerging and evolving risks for Bank's business is critical to protect the business sustainability. Proactive steps are taken to contain and mitigate these risks which helps to safeguard the interests of Bank's stakeholders.

The nature of Risk in a Banking Industry are of wide array evolving around Credit Risk, Market & Liquidity Risk, Operational Risk, IT and Cyber Security Risk, Compliance Risk, and other risks. Your Bank has adopted a multi-layered risk management process to identify, assess, monitor, and manage risks through the effective use of processes, information, and technology.

Bank's robust risk management framework has evolved over the years under the supervision of highly experienced Board and senior leadership. Bank approach is to ensure that it understand these risks well in order to respond to them in a timely manner. This translates into consistent risk management practices to measure, monitor, control, and mitigate risks. This approach is translated into Bank's daily risk management practices, which encompass the measurement, monitoring, control, and mitigation of risks. By actively engaging in these practices, Bank aim to proactively contain and address potential threats to Bank's business. This proactive stance ensures that Bank stay ahead of the curve and are well-prepared to handle any challenges that may arise in ever-changing industry and regulatory landscape.

The Bank's risk management is governed by the three Lines of Defence. First Line of Defence consists of individual business units and support functions that own and manage risks through adherence to laid-down procedures.

Second Line of Defence consists of the Risk Management and Compliance departments which ensure the First Line of Defence is properly designed, is in place and operating as intended through regular reporting.

Third Line of Defence consists of the Internal Audit function, which provides the highest level of independent assurance on the effectiveness of governance, risk management and internal controls through audit in line with the approved audit plan and reporting the same to the Audit Committee of the Board on a regular basis.

Collectively, these three functions provide assurance to the Board that the risks assumed by the Bank are within the risk appetite approved by the Board and the adequacy and effectiveness of the governance framework around the risks for Bank's business.

The Risk Management policies act as guiding principles for implementation of risk management framework in the Bank. The Board is supported by an experienced executive management team, Board Committees, and Board Delegated Committees as part of the Risk Governance Framework. The Board ensures a balance between growth and prudent risk management while creating value for stakeholders. To comply with regulatory provisions, the Bank has established a Risk Management Committee that oversees the implementation of the risk governance framework and guiding principles. The Bank has appointed a Chief Risk Officer (CRO) who administers various risk areas such as Credit Risk, Market & Liquidity Risk, Operational Risk, Fraud Risk, Information Security Risk, Compliance Risk, and other risks. The CRO works in accordance with the approved risk management policies and the delegation matrix, and has direct access to the Risk Management Committee. The CRO plays a key role in making risk management decisions that impact the Bank's strategic direction and monitors the progress of risk management activities. The details of the Risk Management Committee and its terms of reference are set out in the Report on Corporate Governance annexed with Board's Report as **Annexure-I**.

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

(a) Credit Risk Management

Risk: Credit risk arises from business operations that give rise to actual, contingent, or potential claims against any counterparty, borrower, or obligor. The scope of the Credit Risk unit includes measuring, assessing, and monitoring credit risk within the Bank through strengthening underwriting norms, keeping close watch on asset quality trends and concentrations at individual exposures as well as at the portfolio level.

Mitigation: Credit Committee and Credit Risk & NPA Management Committee (“**CRNPAC**”) oversees and reviews the credit risk and is responsible for prudential limits on large credit exposures, asset concentration, portfolio management, loan review mechanism, risk concentration, monitoring and evaluation, provisioning, regulatory and other issues around it. All aspects of credit risk are governed by the Credit Risk Management Policy and other Policies. Your Bank has laid down prudential limits and caps on various aspects to control the magnitude of credit risk. The defined risk limits are forward-looking and are reviewed in sync with future business plans. Loan administration and monitoring is carried out through Portfolio Profiling, Early Warning Framework, Rapid Portfolio Review, and Annual Monitoring of High Value Customers and other risk activities.

The CRNPAC looks after credit risk assessment on quantitative and qualitative basis. The Bank has a defined mechanism for necessary action to be taken in case of any alarming situation. Key risk indicators are defined for all major products having significant contribution to asset book.

CRNPAC follow the guiding principles listed below:

- Ensure that a governance framework is established for an effective oversight, segregation of duties, monitoring and management of Credit Risk in the Bank.
- Ensure that the sourcing and approval of credit proposals are as per the defined strategies, systems, and processes.
- Ensure that guiding principles shall be laid down for the setting up and monitoring of the credit and credit risk appetite and limits.
- Establish standards to facilitate effective identification and assessment of credit risks in the Bank.
- Establish standards for effective measurement and monitoring of credit risk and NPA.
- Ensure adherence to the guidelines/policies related to credit, credit risk and NPA management as issued by the RBI from time to time.

The Board Delegated Credit Committees submit their updates to Risk Management Committee of the Board at regular intervals.

(b) Operational Risk Management

Risk: Operational Risk has been defined by the RBI as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. This definition includes Legal Risk but excludes strategic and reputational Risk.

Mitigation: The Bank has the Board delegated Operational Risk Management Committee (“**ORMC**”) to oversee implementation of the operational risk management framework across the Bank and advise on implementation of measures for risk mitigation which further reports to Risk Management Committee of the Board. The Bank follows an integrated risk approach, where operational risks and its monitoring folds into CRO and ORMC. The Bank has in place a Board approved Operational Risk Management Policy which includes a comprehensive Operational Risk Management Framework for documenting, assessing, and periodic monitoring of various risks and controls linked to various processes across all business verticals.



Your Bank also has Risk Containment Unit that is guided by a Board approved Fraud Risk Management Policy. Fraud cases reported in the Bank are apprised to the Audit Committee and the Board and fraud cases in excess of ₹1 crore or more are specifically reported and dealt by the Special Committee for Fraud Monitoring (“**SFMC**”) of the Board. The Bank is continuously strengthening its systems, operational practices and processes, procedures, controls, and review mechanism so that fraud-prone areas are sanitised against internal and external breaches and by continuously monitoring that these control measures are operating effectively.

With the Digital Banking services, the Bank has seen significant milestones in both at customer facing technologies and internal digitisation. To ensure safe and secure transactions and improve the customer experience at digital fronts, the Bank monitors the transactions on an ongoing basis. As your Bank prepares for the next step in the world of Digital Banking, it is confident that its technological capabilities will propel the next phase of growth in the coming years.

Your Bank has in place a comprehensive Outsourcing Risk Policy in line with RBI guidelines released on time-to-time basis keeping in view the extensive use of outsourcing by the Bank. Board has the ultimate responsibility for the outsourced activity. However, for ease of functioning, the powers have been delegated to the Risk Management Committee of the Board and Committee for Outsourcing of IT and Financial Services. The outsourcing policy document of the Bank lays down the framework adopted by the Bank for reviewing and approving outsourcing of services that includes plans and procedures to evaluate, assess, approve, review, control and monitor the risks and materiality of all its vendor/outsourcing activities and serve as a guidance to the Bank to adopt sound and responsive risk management practices for effective oversight, due diligence and management of risks arising from outsourcing activities.

Your Bank has in place a comprehensive Business Continuity Management plan, policy, and procedures in place to ensure continuity of critical operations of the Bank in the event of any disaster/incident affecting business continuity. The Bank’s business continuity Programme is developed considering the criticality of the functions performed and the systems have been designed to minimise the operational, financial, legal, and other material consequences arising from such a disaster and focus is on ensuring faster recovery of and minimising impact on the IT systems of the Bank. Your Bank has dedicated DR sites and there are periodic drills in place to validate effectiveness of Bank’s Business Continuity Plans (“**BCP**”). These controls helped Bank in taking immediate action in case of any business/application level issue arises which is leading to impact on Banking services/operations. The learning from the BCP drill exercises are used in refining the BCP framework.

(c) Market Risk, Liquidity and Asset Liability Management

Risk: Market Risk for the Bank originates from investment and trading in securities, which are undertaken both for the customers and on a proprietary basis. The market risk management framework of the Bank sets benchmark for market risk exposures, the performance of portfolios vis- à-vis the market risk limits and comparable benchmarks, which provide guidance to optimise the risk-adjusted rate of return of the Bank’s investment portfolio. Liquidity risk refers to Bank’s inability to fund an increase in assets or withdrawal of liabilities and meet both expected and unexpected cash & collateral obligations at reasonable cost without adversely impacting its financial condition.

Mitigation: Market risk management is guided by well-defined policies, guidelines, processes and systems for the identification, measurement, monitoring and reporting of exposures against various risk limits set in accordance with the risk appetite of the Bank. The Bank utilises the analytical tools for the market risk management of its trading and investment portfolios.

The Asset Liability Management Policy of the Bank stipulates a broad framework for liquidity risk management to ensure that the Bank is able to meet its liquidity obligations as well as to withstand a period of liquidity stress from Bank-level factors, market-wide factors, or a combination of both. The Board approved policy captures the risk appetite around the liquidity and market risk of the Bank and helps to put in place defined governance structure in consonance with the Bank’s Risk Appetite.

The Asset Liability Management Committee of the Bank oversees the framework for identification, measurement and management of market risk, interest rate risk and liquidity risk in the Bank and ensures compliance with established internal and regulatory prudential limits and operate within the approved risk appetite by the Board.

(d) IT Risk Management

Risk: Your Bank is growing with digitisation and aimed at leveraging digital technology to provide a best-in-class experience for its customers while simultaneously enhancing productivity and improve on IT risk management. Risk of cyber-attacks on your Bank’s systems arises among others from computer viruses, malicious or destructive code, phishing attacks, denial of service or information, application vulnerability and other security breaches resulting in disruption of its services or theft or leak of sensitive internal data or customer information.

Mitigation: Your Bank has established a robust information and cyber security framework for securing its IT infrastructure and systems. IT Steering Committee and IT Security Risk Management Committee reports to Board level IT Strategy & Information Systems Security Committee. This committee reviews and monitors IT security infrastructure and vigilance over IT related vulnerabilities against emerging cyber security risks. The Chief Information Security Officer (“**CISO**”) is responsible for monitoring the information security risks covering all aspects of data security for the Bank who reports to CRO. Cyber Security Operation Centre with qualified professionals is reporting to CISO for monitoring of real-time cyber security glitches. Your Bank has also deployed advanced controls at various layers to ensure that cyber security risk in minimised.

(e) Reputation Risk Management

Risk: Reputation risk can negatively impact the Bank’s ability to attract or retain customers and expose it to litigation and regulatory action.

Mitigation: Your Bank assesses and manages Reputation Risk on periodic basis. Your Bank communicates with its stakeholders regularly through appropriate engagement mechanisms to address stakeholder expectations and assuage their concerns, if any. There is Zero tolerance for knowingly engaging in any activities that are not consistent with values, Code of Conduct, or policies of the Bank.

(f) Compliance Risk Management

Risk: The adoption of effective AML/KYC standards is an essential part of Banks’ Risk Management practices. Banks with inadequate Compliance (AML/KYC) risk management programmes may be subject to significant risks, especially legal and reputational risk. Sound Compliance (AML/KYC) policies and procedures not only contribute to a Bank’s overall safety and soundness and also protect the integrity of the banking system by reducing the likelihood of Banks becoming vehicles for money laundering, terrorist financing and other unlawful activities. Recent initiatives to reinforce actions against terrorism in particular have underlined the importance of Banks’ ability to monitor their customers wherever they conduct business.

Mitigation: The Bank has a dedicated Compliance Department that continuously monitors new developments and updates the Bank’s Board and senior management about its implications. The Bank has a strong compliance culture and have well-articulated policies with regard to conduct, Vigil Mechanism, AML & KYC, and engagement with third party vendors. Compliance & risk department update status of compliance & controls to Audit Committee Board on regular basis to review and advise on implementation of measures for AML/KYC risk mitigation along with effective Transaction monitoring.

AA. Corporate Social Responsibility

Your Bank has been financing the entrepreneurship aspiration of the unreached and unbanked masses of India. This has been further adopted in designing and implementing high impact CSR projects aimed at improving livelihoods of marginalised and vulnerable segment of the society. The CSR initiatives of the Bank is focused on Skills Development, Women Entrepreneurship, Rural Sports, among others, all of which have a profound positive impact on the targeted communities.



CSR activities and funds are monitored by the CSR Committee formed by the Board of Directors. Further, assessing the impact of these projects that would be carried out in the upcoming years.

Pursuant to CSR provisions of the Act and rules made thereunder, the Bank has transferred ₹8.26 crore in “Unspent Corporate Social Responsibility Account” for carrying out expenditure on its ongoing CSR Projects and such amount shall be spent in Compliance of CSR Policy towards CSR obligation as per their respective implementation schedule.

The terms of reference of CSR Committee have been disclosed in the Report on Corporate Governance and a detailed breakup of expenditure carried out and other details related to CSR activities has been disclosed in the Annual Report on Corporate Social Responsibility is annexed with Board’s Report as **Annexure-II**. The CSR Policy is disclosed on the website of the Bank at <https://www.aubank.in/investors/secretarial-policies>.

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

In accordance with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, your Bank is committed to provide a safe and conducive work environment to all its employees and associates. The Bank has implemented its Policy on Prevention and Redressal against Sexual Harassment at the work place.

The disclosure required under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 is provided in Report on Corporate Governance annexed with Board’s Report as **Annexure-I**.

AC. Subsidiary, Joint Ventures & Associate Companies

The Bank does not have any subsidiary, joint ventures & associate companies. Hence, the details of this clause are not applicable to the Bank. Accordingly, the Bank is also not required to formulate a specific policy on dealing with material subsidiaries.

AD. Material Orders Passed by Regulators or Courts or Tribunals

During the period under review, no material orders have been passed by the Regulators/ Courts/ Tribunals which would impact the going concern status of the Bank and its future operations.

AE. Internal Financial Control & their Adequacy

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

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

The internal audit function provides independent assurance to the Board of Directors and Audit Committee on the quality and effectiveness of the Bank’s internal control, risk management and governance systems and processes.

Proper internal controls were in place and operating effectively for the period under review. Further, in compliance with the requirements of the Act joint statutory auditors have issued an opinion with respect to the adequacy of the internal controls over financial reporting of the Bank and the operating effectiveness of such controls, details of which may be referred to in the Auditor’s Report attached to the audited financial statements of FY 2022-23.

AF. Cost Records

Being a Banking company, provisions of Section 148(1) of the Act, relating to maintenance of cost records is not applicable to the Bank.

AG. Corporate Governance

Your Bank believes in promoting transparency, accountability, integrity, fairness and compliance while maintaining adequate risk management and internal controls for sustainable business growth and fostering public confidence.

The Bank consistently evaluates its practices against industry benchmarks to ensure adherence to the best practices of Corporate Governance to achieve and upholding the utmost standards of Corporate Governance. The Bank remains steadfast in its commitment to operate in accordance with the highest principles of governance and ethics, with the aim of maintaining its reputation as a model institution in the banking industry.

The Bank accords paramount importance in having a best-in-class Governance and assurance framework in the Institution. The Bank continuously endeavour to fortify and upgrade its Risk Management, Compliance and Audit practices. The Board of Directors and its various committees, being the apex decision-making bodies of the Bank, oversee the overall Governance & Assurance framework.

As stated above, it is Bank's persistent effort to continuously elevate the level of governance & assurance functions and it is pertinent to enumerate some of the present key aspects of these functions in the Bank along with the new practices implemented/initiatives undertaken in the recent past to fortify the risk and compliance culture:

1. Risk Management:

Bank's risk management philosophy and approach are designed to protect customers and investors interests along with Bank's reputation and financial strength. Execution of core risk management activities in the Bank has been delegated to Board Delegated Committee viz. Credit Risk & NPA Management Committee, Operational Risk Management Committee, Asset Liability Management Committee, IT Steering Committee and IT Security Risk Management Committee.

2. Compliance Function:

The most important role of Compliance function is to ensure a robust compliance culture in the Bank. To set the right tone of Compliance culture, the function seeks regular guidance from the Board of Directors and its various committees. It connects with the internal stakeholders through periodic structured and unstructured meetings to convey the compliance requirements 'loud and clear'.

The Compliance Function in its endeavour to further fortify its efforts has implemented various new initiatives, some of which are (i) *Compliance Sustenance Framework*, (ii) *Compliance Self Certification*, (iii) *Strengthening the Product Approval Process*, (iv) *Quality Assurance and Improvement Programme (QAIP)*, (v) *specialised domain knowledge of IT/IS resources roped in*.

3. Internal Audit Function:

The Internal Audit Department follows a risk-based audit approach as laid down in the Risk Based Internal Audit Policy of the Bank and prioritises audits of high-risk areas identified in collaboration with the Risk Management as well as Compliance Functions. Further, to strengthen the IAD, Bank has set up an independent Quality Assurance function carries out an independent quality check of the audit activities conducted by the various sub-verticals of the Internal Audit function.



During the year, your Bank was awarded with the Certificate of Excellence on Corporate Governance from The Institute of Company Secretaries of India.

The Report on Corporate Governance for FY 2022-23 along with certificate issued by M/s. V. M. & Associates, Company Secretaries confirming the compliance to applicable requirements related to corporate governance as stipulated under Chapter IV of the SEBI Listing Regulations, is annexed with Board's Report as **Annexure-I**.

AH. Business Responsibility and Sustainability Report & Sustainability Initiatives

The Bank endeavours to benchmark itself with the best of corporates in India and continued its focus to implement best Environmental, Social and Governance (ESG) practices in its operations with responsible lending approach. In alignment with the vision of the Bank, through its sustainability initiatives, the Bank continue to enhance value creation in society, steer itself towards resilience and sustainable growth.

The Board of Directors has constituted Sustainability Committee and approved the Sustainability Policy of the Bank which serve as guiding principle for driving the Bank's sustainability initiatives, thereby ensuring that sustainable practices are consistently, methodically, and strategically integrated into Banking operations.

As a measure of global best practices on sustainable initiatives and ESG practices, Bank's First Sustainability Report was released on January 19, 2023 for FY 2021-22 in line with the Global Reporting Initiative framework - Sustainability Reporting Standards (GRI Standards core option).

Further, In accordance with the amendment in Regulation 34(2)(f) of the SEBI Listing Regulations, vide Gazette notification no. SEBI/LAD-NRO/GN/2021/22 dated May 5, 2021, the Business Responsibility and Sustainability Report ("**BRSR**") is hosted at the Bank's website.

The BRSR is annexed with Board's Report as **Annexure-V** and disclosed on the website of the Bank at <https://www.aubank.in/investors>.

AI. Particulars of Employee Remuneration

In accordance with Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rule, 2014, the ratio of the remuneration of each Director to the median employee's remuneration and other details is annexed with Board's Report as **Annexure-III**.

The statement containing particulars of employees as required under Section 197(12) of the Act read with Rule 5(2) and Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended, forms part of this report. In terms of Section 136(1) of the Act the annual report is being sent to the Members excluding the aforesaid annexure, the annexure is available for inspection up to the date of AGM at the registered office of the Bank and any Member interested in obtaining a copy of the Annexure may write to the Company Secretary of the Bank at investorrelations@aubank.in.

AJ. Management Discussion and Analysis

In accordance with the Regulation 34(2)(e) and Schedule V of the SEBI Listing Regulations, the Management Discussion and Analysis Report for the FY 2022-23 is covered in a separate section forming part of the Annual Report.

AK. Annual Return

In accordance with the provisions of Section 134(3)(a) read with Section 92(3) of the Act the draft Annual Return for the financial year ended on March 31, 2023 in the prescribed form MGT-7 is disclosed on the website of the Bank at <https://www.aubank.in/investors>.

AL. Whistle-Blower Policy & Vigil Mechanism

In accordance with the provisions of Section 177(9) of the Act rules made thereunder and Regulation 4(2)(d) and Regulation 22 of the SEBI Listing Regulations, the Bank has implemented Whistle-Blower Policy & Vigil Mechanism which is disclosed on the website of the Bank at <https://www.aubank.in/investors/Secretarial-policies>.

The details have been provided in Report on Corporate Governance annexed with Board's Report as **Annexure-I**.

AM. Anti-bribery and Anti-corruption Policy

The Bank follows a 'zero-tolerance approach' towards bribery, corruption, and other wrong practices. The Bank is resolute to act professionally, fairly, ethically and with integrity in its dealings and operations. The Bank has a Board approved Anti-Bribery and Anti-Corruption Policy laying down the principles for carrying out Banking business in an honest and ethical manner. The said policy is disclosed on the website of the Bank at <https://www.aubank.in/notice-board>.

AN. Compliance of Secretarial Standard issued by the Institute of Company Secretaries of India

The Bank has complied with the Secretarial Standards issued by the Institute of Company Secretaries of India on Meetings of the Board of Directors and General Meetings.

AO. Status of Ind AS Implementation

As per the RBI circular RBI/2015-16/315 DBR.BP.BC.No.76/21.07.001/2015-16 dated February 11, 2016 Implementation of Indian Accounting Standards (Ind AS), The Banks are advised to follow the Indian Accounting Standards as notified under the Companies (Indian Accounting Standards) Rules, 2015, subject to any guideline or direction issued by the RBI in this regard. The Banks in India currently prepare their financial statements as per the guidelines issued by the RBI, the Accounting Standards notified under Section 133 of the Act and generally accepted accounting principles in India (Indian GAAP). In January 2016, the Ministry of Corporate Affairs issued the roadmap for implementation of new Indian Accounting Standards (Ind AS), which were based on convergence with the International Financial Reporting Standards (IFRS), for scheduled commercial Banks, insurance companies and non-banking financial companies (NBFCs). In March 2019, RBI deferred the implementation of Ind AS for Banks till further notice as the recommended legislative amendments were under consideration of Government of India. The Bank had undertaken preliminary diagnostic analysis of the GAAP differences between Indian GAAP vis-à-vis Ind AS and shall proceed for ensuring the compliance as per applicable requirements and directions in this regard.

Directors' Responsibility Statement

Pursuant to Section 134(3)(c) read with Section 134(5) of the Act the Board of Directors hereby confirm that:

1. In the preparation of the annual accounts for the year ended March 31, 2023, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
2. We have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Bank as on March 31, 2023 and of the profit of the Bank for the year ended on that date.
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the Bank's assets and for preventing and detecting fraud and other irregularities.



4. We have prepared the annual accounts on a going concern basis.
5. We have laid down internal financial controls to be followed by the Bank and ensured that such internal financial controls are adequate and were operating effectively.
6. We have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Acknowledgment and Appreciation

The Board places on record its gratitude to the Government of India, various State Governments, RBI, SEBI, MCA, IRDAI, IBA, UIDAI, CERSAI, Bankers, Lenders, Credit Rating Agencies & Debenture Trustees for their continued support and faith reposed in the Bank.

The Board would also like to thank BSE Limited, National Stock Exchange of India Ltd., National Securities Depository Limited, Central Depository Services (India) Limited, Registrar & Share Transfer Agent, Vendors and Service Providers for their continued support & co-operation.

The Board also places on record its appreciation to its valued customers for their continued patronage and to the members & Debenture holders of the Bank.

The Board also expresses its heartfelt thanks and gratitude to each employee and their families for their continued commitment towards the Bank and its customers, who by demonstrating strong work ethics, professionalism, teamwork, and initiatives helped the Bank continue to serve its depositors and customers and reinforce its customer centric image despite the challenging environment.

For and on behalf of the Board of Directors

AU SMALL FINANCE BANK LIMITED

Sd/-

Sanjay Agarwal

Managing Director & CEO

DIN: 00009526

Sd/-

Uttam Tibrewal

Whole-Time Director

DIN: 01024940

Date: June 29, 2023

Place: Jaipur

CIN: L36911RJ1996PLC011381

Registered Office: 19-A, Dhuleshwar Garden, Ajmer Road, Jaipur - 302 001, Rajasthan, India

Date: June 29, 2023

Place: Mumbai

CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members,
AU Small Finance Bank Limited
19-A, Dhuleshwar Garden
Jaipur - 302 001 (Rajasthan)

1. We have examined the compliance of conditions of Corporate Governance of AU Small Finance Bank Limited ("**the Bank**") for the year ended on March 31, 2023 as stipulated in Regulations 17 to 27 and clauses (b) to (i) and (t) of Regulation 46 (2) and other applicable regulations of Chapter IV pertaining to Corporate Governance and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [collectively referred to as "**SEBI Listing Regulations**"].

Management's Responsibility for compliance with the conditions of SEBI Listing Regulations

2. The compliance with the conditions of Corporate Governance is the responsibility of the management of the Bank, including the preparation and maintenance of all relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in SEBI Listing Regulations.

Our Responsibility

3. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Bank for ensuring the compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.
4. We have examined the relevant records and documents maintained by the Bank for the purposes of providing reasonable assurance on the compliance with the Corporate Governance requirements by the Bank.
5. We have conducted our examination in accordance with the Guidance Note on Corporate Governance Certificate and the Guidance Manual on Quality of Audit & Attestation Services issued by the Institute of Company Secretaries of India ("ICSI").

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us and the representation made by the directors and the management and considering the relaxations granted by the Ministry of Corporate Affairs and Securities and Exchange Board of India warranted due to the spread of the COVID-19 pandemic, we hereby certify that the Bank has complied with the conditions of Corporate Governance as stipulated in the above-mentioned SEBI Listing Regulations.
7. We further state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

Restriction on Use

8. The certificate is addressed and provided to the members of the Bank solely for the purpose to enable the Bank to comply with the requirement of the SEBI Listing Regulations, and it should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

For V. M. & Associates
Company Secretaries
(ICSI Unique Code P1984RJ039200)
PR 581 / 2019

Place: Jaipur
Date: April 25, 2023
UDIN: F003355E000183381

CS Manoj Maheshwari
Partner
Membership No.: FCS 3355
C P No.: 1971



AU Jaipur Marathon

Over **1 Lakh runners** | **25+ Countries** | **70+ Cities**
14th edition | **5th Feb 2023**



AU Jaipur Marathon, one of the much-anticipated events of Jaipur, is a testament to our commitment towards creating a culture of wellness and physical fitness. As a sports enthusiast Bank, we believe that sport is a powerful tool for empowering individuals and communities, and we're proud to be at the forefront of this 'BADLAAV' campaign.



Annexure I

Report on Corporate Governance

"Good corporate governance is the cornerstone of a stable and healthy banking sector. It promotes transparency, accountability, and ethical behaviour, and it is essential for building trust and confidence in financial institutions." – Christine Lagarde, President of the European Central Bank.

The Bank's philosophy on Corporate Governance

Corporate governance refers to the system of rules, practices, and processes by which a Bank is directed and controlled. It encompasses the relationships among the stakeholders involved, such as the Board of Directors, executive management, shareholders, and others.

The AU Small Finance Bank ("Bank") recognises the importance of good corporate governance as a critical component of sustainable business growth and development.

The Bank's Corporate Governance philosophy, *inter alia*, includes below key principals:



The Bank aim is to promote transparency, accountability, integrity, and compliance while maintaining effective risk management by constructive and meaningful engagement with its stakeholders.

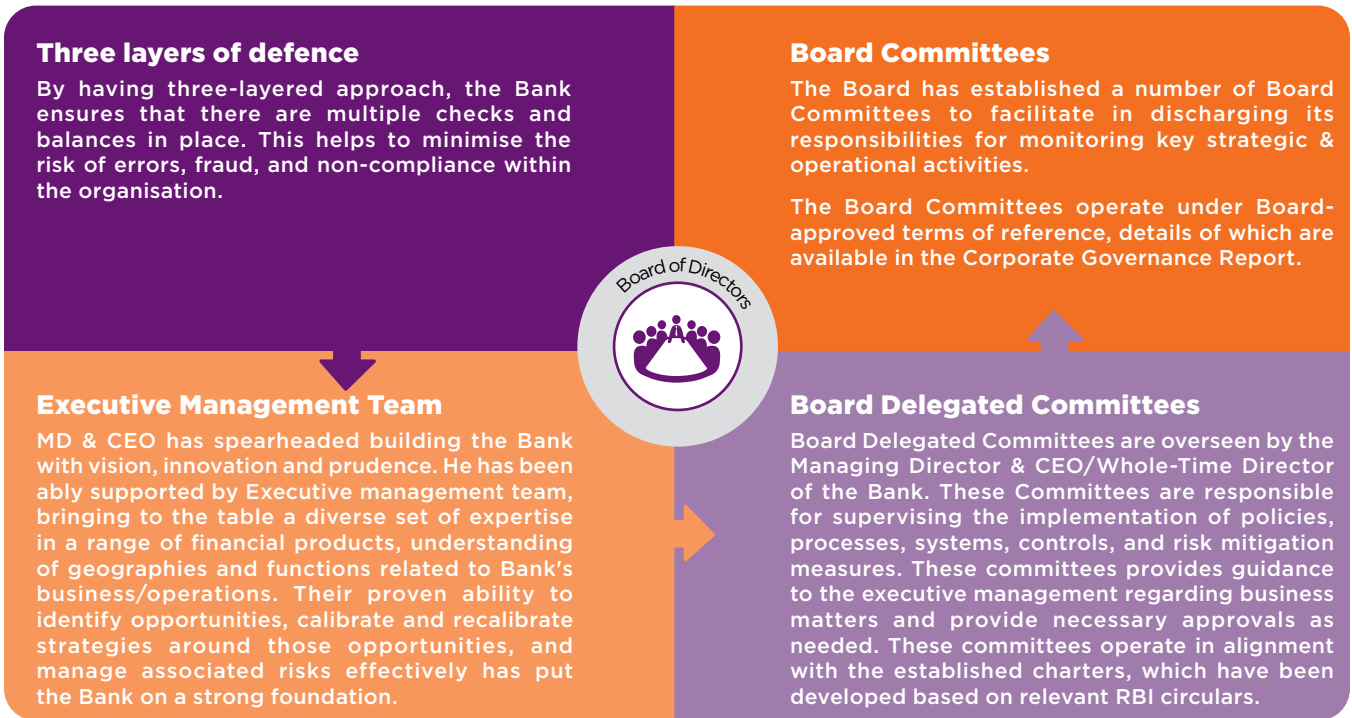
Bank's Governance Structure

The governance structure of Bank is designed to ensure that the Bank is managed in the best interests of its all stakeholders, including shareholders, customers, and employees etc. while maintaining effective risk management and compliance with applicable laws and regulations.

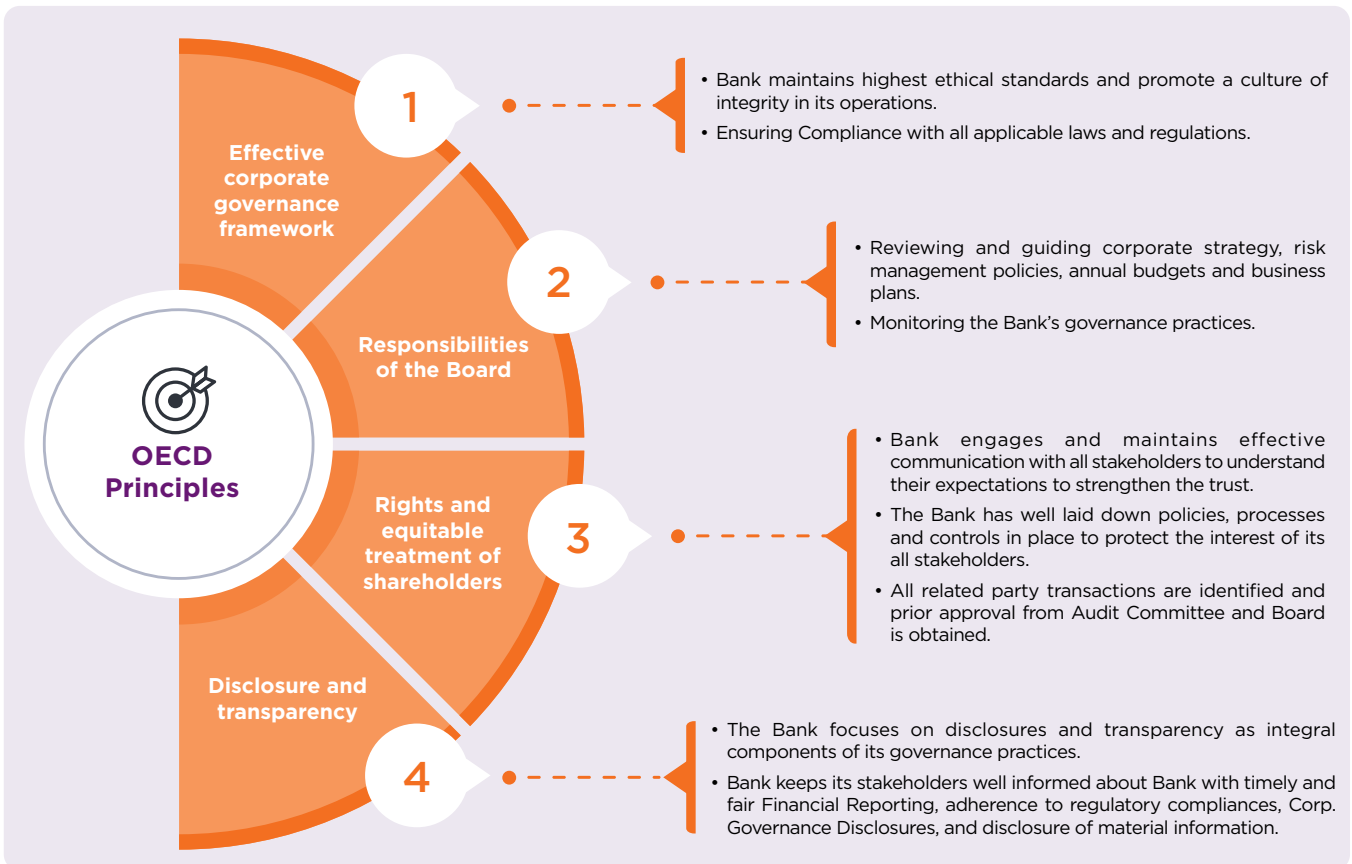
The Board is responsible for strategic direction, setting of plans and priorities, monitoring corporate performance against strategic business plan. The Board is assisted by the Board Committees and Board Delegated Committees to discharge its responsibilities of devising key strategies and monitoring of Bank's activities. MD & CEO, Whole-Time Director and Senior officials are responsible for implementing the Bank's strategy and managing day-to-day operations.

The Bank has three layers of defence for strong internal controls, wherein control groups and business units are the first layer of defence, supplemented by the Risk and Compliance function as the second layer of defence and Internal Audit and Vigilance function acting as the third line of defence, which is independent from the first and second lines of defence, and has the primary responsibility of conducting objective reviews and providing assurance on the quality and effectiveness of the Bank's internal control system.

Governance Structure



The governance practices of Bank are in line with the principles of the Organisation for Economic Co-operation and Development (OECD), which provide a framework for effective corporate governance. Bank is guided by these principles in fostering transparency, accountability, and fairness in its operations





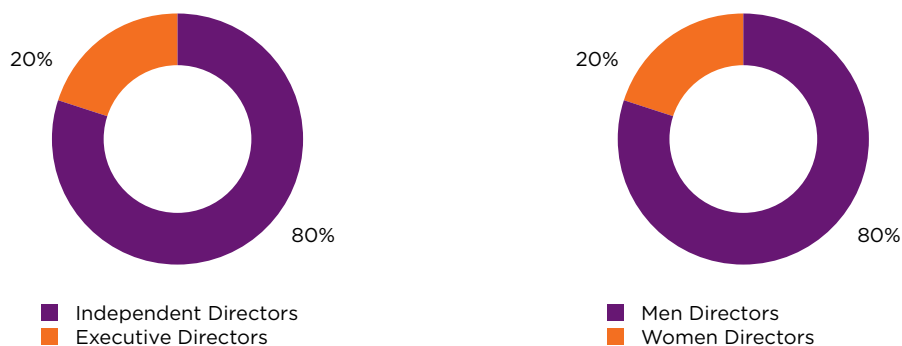
Board of Directors (“the Board”)

The Bank has diversified & well-balanced Board consisting of ten (10) Directors with eight (8) Independent Directors including two (2) Woman Independent Directors, and two (2) Executive Directors. Majority of the Board consist of Independent Directors, thereby maintaining highest level of Independence, they actively participate in Board discussions, challenging assumptions, raising questions, and providing alternative viewpoints, fostering robust and constructive deliberation for effective decision-making.

The composition of the Board conforms to the Banking Regulation Act, 1949, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”), the Companies Act, 2013 and the relevant rules made thereunder.

The changes in the composition of the Board of Directors that took place during the FY 2022-23 was carried out in compliance of the provisions of the Companies Act, 2013/ SEBI Listing Regulations/ RBI Guidelines and details of appointment/ re-appointment during the FY 2022-23 is covered in the Board’s Report.

All non-executive directors on the Board are Independent Directors as defined under Regulation 16(1)(b) of the SEBI Listing Regulations and Section 149(6) of the Companies Act, 2013 along with rules framed thereunder. In terms of Regulation 25(8) of SEBI Listing Regulations, they have confirmed that they are not aware of any circumstance or situation which exists or may be reasonably anticipated that could impair or impact their ability to discharge their duties with an objective independent judgement and without any external influence. Independent Directors of the Bank have submitted their annual declarations with respect to the criteria of independence as stipulated under the provisions of the Companies Act, 2013, SEBI Listing Regulations, the Banking Regulation Act, 1949, and the guidelines issued by the RBI from time to time and in the opinion of Board the independent directors meet the criteria of independence laid down thereunder and are independent of the management.



Note: The number of directors and Board Composition is as on March 31, 2023.

Board’s Role & Functioning

The Board is the apex body whose constitution is approved by the shareholders and is responsible for strategic supervision and overseeing the Management performance and governance of the Bank on behalf of all stakeholders. In order to take an informed decision, the Board has access to all relevant information and are free to approach the management. Driven by the principles of Corporate Governance Philosophy, the Board strives to work in the best interests of the Bank and the stakeholders.

The Board is responsible for strategic direction, setting of plans and priorities, monitoring corporate performance against strategic business plan, review and approval of the Bank’s financial and operating results on a periodic basis, overseeing major capital expenditures, overseeing the Bank’s Corporate Governance framework including the functioning of the Board committees, and supervising the succession planning process for Directors and its Executive Management.

Board Skill Matrix

The Board of the Bank comprises of qualified directors who possess relevant skills, expertise and competence to ensure effective functioning of the Bank. In terms of the requirements of the SEBI Listing Regulations, the Board and the Nomination and Remuneration Committee reviewed existing skill matrix which are relevant in Bank and added Sustainability and ESG, as new skills in the Board skill matrix as mentioned below:

• Banking	• Information Technology
• Accountancy	• Payment and Settlement
• Economics	• Financial Inclusion
• Finance	• Co-operation
• Risk Management	• Small Scale Industry
• Business Management	• Treasury
• Agriculture and Rural Economy	• Sustainability and ESG
• Human Resources	



Mr. Raj Vikash Verma
Part-time Chairman
Independent Director
DIN: 03546341

Age	68
Qualification	MA Economics, MBA (Finance) & CAIIB
Date of Appointment	January 30, 2018 (ID) April 8, 2020 (Chairman)
Date of Re-Appointment	January 30, 2021 (ID) April 8, 2023 (Chairman)
Term of Directorship	3 Years Till completion of tenure as ID i.e. January 29, 2024
Shareholding	0
Board Membership - Other Listed Entities	Nil
No. of Directorships other Companies	4
Member/Chairperson in Committee(s)	
Member	2
Chairperson	1
Areas of Expertise	Accountancy Banking Economics Finance Human Resources Risk Management and Business Management



Mr. Harun Rasid Khan
Independent Director
DIN: 07456806

Age	68
Qualification	MA, M.Phil, Diploma in Business Management, CAIIB
Date of Appointment	December 28, 2021
Date of Re-Appointment	NA
Term of Directorship	3 Years
Shareholding	0
Board Membership - Other Listed Entities	Nil
No. of Directorships other Companies	1
Member/Chairperson in Committee(s)	
Member	0
Chairperson	0
Areas of Expertise	Banking Finance Information Technology Payment and Settlement Systems Human Resources Risk Management Economics and Financial Market & Financial Inclusion



Mr. Kamlesh Shivji Vikamsey
Independent Director
DIN: 00059620

Age	62
Qualification	FCA, B.Com.
Date of Appointment	April 25, 2022
Date of Re-Appointment	NA
Term of Directorship	3 Years
Shareholding	0
Board Membership - Other Listed Entities	1. Navneet Education Limited - Non-Executive Director & Chairman 2. Man Infraconstruction Limited - Independent Director 3. Tribhovandas Bhimji Zaveri Limited - Independent Director 4. Apcotex Industries Limited - Independent Director
No. of Directorships other Companies	4
Member/Chairperson in Committee(s)	
Member	5
Chairperson	4
Areas of Expertise	Accountancy Audit Taxation Finance Economics Business Management and Sustainability



Mr. Kannan Gopalaraghavan Vellur
Independent Director
DIN: 03443982

Age	66
Qualification	MBA, CAIIB, Organisational Leadership Executive Programme, Wharton Business School
Date of Appointment	January 22, 2020
Date of Re-Appointment	January 22, 2023
Term of Directorship	3 Years
Shareholding	625 Shares
Board Membership - Other Listed Entities	Aptus Value Housing Finance India Limited - Independent Director
No. of Directorships other Companies	2
Member/Chairperson in Committee(s)	
Member	2
Chairperson	0
Areas of Expertise	Agriculture and Rural Economy Banking Co-operation Economics Finance Small Scale Industry Risk Management Business Management and Treasury



Ms. Kavita Venugopal
Independent Director
DIN: 07551521

Age	66
Qualification	MBA, BA and Certificate Programme on Corporates Boards Membership by FICCI Women
Date of Appointment	March 29, 2023
Date of Re-Appointment	NA
Term of Directorship	3 Years
Shareholding	0
Board Membership - Other Listed Entities	Munjal Showa Limited - Independent Director
No. of Directorships other Companies	3
Member/Chairperson in Committee(s)	
Member	2
Chairperson	1
Areas of Expertise	Banking Finance Economics Human Resource Risk Management Business Management Financing to SME SSI & Mid Corporates



Ms. Malini Thadani
Independent Director
DIN: 01516555

Age	65
Qualification	MA, Ohio University, Master's in History, Hindu College, Certificate of Public Administration, Ohio University
Date of Appointment	November 25, 2022
Date of Re-Appointment	NA
Term of Directorship	3 Years
Shareholding	0
Board Membership - Other Listed Entities	Saksoft Limited - Independent Director
No. of Directorships other Companies	3
Member/Chairperson in Committee(s)	
Member	2
Chairperson	0
Areas of Expertise	Banking Risk Management Business Management Sustainability & Sustainable Finance ESG Public Affairs and CSR



Mr. Mankal Shankar Sriram
Independent Director
DIN: 00588922

Age	60
Qualification	Graduate from IRMA, Fellow - IIMB
Date of Appointment	October 21, 2019
Date of Re-Appointment	October 21, 2022
Term of Directorship	3 Years
Shareholding	0
Board Membership - Other Listed Entities	Nil
No. of Directorships other Companies	4
Member/Chairperson in Committee(s)	
Member	3
Chairperson	0
Areas of Expertise	Accountancy Agriculture and Rural Economy Banking Co-operation Economics Finance Business Management Financial inclusion and Rural Banking.



Mr. Pushpinder Singh
Independent Director
DIN: 08496066

Age	69
Qualification	B.Sc., CAIIB
Date of Appointment	October 21, 2019
Date of Re-Appointment	October 21, 2022
Term of Directorship	3 Years
Shareholding	500 Shares
Board Membership - Other Listed Entities	Nil
No. of Directorships other Companies	0
Member/Chairperson in Committee(s)	
Member	0
Chairperson	0
Areas of Expertise	Banking Information Technology Payment and Settlement Systems Business Management



Mr. Sanjay Agarwal
Managing Director &
CEO (Executive)
DIN: 00009526

Age	52
Qualification	CA, B.Com
Date of Appointment	April 19, 2017 (Commencement of Banking Operations, on Board since January 22, 2003)
Date of Re-Appointment	April 19, 2023
Term of Directorship	3 Years
Shareholding	11,71,91,360 Shares
Board Membership - Other Listed Entities	Nil
No. of Directorships other Companies	0
Member/Chairperson in Committee(s)	
Member	1
Chairperson	0
Areas of Expertise	Accountancy Agriculture and Rural Economy Banking Economics Finance Treasury Small Scale Industry Human Resource Risk Management and Business Management



Mr. Uttam Tibrewal
Whole-time Director
(Executive)
DIN: 01024940

Age	52
Qualification	B.Com
Date of Appointment	April 19, 2017 (Commencement of Banking Operations, on Board since January 22, 2005)
Date of Re-Appointment	April 19, 2023
Term of Directorship	3 Years
Shareholding	1,31,84,936 Shares
Board Membership - Other Listed Entities	Nil
No. of Directorships other Companies	0
Member/Chairperson in Committee(s)	
Member	1
Chairperson	0
Areas of Expertise	Accountancy Agriculture and Rural Economy Banking Economics Finance Small Scale Industry Risk Management and Business Management

Notes:

1. Includes Memberships & Chairpersonship of the Audit Committee and Stakeholders Relationship Committee in public limited companies including the Bank.
2. Mr. Raj Vikash Verma has been re-appointed as Part-Time Chairman of the Bank for another term w.e.f. April 8, 2023 till January 29, 2024 with the approval of the shareholders and RBI.
3. Mr. Kamlesh Vikamsey was appointed as an Additional Director (Non-Executive Independent) w.e.f. April 25, 2022 for a term of 3 years and his appointment was approved by the shareholders as Independent Director pursuant to resolution passed through postal ballot on May 29, 2022.
4. Ms. Malini Thadani was appointed as an Additional Director (Non-Executive Independent) w.e.f. November 25, 2022 for a term of 3 years and her appointment was approved by the shareholders as Independent Director pursuant to resolution passed through postal ballot on December 30, 2022.
5. Re-appointment of Mr. Sanjay Agarwal, MD & CEO has been approved by the RBI vide its communication dated April 12, 2023 for another term w.e.f. April 19, 2023 for a period of 3 years. The same has already been approved by the shareholders via postal ballot on March 9, 2022.
6. Re-appointment of Mr. Uttam Tibrewal, Whole-Time Director has been approved by the RBI vide its communication dated April 12, 2023 for another term w.e.f. April 19, 2023 for a period of 3 years. The same has already been approved by the shareholders via postal ballot on March 9, 2022.

7. Ms. Kavita Venugopal was appointed as an Additional Director (Non-Executive Independent) w.e.f. March 29, 2023 for a term of 3 years and her appointment was approved by the shareholders as Independent Director pursuant to resolution passed through postal ballot on April 30, 2023.
8. None of the Directors on the Board hold directorship in more than 10 Public Limited Companies and not exceeding 20 companies and is compliant with the requirement of Companies Act, 2013.
9. Mr. Krishan Kant Rathi and Ms. Jyoti Narang ceased to be Independent Director of the Bank on March 29, 2023 (close of business hours) on completion of tenure on the Board.
10. None of the Independent Director serves as an Independent Director on more than 7 Listed Companies.
11. None of the Directors of the Bank are member of more than 10 committees or acted as a Chairperson of more than 5 committees across Public Limited Companies in which they hold directorship.
12. None of the Independent Directors of the Bank have resigned before the expiry of their tenure during FY 2022-23.
13. No *inter se* relationship exists between the Directors of the Bank.
14. Necessary disclosures regarding Committee positions in other public companies as on March 31, 2023 have been made by the Directors.
15. None of the Director belong to promoter and promoter group except Mr. Sanjay Agarwal.
16. Detail profile of each director can be accessed at <https://www.aubank.in/about-us/board-of-directors>.

Board & Committee Meetings

The Board meets at regular intervals to deliberate on matters of strategic & regulatory importance including the matters referred under Regulation 17 of the SEBI Listing Regulations read with Part A of Schedule II and matters covered under the Calendar of Reviews.

In order to facilitate effective discussions at the meetings, the agenda is bifurcated into items requiring approval and items which are to be taken for noting of/ review by the Board/ Committee(s). This facilitates efficient time management, informed decision-making and active participation at meetings, leading to higher Board effectiveness.

Board's calendar of review is based upon RBI prescribed seven (7) critical themes covering key subjects is elucidated below:





Procedures

Quarterly Board and the Committee meetings are pre-scheduled as per annual calendar of the meetings to ensure Board members availability and effective participation in the Board and Committee meetings. However, in case of a special and urgent business need, the Bank convene meetings physically or through electronic means on shorter notice or place the matter for consideration/approval through circular resolution.

The agenda for the Board & Committee meetings is circulated to the Board/Committee members in advance. The Board members have unrestricted access to all the relevant & required information. To enhance the depth of discussions and decision-making, senior officials are invited to Board and Committee meetings to provide insights related to the items being deliberated or presented for deliberation, this enables the well-informed decision-making. Matters in the nature of unpublished price sensitive information are circulated to the Board and Committee members, at a shorter notice, as per the general consent taken from the Board/Committee, from time to time.

Post-meeting Action Tracker

The Bank has a well-articulated system of follow up, review and reporting on actions taken by the Management with regard to the directions of the Board/Committees. The important decisions taken at the Board and Committee meetings are tracked till their closure and an 'Action Taken Report' is placed in Board and Committee meetings.

Number of Board Meetings held during FY 2022-23

During the FY 2022-23, the Board of the Directors of the Bank met Sixteen (16) times on following dates:

April 25 & 26, 2022	July 19 & 20, 2022	September 7, 2022	January 19, 2023
May 7, 2022	July 23 2022	October 10, 2022	February 16, 2023
May 28, 2022	July 29 2022	October 19, 2022	March 3, 2023
June 27, 2022	August 31, 2022	November 24, 2022	March 10, 2023

The requisite quorum was present for all the meetings of the Board held during FY 2022-23.

The attendance details of directors at Board Meetings and last Annual General Meeting are as follows:

Name of the Director	No. of Board meetings entitled to attend	Board Meetings attended	Attendance at Twenty Seventh AGM
Mr. Raj Vikash Verma	16	16	✓
Mr. H. R. Khan	16	16	✓
Ms. Jyoti Narang#	16	16	-
Mr. Kamlesh Vikamsey	16	16	✓
Mr. V. G. Kannan	16	16	✓
Ms. Kavita Venugopal*	-	-	NA
Mr. Krishan Kant Rathi#	16	16	✓
Ms. Malini Thadani	4	4	NA
Mr. M. S. Sriram	16	16	-
Mr. Pushpinder Singh	16	16	✓
Mr. Sanjay Agarwal	16	15	✓
Mr. Uttam Tibrewal	16	15	✓

NA: Joined on Board post the Annual General Meeting, hence not applicable.

#: Mr. Krishan Kant Rathi and Ms. Jyoti Narang ceased to be Independent Director of the Bank on March 29, 2023 (close of business hours) on completion of tenure on the Board.

* Joined on Board w.e.f. March 30, 2023.

The role and the composition of Board committees as of March 31, 2023 is as follows:

1. Audit Committee

Terms of Reference

The terms of reference of the Audit Committee, *inter alia*, include:

- Review and approve the remit, nature and scope of the internal audit function and ensure it has adequate resources, skills, qualifications, and appropriate access to information to enable it to perform its function effectively.
- Consider major findings of internal – quarterly, semi-annual, and annual audit reviews, LFAR and management’s response; and review management letter(s) and management response to the findings, recommendations of the external auditor(s).
- Oversee relationship with external auditors with respect to their remuneration for services, terms of engagement, assessment of their independence, rotation of auditors, resignation and dismissal of auditors, approval of audit plan in line with the scope of engagement.
- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management’s investigation and follow-up (including disciplinary action) of any instances of non-compliance, including their policies, procedures, techniques, and other regulatory requirements.
- Review and monitor implementation and effectiveness of the policies laid down by the Risk Management Committee and highlight gaps or deviations, if any, to the Board.
- Oversight of the Bank’s financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient, and credible.
- Recommendation for appointment, remuneration and terms of appointment of auditors of the Bank including approval of payment to auditors for any other services rendered.
- Appointment of Chief Financial Officer, Head of Internal Audit, Chief Compliance Officer after assessing the qualifications, experience, and background, etc. of the candidate and changes in their terms, if any.
- Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/ prospectus/ notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter.
- Reviewing, with the management, the annual financial statements and auditor’s report thereon before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Directors’ responsibility statement to be included in the Board’s report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013;
 - Changes, if any, in accounting policies and practices and reasons for the same;
 - Major accounting entries involving estimates based on the exercise of judgement by management;
 - Significant adjustments made in the financial statements arising out of audit findings;
 - Compliance with listing and other legal requirements relating to financial statements;
 - Disclosure & approvals of any related party transactions; and
 - Modified opinion(s) in the draft audit report.



- Reviewing and overseeing the functioning of the whistle-blower mechanism/vigil mechanism established by Bank and the Chairperson of audit committee shall directly hear grievances of victimisation of employees and directors, who use vigil mechanism to report genuine concerns.
- Review of statement of significant Related Party Transactions.
- Reviewing the quarterly financial results before submission to the Board for approval.

During the year, Audit Committee met Nine (9) times on April 14, 2022, April 26, 2022, July 19 & 20, 2022, August 25 2022, October 17, 2022, October 19, 2022, January 16, 2023, January 19, 2023 and February 16, 2023.

Details of the composition of the Audit Committee as on March 31, 2023 is as follows:

Name	Category of Directorship	Chairperson/Member
Mr. Kamlesh Vikamsey	Independent Director	Chairperson ¹ (w.e.f. March 30, 2023)
Mr. M. S. Sriram	Independent Director	Member
Mr. V. G. Kannan	Independent Director	Member
Ms. Kavita Venugopal	Independent Director	Member

¹Mr. Krishan Kant Rathi (Independent Director) was Chairperson of the Audit committee during the FY 2022-23 till March 29, 2023 i.e. date of completion of his tenure on the Board.

2. Risk Management Committee

Terms of Reference

The terms of reference of the Risk Management Committee, *inter alia*, include:

- Review Bank's risk management framework (i.e. principles, policies, strategies, process, and controls) and to ensure that the same is being communicated throughout review reports from management concerning changes in the factors relevant to the Bank's projected strategy, business performance and capital adequacy.
- To ensure that the procedures for identifying, measuring, monitoring, and controlling risks are in place.
- Ensure appropriate risk organisation structure with authority and responsibility clearly defined adequate staffing and the independence of the Risk Management function.
- To review report on fraudulent transactions relating to internet banking and pointing out the deficiencies in the existing system including steps taken to prevent such cases under Operational risk.
- Review reports from management concerning implications of new and emerging risks, legislative or regulatory initiatives and changes, organisational changes and major initiatives to monitor them.
- To continuously scan the environment for new and emerging risks coming up including changes in regulations/rules which could impact the performance of the Bank.
- To review, consider and recommend to Nomination & Remuneration Committee ("NRC") performance assessment of Chief Risk Officer ("CRO") of the Bank and set objectives for the CRO and ensure that the CRO has unfettered access to the RMCB and Board.
- Oversee statutory/regulatory reporting requirements related to risk management and capital adequacy computation with an understanding of methodology.
- Approve the stress testing results/analysis and periodically monitor the action plans and corrective measures in line with internal guidelines.
- Monitor and review non-compliance, limit breaches, audit/regulatory findings and policy exception of risk management as well as fraud and potential losses.

- Oversee the working of the Credit Risk & NPA Management Committee (CRNPAC), Asset & Liability Management Committee (ALCO), Investment Committee, Operational Risk Management Committee (ORMC), Committee for Outsourcing of IT & Financial Services and IT Security Risk Management Committee.
- Review and ensure that all systems are being implemented in the Bank with adequate security controls.
- Provide appropriate and prompt reporting to the Board of Directors, in order to fulfil the oversight responsibilities of the Board of Directors.

During the year, the Risk Management Committee met Eight (8) times on April 18, 2022, April 25, 2022, July 15, 2022, July 19, 2022, August 25, 2022, October 15, 2022, January 17, 2023 and February 16, 2023.

Details of the composition of the Risk Management Committee as on March 31, 2023 is as follows:

Name	Category of Directorship	Chairperson/Member
Mr. V. G. Kannan	Independent Director	Chairperson
Mr. Pushpinder Singh	Independent Director	Member
Ms. Kavita Venugopal	Independent Director	Member
Mr. H. R. Khan	Independent Director	Member
Mr. Kamlesh Vikamsey	Independent Director	Member

3. Nomination and Remuneration Committee (NRC)

Terms of Reference

The terms of reference of the NRC, *inter alia*, include:

- Develop policies and lay down criteria for appointment/ removal/ reappointment of the Directors of the Board capturing the statutory and regulatory requirements.
- Formulate comprehensive criteria for appointment of directors in terms of qualifications, positive attributes, independence, professional experience, track record and integrity of the person.
- Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal.
- Devise a policy on Board diversity based on diversity of thought, experience, knowledge, perspective, and gender.
- Conduct appropriate due diligence and scrutinise the declarations made by probable candidates at the time of appointment/re-appointment of directors.
- Ensure that the Bank has a detailed succession and management continuity plan for key positions.
- Assist in defining the performance evaluation criteria for directors and other Key Management Personnel (KMPs), Senior Managerial Personnel (SMPs), Material Risk Takers (MRTs) and Control Function Staff and ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- Ensure Bank's compensation policy provides a fair and consistent basis for motivating and rewarding employees appropriately according to their performance, job profile/role size, contribution, skill, and competence and review compensation levels of the Bank's employees vis-à-vis other Banks and the Banking industry in general.
- Ensure that the compensation for Directors, Key Management Personnel (KMPs), Senior Managerial Personnel (SMPs), Material Risk Takers (MRTs) and Control Function Staff is in accordance with the RBI guidelines and other applicable regulatory requirements.
- Review and oversee the Employee Benefits' programme of the Bank, including deferred benefits plans and retirement plans.



- Perform functions required to be performed by the compensation committee under the SEBI (Share-Based Employee Benefits and Sweat Equity) Regulations, 2021, including the following:
 - Administering the Employee Stock Option Plans (“**ESOP**”);
 - Determining the eligibility of employees to participate under the ESOP;
 - Granting options to eligible employees and determining the date of grant;
 - Determining the number of options to be granted to an employee;
 - Determining the exercise price under the ESOP; and
 - Construing and interpreting the ESOP and any agreements defining the rights and obligations of the Bank and eligible employees under the ESOP, and prescribing, amending and/or rescinding rules and regulations relating to the administration of the ESOP.

During the year, Nomination and Remuneration Committee met Eleven (11) times on April 11, 2022, April 25, 2022, June 30, 2022, July 14, 2022, July 23, 2022, August 25, 2022, October 8, 2022, November 19, 2022, February 16 2023, March 2 & 3, 2023 and March 10, 2023.

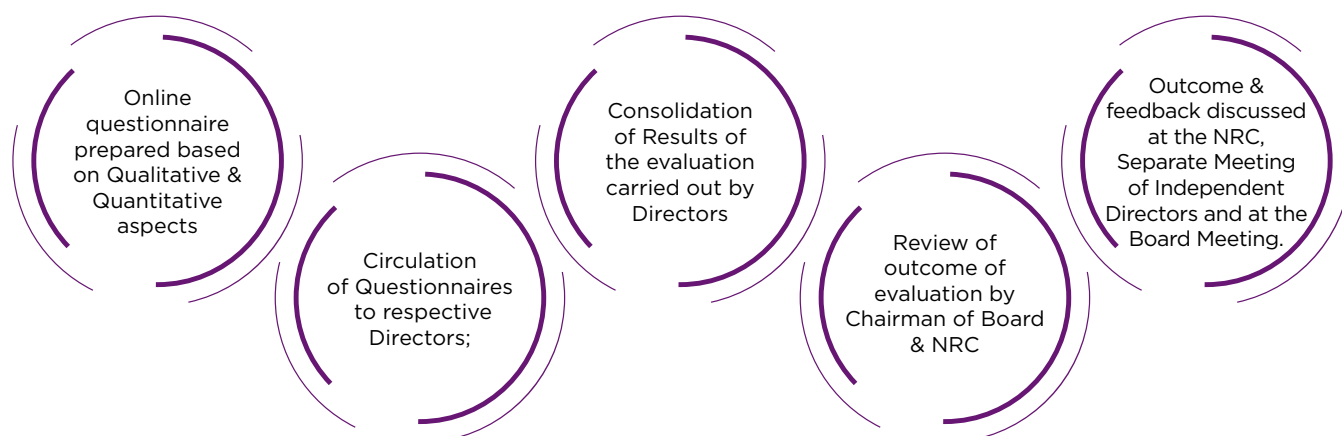
Details of the composition of the Nomination and Remuneration Committee as on March 31, 2023 is as follows:

Name	Category of Directorship	Chairperson/Member
Mr. M. S. Sriram	Independent Director	Chairperson
Mr. Pushpinder Singh	Independent Director	Member
Ms. Malini Thadani	Independent Director	Member
Mr. H. R. Khan	Independent Director	Member

Performance Evaluation

The Board evaluation framework is designed in compliance with the requirements under the 149(8) read with Schedule IV, Section 178(2) of Companies Act, 2013 and Regulation 17 of SEBI Listing Regulations, and in accordance with the Guidance Note on Board Evaluation issued by SEBI, The Board evaluation was conducted through online questionnaire designed containing Qualitative & Quantitative parameters.

The Bank has a structured assessment process for evaluation of the performance of the Board, Committees of the Board and individual performance of each Director including the Chairman. Further, the Independent Directors met separately, without the presence of non-Independent Directors and Executive Management, and *inter alia* reviewed the performance of non-independent directors, and Board as a whole; and performance of the Chairman.



Performance Evaluation of the Board, Individual Directors including Chairperson and Board Committees was carried out on below mentioned criteria:



Outcome of Performance Evaluation

The evaluation results have been positive where it was indicated, that the Board is functioning well and actively engages for discussion on important strategic issues and spend considerable time on important subjects. Further, Board members possessed requisite combination of skills and demonstrated a collaborative and constructive mindset. This encouraged active participation and constructive questioning at the meetings leading to effective decision-making. The Committees have also been fulfilling their responsibilities effectively, addressing key issues and discussing matters of their designated areas of focus.

The outcome of the Board Evaluation for the FY 2022-23 was discussed by the Nomination and Remuneration Committee and the Board at their respective meetings held in April 2023. The Board noted the actions taken in improving Board effectiveness based on feedback given. Considering, the current external landscape, the Board has emphasised the need for enhanced training and knowledge programmes for the Board members, with a particular focus on risk management, leadership development, the dynamic realm of technology and digital advancements, information and cyber security, as well as ESG (Environmental, Social, and Governance) related subjects. These vital areas shall be actively pursued and implemented by the Bank.

Compensation Policy

The Bank has Board approved Compensation Policy which deals with the compensation and benefits of the Executive and Non-Executive Directors, Key Managerial Personnel (KMP), Senior Management Personnel, Material Risk Takers (MRTs) and Control Function staff of the Bank. This Policy is in line with the Reserve Bank of India's circular/guideline dated November 4, 2019 bearing number DOR.Appt.BC.No.23/29.67.001/2019-20 on Guidelines on Compensation of Whole-Time Directors/ Chief Executive Officers/ Other Risk Takers and Control Function Staff, etc. and guidelines issued by the Reserve Bank of India from time to time, Section 178 of the Companies Act, 2013, the relevant Rules made thereunder, and the SEBI Listing Regulations, amended from time to time.



Compensation policy regulates the appointment and remuneration of Directors (including Independent Directors), Key Managerial Personnel (KMP), Senior Management Personnel, Material Risk Takers (MRTs) and Control Function staff.

The policy is annually reviewed by the Board of Directors in addition to the other amendments that may be required in the policy. The policy is hosted by the Bank on its website and can be accessed at the link <https://www.aubank.in/investors/secretarial-policies>.

Remuneration to Directors

Remuneration to Non-Executive Directors

The Non-Executive Directors are paid sitting fees for attending each meeting of the Board of Directors or any Committee thereof as approved by the Board, within the permissible limit prescribed under the Companies Act, 2013 and remuneration as per the RBI Circular no. RBI/2021-22/24DOR.GOV.REC.8/29.67.001/2021-22 on Corporate Governance in Banks - Appointment of Directors and Constitution of Committees of the Board dated April 26, 2021 and other regulatory guidelines, as amended from time to time.

The Non-Executive Directors are entitled to receive the sitting fees of ₹80,000 per meeting for attending the Board meetings and ₹40,000 per meeting for attending the Committee meetings.

Fixed remuneration of ₹15 lakh per annum is payable to each Independent Director of the Bank and Honorarium of ₹20 lakh per annum is payable to Part-Time Chairman of the Bank.

The details of sitting fees for attending the Board & Committee meetings and Compensation paid to Non-Executive Directors for the Financial Year ended March 31, 2023 is given below:

(₹ in lakh)			
Name of Director	Sitting Fees	Compensation/ Honorarium	Total
Mr. Raj Vikash Verma	20.40	20.00	40.40
Mr. H. R. Khan	21.60	15.00	36.60
Ms. Jyoti Narang	25.20	14.92	40.12
Mr. Kamlesh Vikamsey	20.00	14.01	34.01
Mr. V. G. Kannan	25.20	15.00	40.20
Ms. Kavita Venugopal	-	0.12	0.12
Mr. Krishan Kant Rathi	26.80	14.92	41.72
Ms. Malini Thadani	3.20	5.22	8.42
Mr. M. S. Sriram	26.40	15.00	41.40
Mr. Pushpinder Singh	19.60	15.00	34.60

Note: None of the Non-Executive Directors have any pecuniary relationship or transaction with the Bank apart from receiving sitting fee and Compensation/Honorarium as applicable.

The Compensation/Honorarium was paid after finalisation of Audited Accounts.

Remuneration of Executive Directors

On recommendation of the Nomination and Remuneration Committee, the Board of the Bank approves remuneration to Executive Directors subject to shareholders', RBI's approvals as applicable and terms of appointment is governed by the employment agreement executed between the Bank and Executive Directors.

A proper balance between fixed pay and variable pay is ensured for remuneration of the Executive Directors, the variable pay is a mix of cash and non-cash instrument, which is paid under deferral arrangement. The Executive Directors are duly bound with Malus and claw back clause, which activates in the event of subdued or negative financial performance of the Bank.

The remuneration details of Executive Directors viz. Mr. Sanjay Agarwal, MD & CEO and Mr. Uttam Tibrewal, Whole-Time Director of the Bank is as per the terms of approval of RBI is given below:

(₹ in lakh)		
Name	Fixed Pay for FY 2022-23 ² (including perquisites)	Variable Pay of Previous Years paid during the FY 2022-23 ³
Mr. Sanjay Agarwal, MD & CEO	233	89
Mr. Uttam Tibrewal, Whole-Time Director	202 ¹	38

¹ Excluding perquisite amount of ₹19.06 crore for ESOPs exercised by Mr. Uttam Tibrewal during FY 2022-23.

² RBI vide its letter dated November 18, 2022 approved the Fixed pay for FY 2021-22 of ₹2.33 crore and ₹2.02 crore of Mr. Sanjay Agarwal and Mr. Uttam Tibrewal respectively and the same Fixed Pay was retained for FY 2022-23 also.

³ Variable Pay (Performance bonus) of ₹0.85 crore for FY 2020-21 & ₹0.94 crore for FY 2021-22 for Mr. Sanjay Agarwal, MD & CEO was approved by RBI on April 8, 2022 & November 18, 2022, respectively and out of which 50% i.e. ₹0.89 crore was paid during the FY 2022-23 and 50% is deferred in next 3 years in equal installments.

Variable Pay (Performance bonus) of ₹0.40 crore for FY 2020-21 & ₹0.37 crore for FY 2021-22 for Mr. Uttam Tibrewal, WTD was approved by RBI on April 8, 2022 & November 18, 2022, respectively and out of which 50% i.e. ₹0.38 crore was paid during the FY 2022-23 and 50% is deferred in next 3 years in equal installments.

Further, during the FY 2022-23, 13,648 options (post bonus issue adjusted to 27,296 options) were granted to Mr. Uttam Tibrewal with fair valuation of ₹0.95 crore as part of Variable Pay for FY 2020-21 as approved by RBI vide its letter dated April 8, 2022 and 40,488 options (post-bonus issue) were granted to Mr. Uttam Tibrewal with fair valuation of ₹1.11 crore as part of Variable Pay for FY 2021-22 as approved by RBI vide its letter dated November 18, 2022.

During the FY 2022-23, Mr. Uttam Tibrewal exercised 6,00,000 options under ESOP Scheme 2018 and 3,434 options Under ESOP Scheme 2020 at exercise price of ₹332 and ₹547.50 respectively.

The tenure of the office of the Managing Director & CEO and Whole-Time Director three years w.e.f. April 19, 2020 which is extended by the Reserve Bank of India for another term of three years w.e.f. April 19, 2023 and can be terminated by either party by giving one month's notice in writing. There is no provision for payment of severance fees.

4. Stakeholders Relationship Committee (SRC)

The terms of reference of the SRC, *inter alia*, include:

- Resolving the grievances of the security holders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.
- Review of measures taken for effective exercise of voting rights by shareholders.
- Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the RTA.
- Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/ annual reports/ statutory notices by the shareholders of the Bank.
- Review and address all matters pertaining to Depositories for dematerialisation of shares of the Bank and other matters connected therewith.
- Review and address matters pertaining to Registrar and Share Transfer Agent ("RTA") including appointment of new RTA in place of existing.
- Review status of investor complaints on a periodic basis and issue necessary instructions to expedite resolution of pending complaints.



- Oversee the performance of the RTA and to recommend measures for overall improvement in the quality of investor services.
- Carrying out any other function contained in the SEBI Listing Regulations.

During the year, the SRC met Four (4) times on April 13, 2022, July 14, 2022, November 16, 2022 and January 18, 2023.

Details of the composition of the SRC as on March 31, 2023 is as follows:

Name	Category of Directorship	Chairperson/Member
Mr. Raj Vikash Verma	Independent Director	Chairperson
Ms. Malini Thadani	Independent Director	Member
Mr. Kamlesh Vikamsey	Independent Director	Member
Mr. Sanjay Agarwal	Managing Director & CEO	Member
Mr. Uttam Tibrewal	Whole-Time Director	Member

Investor Grievance Redressal

The Bank has appointed “Link Intime India Private Limited” as the Registrar and Share Transfer Agent (“RTA”) of the Bank to carry out the share transfer and other work associated thereto. Link Intime India Private Limited has appropriate systems to ensure that requisite service is provided to investors of the Bank in accordance with the corporate, securities and other applicable laws. The SRC review/evaluate the performance of RTA in its quarterly meetings.

Members holding shares in physical form are requested to convert their holdings to dematerialised form to eliminate all risks associated with physical shares, to be able to transfer shares and for ease of portfolio management. Pursuant to SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/37 dated March 16, 2023, Investor Service Request Form (ISR)-1 along with other forms were shared with all the physical shareholders and also made available on the website of the Bank and RTA for updating their KYC details.

For any assistance, request or instruction regarding transfer or transmission of securities, dematerialisation of securities, change of address, non-receipt of annual report, dividend warrant and any other query relating to the securities of the Bank, the investors may contact the RTA, Link Intime India Private Limited at rt.helpdesk@linkintime.co.in. Shareholders may write to the Bank at investorrelations@aubank.in. The addresses and contact details of RTA are provided in General Shareholder Information section of Corporate Governance Report.

Details of Investor Complaints Received During the FY 2022-23:

Particulars	Shareholders	Debenture holders
No. of complaints pending as on April 1, 2022	0	0
No. of complaints received during FY 2022-23	6	0
No. of complaints resolved during FY 2022-23	6	0
No. of complaints pending as on March 31, 2023	0	0

There were no investor complaints pending as at March 31, 2023 which were not solved to the satisfaction of shareholders in compliance with SEBI Listing Regulations and the statement of investor grievances was submitted to stock exchange on a quarterly basis.

Name and Designation of Compliance Officer

Pursuant to Regulation 6(1) of SEBI Listing Regulations, Mr. Manmohan Parnami, Company Secretary is designated as Compliance Officer.

5. Corporate Social Responsibility (CSR) Committee

Terms of Reference

The terms of reference of the CSR Committee, *inter alia*, include:

- To formulate and recommend to the Board, a CSR policy which will indicate the activities to be undertaken by the Bank in accordance with Schedule VII of the Companies Act, 2013.
- To review and recommend the amount of expenditure to be incurred on the activities to be undertaken by the Bank.
- To monitor and Review the CSR policy of the Bank and its effective implementation from time to time.
- The CSR Committee shall formulate and recommend to the Board, an Annual Action Plan in pursuance of CSR policy.
- Monitor the implementation of the projects in pursuance to Annual Action Plan for smooth implementation of the project within the overall permissible time period and satisfy itself regarding the utilisation of the disbursed CSR funds.
- Ensure appropriate disclosures regarding CSR activities undertaken by the Bank are appropriately disclosed in the Annual Report.
- The CSR Committee shall also report annually:
 - Significant CSR activities and achievements in the Bank’s Annual Report.
 - The impact assessment reports which shall be placed before the Board and shall be annexed to the annual report on CSR.
- Any other matter as the CSR Committee may deem appropriate after approval of the Board or as may be directed by the Board from time to time.

During the year, CSR Committee met two (2) times on April 25, 2022 and November 16, 2022.

Details of the composition of the CSR Committee as on March 31, 2023 is as follows:

Name	Category of Directorship	Chairperson/Member
Ms. Malini Thadani	Independent Director	Chairperson
Mr. M. S. Sriram	Independent Director	Member
Mr. H. R. Khan	Independent Director	Member
Mr. Sanjay Agarwal	Managing Director & CEO	Member
Mr. Uttam Tibrewal	Whole-Time Director	Member

6. IT Strategy and Information Systems Security Committee

Terms of Reference

The terms of reference of the IT Strategy and Information Systems Security Committee, *inter alia*, include:

- Review the IT related strategy and policy and ensure that the same is approved by the Board.
- Oversee performance of the IT Steering Committee and IT Security Risk Management Committee and guide the management in implementing the IT strategy, maintaining a good balance between the Board and the Management across all IT related verticals.
- Implementation of an IT governance framework covering basic principles of value delivery, IT Risk Management, IT resource management, and performance management (including IT Security).
- Ensure that a governance structure is created for IT which will include technology and development, IT operations, IT assurance and supplier and resource management, each of which may be headed by suitably experienced and trained senior officials.
- Review IT performance measurement and contribution of IT to the Bank’s business.



- Review the IT operational model and ensure it is effective and working as per set policies and processes.
- Review the investments made into IT infrastructure to sustain the Bank's growth and represent a balance of risks and benefits.
- Overseeing the aggregate funding of IT at bank-level and ascertain if the management has resources to ensure the proper management of IT risks.
- Oversee and guide the process of:
 - Budgetary allocations for the IT function (including for IT security) aligned with the Bank's IT maturity, digital depth, threat environment and industry standards and are utilised in a manner intended for meeting the stated objectives;
 - Maintain close oversight over the Business Continuity Planning and Disaster Recovery Management of the Bank consistent with the Regulatory and supervisory expectations on the one hand and the best industry standards and practices on the other hand, under the broad Digital Vision of the Bank; and
 - Ensure the annual assessment of capacity vis-a-vis the expectations, with sufficient safety in terms of any capacity constraint based on past trend (peak usage), business activities (current as well as future plans) and address the issues effectively in order to ensure that there is always enough bandwidth available for any contingency.

During the year, the IT Strategy and Information Systems Security Committee met Four (4) times on April 11, 2022, July 14, 2022, November 16 & adjourned to 24, 2022 and February 10, 2023.

Details of the composition of the IT Strategy and Information Systems Security Committee as on March 31, 2023 is as follows:

Name	Category of Directorship	Chairperson/Member
Mr. Pushpinder Singh	Independent Director	Chairperson
Mr. Raj Vikash Verma	Independent Director	Member
Mr. V. G. Kannan	Independent Director	Member
Mr. H. R. Khan	Independent Director	Member
Mr. Sanjay Agarwal	Managing Director & CEO	Member

7. Customer Service Committee (CSC)

Terms of Reference

The terms of reference of the CSC, *inter alia*, include:

- To review and monitor the effective implementation of customer service-related policies, procedures, systems and processes.
- Review the statement of complaints along with an analysis of the complaints received with an objective to address the following: (i) to identify customer service areas in which the complaints are frequently received; (ii) to identify frequent sources of complaint; (iii) to identify systemic deficiencies; and (iv) for initiating appropriate action to make the grievance redressal mechanism more effective.
- Review, on a quarterly basis, the position of the complaints against the Bank with the Banking Ombudsman offices/ Consumer Courts/ Courts and analyse the reasons for these complaints not getting resolved by the Bank itself.

- Review the effectiveness of grievance redressal mechanism within the Bank for redressing complaints received about services rendered by Business Correspondents (BC).
- Evaluate the trend analysis of customer complaints by product categories/ channels/ BCs and monitor improvement plans.
- Ensure that the products and services are appropriate to the needs of the customers by analysing products and service and associated customer complaints for betterment in customer service quality and adhere to extant regulations.
- Assess Banking Ombudsman awards on a periodic basis, address systemic deficiencies brought out by these awards and report cases with delayed implementation of more than 3 months to the Board with reasons for delay to facilitate necessary remedial action on priority.
- Review the details of the number of claims received pertaining to deceased depositors/ locker-hirers/ depositors of safe custody article accounts and those pending beyond the stipulated period, giving reasons.
- Review the performance of ‘Standing Committee for Customer Services’ and other Sub Committees, if any.
- Benchmark review of turnaround time for key product offerings and monitoring improvement plans put in place.

During the year, the CSC met Four (4) times on April 13, 2022, July 15, 2022, November 17, 2022 and January 18, 2023.

Details of the composition of the CSC as on March 31, 2023 is as follows:

Name	Category of Directorship	Chairperson/Member
Mr. M. S. Sriram	Independent Director	Chairperson
Ms. Kavita Venugopal	Independent Director	Member
Mr. Pushpinder Singh	Independent Director	Member
Mr. V. G. Kannan	Independent Director	Member
Mr. Uttam Tibrewal	Whole-Time Director	Member

8. Review of Classification of Wilful Defaulters Committee

Terms of Reference

The terms of reference of the Review of Classification of Wilful Defaulters Committee, *inter alia*, include:

- Review and examine the evidence of wilful default on the part of the borrower, and its Director/ Whole-Time Director.
- Ensure that the parties are given necessary opportunities to put forth their cases before classifying them as wilful defaulters.
- Review of the problematic areas leading to advancement of wilful defaulters in the Bank and develop control measures to mitigate the same.
- Cases where-in suggestions and advice of the Committee is required or cases having substantive progress requiring knowledge of Committee will be reviewed. All cases of Non-Cooperative Borrowers category will be reviewed every six months.
- Make recommendations and facilitate efficient and effective decisions on time to improve the quality of loan portfolio.
- Interface with legal department and recovery department to monitor the wilful default cases and their current position.

During the year, Review of Classification of Wilful Defaulters Committee met three (3) times on April 13, 2022, July 14, 2022 and November 16, 2022.



Details of the composition of the Review of Classification of Wilful Defaulters Committee as on March 31, 2023 is as follows:

Name	Category of Directorship	Chairperson/Member
Mr. Raj Vikash Verma	Independent Director	Chairperson
Mr. V. G. Kannan	Independent Director	Member
Mr. Kamlesh Vikamsey	Independent Director	Member
Mr. Sanjay Agarwal	Managing Director & CEO	Member

9. Special Committee on Fraud Monitoring (SFMC)

Terms of Reference

The terms of reference of the SFMC, *inter alia*, include:

- Monitor and review all frauds of ₹1 crore and above.
- Identify the system lacunae, if any, that facilitate perpetration of the fraud and put in place measures to plug the same.
- Evaluation of existing systems and procedures for fraud detection and prevention and reasons for delay in detection, if any, in reporting to top management of the Bank and RBI.
- Review the efficacy of the remedial action undertaken to prevent recurrence of frauds, such as strengthening of internal controls.
- Monitoring progress of police investigation and recovery position and ensure that staff accountability is examined at all levels in all fraud cases and staff side action, if required.
- Put in place other measures to strengthen preventive measures against frauds.

During the year, no meeting of the Special Committee on Fraud Monitoring was held as there was no fraud of ₹1 crore and above was identified by the Bank during the year.

Details of the composition of the Special Committee on Fraud Monitoring as on March 31, 2023 is as follows:

Name	Category of Directorship	Chairperson/Member
Mr. Raj Vikash Verma	Independent Director	Chairperson
Ms. Kavita Venugopal	Independent Director	Member
Mr. V. G. Kannan	Independent Director	Member
Mr. Kamlesh Vikamsey	Independent Director	Member
Mr. Uttam Tibrewal	Whole-Time Director	Member

Note: Board in its meeting held on May 22, 2023 revised the constitution of Committee wherein Mr. Sanjay Agarwal was inducted as member of Committee in place of Mr. Uttam Tibrewal.

10. Disciplinary Committee (DC)

Terms of Reference

The terms of reference of the Disciplinary Committee, *inter alia*, include:

- To review the policy on Code of Conduct for employees, Whistle-Blower Policy and Vigil Mechanism and Prevention and Redressal against Sexual Harassment Policy, recommend the same to the Board and appropriately review as and when required.
- Setting up of a transparent mechanism to decide and resolve complaints from employees and take appropriate corrective action plan.
- Resolution of complaints received by the Bank including sexual harassment and enforce disciplinary action in the matter.
- Taking appropriate remedial measures to respond to any substantiated allegations of a complaint (sexual harassment or disciplinary) against any employee.
- Promote appropriate working conditions and a safe environment for all employees.

During the year, the Disciplinary Committee met two (2) times on April 13, 2022 and November 17, 2022.

Details of the composition of the Disciplinary Committee as on March 31, 2023 is as follows:

Name	Category of Directorship	Chairperson/Member
Ms. Kavita Venugopal	Independent Director	Chairperson
Mr. M. S. Sriram	Independent Director	Member
Mr. Pushpinder Singh	Independent Director	Member
Mr. Uttam Tibrewal	Whole-Time Director	Member

11. Committee For Financial Inclusion

Terms of Reference

The terms of reference of the Committee for Financial Inclusion, *inter alia*, include:

- To review the channelisation of deposits in unserved and underserved sections of the society & availability of credit to small business units, small & marginal farmers; micro and small industries and other unorganised sector entities through high technology & low-cost operations.
- Review of the financial inclusion initiatives covering the targets, products, customer segment etc. and review the plan in this regard.
- To monitor achievements in priority sector lending including sub targets covering lending under Agriculture, Small & Marginal farmers, Micro Enterprises and to weaker sections of the society.
- To review and monitor the progress of enrolments under the pro-poor insurance and pension programmes and other government schemes.
- To advise for the new initiatives for financial inclusion that can be undertaken by the Bank.

During the year, the Committee for Financial Inclusion met Four (4) times on April 14, 2022, July 14, 2022, November 16, 2022 and January 18, 2023.

Details of the composition of the Committee for Financial Inclusion as on March 31, 2023 is as follows:

Name	Category of Directorship	Chairperson/ Member
Mr. H. R. Khan	Independent Director	Chairperson
Mr. Raj Vikash Verma	Independent Director	Member
Mr. M. S. Sriram	Independent Director	Member
Ms. Malini Thadani	Independent Director	Member
Mr. Uttam Tibrewal	Whole-Time Director	Member

12. Management Committee

Terms of Reference

The terms of reference of the Management Committee, *inter alia*, include:

- To approve credit facilities & investment exposure above certain threshold to new exposure/loan to existing customers along with existing facility.
- Reporting to Board about no officer or any Committee comprising, *inter alia*, an officer as member, shall, while exercising powers of sanction of any credit facility, sanction any credit facility to his/her relative.
- Reporting to Board about proposals for credit facilities to the relatives of senior officers of the Bank sanctioned by the appropriate authority through Management Committee.
- Reporting to Board about any company in which any of the relatives of any senior officer of the Bank holds substantial interest or is interested as a director or as a guarantor.



- To sanction proposals of loans and advances aggregating Rupees twenty-five lakh and above to -
 - directors (including the Chairperson/Managing Director) of other Banks
 - any firm in which any of the directors of other Banks is interested as a partner or guarantor; and
 - any company in which any of the directors of other Banks holds substantial interest or is interested as a director or as a guarantor.

However, for personal loans granted to any director of other Banks, the threshold of Rupees twenty-five lakh, as mentioned above shall be revised to Rupees five crore.

- To sanction proposals of loans and advances aggregating Rupees five crore and above to:
 - any relative other than spouse and minor/ dependent children of their own Chairperson/ Managing Directors or other Directors;
 - any relative other than spouse and minor/ dependent children of the Chairperson/ Managing Director or other directors of other Banks;
 - any firm in which any of the relatives other than spouse and minor/dependent children as mentioned in (a) & (b) above is interested as a partner or guarantor; and;
 - any company in which any of the relatives other than spouse and minor/dependent children as mentioned in (a) & (b) above is interested as a major shareholder or as a director or as a guarantor or is in control;

Provided that a relative of a director shall also be deemed to be interested in a company, being the subsidiary or holding company, if he/she is a major shareholder or is in control of the respective holding or subsidiary company.

- Approval of Waiver in POS amount for amount above ₹1 crore.

During the year, the Management Committee met Five (5) times on April 13, 2022, July 14, 2022, November 16, 2022, January 18, 2023 and March 15, 2023.

Details of the composition of the Management Committee as on March 31, 2023 is as follows:

Name	Category of Directorship	Chairperson/Member
Mr. Raj Vikash Verma	Independent Director	Chairperson
Mr. Pushpinder Singh	Independent Director	Member
Mr. Sanjay Agarwal	Managing Director & CEO	Member
Mr. Uttam Tibrewal	Whole-Time Director	Member

13. Capital Raising Committee

Terms of Reference

The terms of reference of the Capital Raising Committee, *inter alia*, include:

- To analyse various options for infusion of capital and funds by offering various securities including equity shares, preference shares, debentures, bonds, BASEL compliant Tier I and Tier II Instruments and other debt securities, etc.
- To approve the issue of securities in one or more tranches to various potential Investors within the overall limit as approved by the Board/ Shareholders and determine price/ price range for the securities.
- To approve and incur the necessary expenditure relating to capital and fund-raising exercise.
- To issue receipts/ allotment letters/ confirmations of allotment notes either in physical or electronic mode representing the underlying equity shares.
- To perform all activities with regard to fundraising by various methods/ means/ options under the authority of Board and Shareholders.
- To do all such acts, deeds as the Board may delegate in connection with the capital and fund-raising exercise.

During the year, the Capital Raising Committee met two (2) times on August 3, 2022 and August 8, 2022.

Details of the composition of the Capital Raising Committee as on March 31, 2023 is as follows:

Name	Category of Directorship	Chairperson/Member
Mr. Raj Vikash Verma	Independent Director	Chairperson
Ms. Malini Thadani	Independent Director	Member
Mr. V. G. Kannan	Independent Director	Member
Mr. Sanjay Agarwal	Managing Director & CEO	Member

14. Sustainability Committee

Terms of Reference

The terms of reference of the Sustainability Committee, *inter alia*, include:

- Monitor and assess the adequacy of the Bank’s sustainable development framework.
- Stakeholder identification & meaningful engagement to identify, strategise, address & report the material issues.
- Firm up a roadmap, fix sustainability targets in alignment with business targets & monitoring of the targets.
- Explore integration of Business objectives and their alignment with the ESG goals in consultation with all business verticals.
- Support in creation & support of climate resilient business models. Work towards positive ecosystem with carbon positive, water positive & waste neutral operations.
- Support in identifying climate related physical & systemic risks. Work out ESG financing strategy & risk mitigation plan in phase-wise manner in accordance with globally accepted frameworks.
- Collaborate and partner with industry peers to strengthen sustainability initiatives. This may include international peers/stakeholders as well.
- Develop lending and investment guidelines in alignment with climate resiliency.
- Ensure accountability, transparency, efficiency, equity, including Gender equality and inclusivity in the business.
- Creation of diverse & inclusive ecosystem presenting with equal opportunities.
- Education & communication of sustainable practices to all the stakeholders.

The Board approved constitution of the Sustainability Committee in its meeting held on January 19, 2023 to monitor and assess the adequacy of the Bank’s sustainable development framework including sustainable financing. During the FY 2022-23, No Meeting of the Sustainability Committee was held.

Details of the composition of the Sustainability Committee as on March 31, 2023 is as follows:

Name	Category of Directorship	Chairperson/Member
Ms. Malini Thadani	Independent Director	Chairperson
Mr. Raj Vikash Verma	Independent Director	Member
Mr. H. R. Khan	Independent Director	Member
Mr. Kamlesh Vikamsey	Independent Director	Member
Mr. Sanjay Agarwal	Managing Director & CEO	Member



Table- I – Details of Number of Committee Meetings and Participation of the Members at the Meetings During FY 2022-23

Name of Committee Member	No. of Meetings attended/No. of Meetings													
	Audit Committee	Risk Management Committee	Nomination & Remuneration Committee	Stakeholders Relationship Committee	Corporate Social Responsibility Committee	IT Strategy and Information Systems Security Committee	Customer Service Committee	Customer Classification of Wilful Defaulter Committee	Disciplinary Committee	Committee for Financial Inclusion	Management Committee	Capital Raising Committee	Special Committee for Fraud Monitoring	Sustainability Committee
Mr. Raj Vikash Verma ¹	-	-	-	4/4	-	4/4	-	3/3	-	3/3	5/5	0/0	-	-
Mr. H. R. Khan ²	-	6/6	9/9	-	1/1	3/3	-	-	3/3	-	-	-	-	-
Ms. Jyoti Narang ³	2/2	8/8	11/11	-	2/2	-	4/4	2/2	-	-	-	2/2	-	-
Mr. Kamlesh Vikamsey ⁴	7/7	6/6	-	3/3	-	-	-	2/2	-	-	-	-	-	-
Mr. V. G. Kannan ⁵	9/9	8/8	-	-	-	4/4	4/4	3/3	-	1/1	-	2/2	-	-
Ms. Kavita Venugopal ⁶	0/0	0/0	-	-	-	-	0/0	-	-	-	-	-	-	-
Mr. Krishan Kant Rathi ⁷	9/9	8/8	11/11	3/4	1/1	-	-	1/1	-	-	-	2/2	-	-
Ms. Malini Thadani ⁸	-	-	0/0	0/0	0/0	-	-	-	0/0	-	-	0/0	-	-
Mr. M. S. Sriram ⁹	9/9	2/2	11/11	-	2/2	-	4/4	-	2/2	4/4	-	-	-	-
Mr. Pushpinder Singh ¹⁰	-	0/0	0/0	-	1/1	4/4	4/4	-	2/2	1/1	5/5	-	-	-
Mr. Sanjay Agarwal ¹¹	-	-	-	0/0	2/2	4/4	-	3/3	-	-	5/5	2/2	-	-
Mr. Uttam Tibrewal ¹²	-	-	-	4/4	0/0	0/0	4/4	2/2	4/4	4/4	4/5	-	-	-
Total No. of Meeting Held	9	8	11	4	2	4	4	3	2	4	5	2	0	0

1. Mr. Raj Vikash Verma inducted as member of Committee for Financial Inclusion w.e.f. April 26, 2022 and Chairperson of Capital Raising Committee w.e.f. March 30, 2023.
2. Mr. H. R. Khan inducted as member of Risk Management Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee and IT Strategy and Information Systems Security Committee and as Chairperson of Committee for Financial Inclusion w.e.f. April 26, 2022. He was also inducted as member of Sustainability Committee w.e.f. March 30, 2023.
3. Ms. Jyoti Narang ceased to be member of the Audit Committee w.e.f. April 26, 2022. Due to completion of her tenure on the Board, she ceased to be member of Risk Management Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee and Chairperson of Customer Service Committee, Disciplinary Committee and Capital Raising Committee w.e.f. March 30, 2023.
4. Mr. Kamlesh Vikamsey inducted as member of Audit Committee, Risk Management Committee, Stakeholders Relationship Committee, Review of Classification of Wilful Defaulter Committee and Special Committee for Fraud Monitoring w.e.f. April 26, 2022. He was also appointed as member of Sustainability Committee w.e.f. January 19, 2023. Further, he was designated as Chairperson of Audit Committee w.e.f. March 30, 2023.
5. Mr. V. G. Kannan ceased to be member of Committee for Financial Inclusion w.e.f. April 26, 2022.
6. Ms. Kavita Venugopal inducted as member of Audit committee, Risk Management Committee, Customer Service Committee, Special Committee for Fraud Monitoring and as Chairperson of Disciplinary Committee w.e.f. March 30, 2023.
7. Mr. Krishan Kant Rathi ceased to be member of the Corporate Social Responsibility Committee and Review of Classification of Wilful Defaulter Committee w.e.f. April 26, 2022. Due to completion of his tenure on the Board, he ceased to be member of Risk Management Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Capital Raising Committee and Chairperson of Audit Committee w.e.f. March 30, 2023.
8. Ms. Malini Thadani inducted as member of Sustainability Committee w.e.f. January 19, 2023. She was also inducted as member of Nomination and Remuneration Committee, Stakeholders Relationship Committee, Committee for Financial Inclusion, Capital Raising Committee and Chairperson of Corporate Social Responsibility Committee and Sustainability Committee w.e.f. March 30, 2023.
9. Mr. M. S. Sriram appointed as Chairperson of Corporate Social Responsibility Committee and ceased to be Chairperson of Committee for Financial Inclusion and member of Risk Management Committee and Special Committee for Fraud Monitoring w.e.f. April 26, 2022. He inducted as member of Sustainability Committee w.e.f. January 19, 2023. Further, He appointed as Chairperson of Customer Service Committee and ceased to be member of Sustainability Committee w.e.f. March 30, 2023.
10. Mr. Pushpinder Singh ceased to be member of the Corporate Social Responsibility Committee and Committee for Financial Inclusion w.e.f. April 26, 2022. He inducted as member of Risk Management Committee Nomination and Remuneration Committee and ceased to be member of Special Committee for Fraud Monitoring w.e.f. March 30, 2023.
11. Mr. Sanjay Agarwal inducted as member of Sustainability Committee w.e.f. January 19, 2023. He was inducted as member of Stakeholders Relationship Committee and ceased to be member of Special Committee for Fraud Monitoring w.e.f. March 30, 2023.
12. Mr. Uttam Tibrewal was inducted as member of Corporate Social Responsibility Committee and Special Committee for Fraud Monitoring w.e.f. March 30, 2023.

Independent Director's Meeting

As per the requirement of the Section 149(8) read with Schedule IV of Companies Act, 2013, and Regulation 25 of SEBI Listing Regulations, a meeting of the Independent Directors of the Bank is required to be held once a year in absence of non-independent directors.

During the FY 2022-23, the Independent Directors of the Bank met two (2) times on April 25, 2022 and March 10, 2023, chaired by Mr. Raj Vikash Verma and attended by all the Independent Directors of the Bank and discussed & reviewed the below matters:

- Familiarisation Programme held during the year
- Performance of Non-Independent Directors, the Board of Directors as a whole, Chairperson of the Bank
- Assessed the quality, quantity, and timeliness of flow of information between the management of the Bank and the Board of Directors that is necessary for the Board of Directors to effectively and reasonably perform their duties
- Assessed whether adequate time is spent by the Board/Committees on discussions on important issues.
- Reviewed the criteria for evaluation of performance of Board Committees
- Reviewed the revised composition of Board Committees of the Bank

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

Familiarisation Programme for Independent Directors

The Bank's independent directors are eminent professionals with several decades of experience in Banking and financial services industry, technology, finance, governance and management areas and are fully conversant and familiar with the business of the Bank. In compliance with Regulation 25(7) of SEBI Listing Regulations, the Board familiarisation programme covers Induction programme for New Independent Directors, familiarisation/knowledge session on Banking Business and its functional issues. Knowledge session of subject matters experts, external training programmes from IDRBT, CAFRAL and other institutions is organised for Board Members to keep them abreast with evolving Banking Industry and regulatory landscape.

During the induction programme, the Directors are apprised about the roles, rights, responsibilities of Independent Directors covered under Bank's codes & key Board approved policies including Code of Ethics & Conduct for Directors and Senior Management Personnel. The Orientation document set is provided to the Directors for smooth familiarisation with Bank's policies, operations, its senior leadership team, and organisation structure etc. The newly inducted directors are also familiarised by the Managing Director & CEO and members of senior management team about Bank's vision & mission, business model, strategies, management structure, HR initiatives, compliance, Risk Management, Compliance, & Audit framework.

Further, at the Board and Committee Meetings regular updates on key regulatory developments including RBI & other regulatory circulars/ notifications/ guidelines etc. is also presented to keep the Directors informed about the regulatory changes and impact thereof.

The details of the familiarisation programme imparted to the Independent Directors during the FY 2022-23 are available on the website of the Bank at <https://www.aubank.in/investors/secretarial-policies>.

Director & Officer's Liability Insurance Policy

Pursuant to the Regulation 25(10) of SEBI Listing Regulations, The Bank had undertaken Directors and Officers insurance ('D & O insurance') for all its Directors, including Independent Directors, for a quantum and risks as determined by the Board of Directors of the Bank.

Board Diversity Policy

The Board has framed a policy for Board Diversity which lays down the criteria for appointment of Directors on the Board of Bank and guides organisation's approach to Board Diversity.

Bank believes that a mix of individuals representing different geographies, culture, gender, industry experience, qualification and skill set will bring in different perspectives which will help the organisation grow.



The Board of Directors is responsible for review of the Board Diversity policy from time to time. Board Diversity Policy is available at Bank's website at <https://www.aubank.in/investors/secretarial-policies>.

Succession Planning

The Bank believes that a sound succession plan for the Directors and Senior Management executives is important for maintaining stability, continuity of operations and long-term sustainable growth of the institution. The Nomination and Remuneration Committee works with the Board on the leadership succession plan to ensure an orderly succession in appointments to the Board and of Senior Management.

Accordingly, the Bank has put in place the Policy for orderly succession for appointment to the Board and Senior Management and the same can be accessed through the link at <https://www.aubank.in/investors/secretarial-policies>.

General Body Meetings

A. Location and time of last three Annual General Meetings (AGMs) and details of special resolutions passed thereat:

Year	Particular of Meeting	Date & Time	Location	Special Resolution passed if any
2021-22	27 th AGM	August, 23, 2022 at 04:00 p.m.	Through Video Conferencing ("VC") and other audio-visual means ("OAVM")	<ol style="list-style-type: none"> To re-appoint Mr. M. S. Sriram (DIN: 00588922) for second term of 3 years as an Independent Director. To re-appoint Mr. Pushpinder Singh (DIN: 08496066) for second term of 3 years as an Independent Director. To re-appoint Mr. V. G. Kannan (DIN: 03443982) for second term of 3 years as an Independent Director. To issue non-convertible debt securities/ bonds/ other permissible instruments, in one or more tranches. To raise funds through issue of equity shares and/or any other instruments or securities representing either equity shares and/or convertible securities linked to equity shares including through Qualified Institutions Placement or such other permissible mode or combinations thereof.
2020-21	26 th AGM	August 17, 2021 at 10:30 a.m.	Through VC and OAVM	<ol style="list-style-type: none"> To issue debt securities/ bonds/ other permissible instruments, in one or more tranches. To raise funds through issue of equity shares and/or any other instruments or securities representing either equity shares and/or convertible securities. Linked to equity shares including through Qualified Institutions Placement or such other permissible mode or combinations thereof.
2019-20	25 th AGM	July 21, 2020 at 3.30 p.m.	Through VC and OAVM	<ol style="list-style-type: none"> To issue debt securities/ bonds/ other permissible instruments, in one or more tranches. To approve the amendments in Employee Stock Option Scheme 2015 Plan A & B ("ESOP Scheme 2015"). To approve the amendments in Employee Stock Option Scheme 2016 ("ESOP Scheme 2016"). To approve the amendments in Employee Stock Option Scheme 2018 ("ESOP Scheme 2018"). Raising of funds through issue of equity shares and/or any other instruments or securities representing either equity shares and/or convertible securities linked to equity shares including through Qualified Institutions Placement/preferential allotment or such other permissible mode or combinations thereof.

B. Postal Ballot during the FY 2022-23

Pursuant to provisions of Section 110 and other applicable provisions, if any, of the Companies Act, 2013, read with Rule 20 and 22 of the Companies (Management and Administration) Rules, 2014, Regulation 44 of SEBI Listing Regulations, Secretarial Standard on General Meetings (“SS-2”) issued by Institute of Company Secretaries of India, General Circulars No.14/2020 dated April 8, 2020, No. 17/2020 dated April 13, 2020, No. 22/2020 dated June 15, 2020, No. 33/2020 dated September 28, 2020, No. 39/2020 dated December 31, 2020, No. 10/2021 dated June 23, 2021 and No. 20/2021 dated December 8, 2021, No. 03/2022 dated May 5, 2022 and 11/2022 dated December 28, 2022 issued by the Ministry of Corporate Affairs (“MCA Circulars”) and other applicable rules/ regulations/ guidelines/ circulars/ notifications, the Bank has received shareholders’ approval by passing following special resolution on May 29, 2022 and December 30, 2022 through postal ballot by e-voting.

Date of Postal Ballot Notice	Agenda Heading	Nos. of Votes		Percentage (%) of votes	
		In Favour	Against	In Favour	Against
April 26, 2022	Approval for the appointment of Mr. Kamlesh Shivji Vikamsey (DIN: 00059620) as an Independent Director of the Bank	22,39,27,136	3,79,82,228	85.4980	14.5020
November 24, 2022	Approval for the appointment of Ms. Malini Thadani (DIN: 01516555) as an Independent Director of the Bank	52,25,94,800	84,006	99.9839	0.0161

In addition to above, shareholders have approved the following Special resolutions through postal ballot by e-voting on April 30, 2023:

Date of Postal Ballot Notice	Agenda Heading	Nos. of Votes		Percentage (%) of votes	
		In Favour	Against	In Favour	Against
March 10, 2023	Approval for the Appointment of Ms. Kavita Venugopal (DIN: 07551521) as an Independent Director of the Bank	49,51,22,271	5,638	99.9989	0.0011
	Approval and adoption of ‘AU Employees Stock Option Scheme 2023’ (“AU ESOS 2023”)	47,91,43,940	1,59,80,911	96.7723	3.2277

CS Manoj Maheshwari, Partner of M/s. V. M. & Associates, Companies Secretaries was the scrutiniser for monitoring and scrutinising remote e-Voting and for conducting the Postal Ballot process in a fair and transparent manner.

None of the special business proposed to be transacted in the Annual General Meeting requires to be conducted through postal ballot.

Procedure of the Postal Ballot

The Postal Ballot procedure followed by the Bank is as stipulated under the provisions of Section 108 and Section 110 of the Companies Act, 2013 read with applicable Rules and SEBI Listing Regulations and the Secretarial Standards issued by the Institute of Company Secretaries of India.

Members are provided with the facility to cast their votes through e-Voting. The Board of Directors of the Bank has appointed Scrutiniser for conducting the postal ballot voting process fairly and transparently. The Scrutiniser submits his report to the Company Secretary & Compliance Officer as authorised by the Chairperson of the Board after the completion of the scrutiny of the e-Voting results. Considering the results and report of the Scrutiniser of the Postal Ballot, the resolution is considered approved or rejected.



The necessary intimations as required under the applicable SEBI Listing Regulations are submitted to the Stock Exchanges and post declarations of the results the same are displayed on the website of the Bank and of National Securities Depositories Limited.

General Shareholder Information

1	Date of Incorporation	January 10, 1996																							
2	Corporate Identification No.	L36911RJ1996PLC011381																							
3	Registered office Address	19-A, Dhuleshwar Garden, Ajmer Road, Jaipur - 302 001, Rajasthan, India																							
4	Address for Correspondence and Contact Detail	The Company Secretary & Compliance Officer, AU Small Finance Bank Limited Registered Office: 19-A, Dhuleshwar Garden, Ajmer Road, Jaipur - 302 001 Tel: +91-141-4110060/6660666 Fax: +91-141-4110090 E-mail: investorrelations@aubank.in																							
5	Name of depositories	National Securities Depository Limited (NSDL) Central Depository Services (India) Limited (CDSL)																							
6	Listing on Stock Exchange	BSE Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001, Maharashtra, India National Stock Exchange of India Ltd. (NSE) Exchange Plaza, C-1, Block G, Bandra-Kurla Complex, Bandra (East) Mumbai - 400 051, Maharashtra, India Bank has deposited the annual listing fees to the stock exchange(s) where the securities of the Bank are listed. No securities were suspended for trading on any of the exchange viz. BSE and NSE during the financial year 2022-23.																							
7	Stock Code	BSE: 540611 NSE: AUBANK																							
8	ISIN of Equity Shares	INE949L01017																							
9	Dematerialisation of Shares & Liquidity	The Bank's equity shares are traded compulsorily in electronic form. Bank has established connectivity with both the depositories in India - NSDL and CDSL. The requisite fees were duly paid to the depositories. The Bank has also appointed Link Intime India Pvt. Ltd. as the connectivity agent to provide electronic connectivity interface with NSDL and CDSL for securities of the Bank. Position of Shareholding (Demat/Physical) as on March 31, 2023 was as below: <table border="1"> <thead> <tr> <th>Particulars</th> <th></th> <th>No. of Shares</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Dematerialisation Form</td> <td>CDSL</td> <td>6,29,81,591</td> <td>9.446</td> </tr> <tr> <td>NSDL</td> <td>60,37,59,694</td> <td>90.553</td> </tr> <tr> <td>Total Dematerialised shareholding</td> <td></td> <td>66,67,41,285</td> <td>99.999</td> </tr> <tr> <td>Physical Form*</td> <td></td> <td>3,770</td> <td>0.001</td> </tr> <tr> <td>Grand Total (A+B)</td> <td></td> <td>66,67,45,055</td> <td>100.00</td> </tr> </tbody> </table> <i>*issued at the time of bonus issuance of securities due to non-credit of shares to few shareholders.</i> Further, as mandated by the Securities and Exchange Board of India ("SEBI"), existing members of the Bank, who hold securities in physical form and intend to transfer their securities, can do so only in dematerialised form. Hence, shareholders who hold shares in physical form are requested to dematerialise these shares to ensure such shares are freely transferable. No shares were held by Bank in the demat suspense account or unclaimed suspense account as on March 31, 2023.	Particulars		No. of Shares	Percentage	Dematerialisation Form	CDSL	6,29,81,591	9.446	NSDL	60,37,59,694	90.553	Total Dematerialised shareholding		66,67,41,285	99.999	Physical Form*		3,770	0.001	Grand Total (A+B)		66,67,45,055	100.00
Particulars		No. of Shares	Percentage																						
Dematerialisation Form	CDSL	6,29,81,591	9.446																						
	NSDL	60,37,59,694	90.553																						
Total Dematerialised shareholding		66,67,41,285	99.999																						
Physical Form*		3,770	0.001																						
Grand Total (A+B)		66,67,45,055	100.00																						
10	Share Transfer System	In terms of amended Regulation 40 of SEBI Listing Regulations, transfer of securities in physical form shall not be processed unless the securities are held in the demat mode with a Depository Participant. Members holding shares in physical form are therefore requested to convert their holdings into dematerialised mode to avoid loss of shares and fraudulent transactions and avail better investor servicing. An Annual certificate of compliance with the share transfer formalities as required under Regulation 40(9) of the SEBI Listing Regulations is obtained from a Company Secretary in Practice and a copy of the certificate is filed with the Stock Exchanges within the prescribed time.																							

11	Registrar and Share Transfer Agent	Link Intime India Private Limited C-101, 1 st Floor 247 Park, L.B.S Marg, Vikhroli (West), Mumbai - 400 083 Maharashtra, India Tel: (0) 8108116767, FAX: +91 022-49186060 Website: www.linkintime.co.in E-mail ID: rnt.helpdesk@linkintime.co.in
12	Debenture Trustees	Catalyst Trusteeship Limited Regd. Office: GDA House, Plot No. 85, Bhusari Colony (Right), Kothrud, Paud Road, Pune - 411 038, Maharashtra, India Phone: +91 20 66807200 / 223 / 224, FAX: +91 020- 25280275 E-mail: dt@ctltrustee.com
13	28 th Annual General Meeting	Date & Time: Thursday, August 10, 2023 at 4:00 p.m. (IST) Venue: Through VC or OAVM
14	Financial Year	The Bank follows the financial year starting from April 1, to March 31, every year.

Other Disclosure

1. Code of Conduct

The Bank has adopted a Code of Conduct for Directors and Senior Management Personnel and Code of Conduct for employees. The Bank through these Code of Conduct provides guiding principles of conduct to promote ethical conduct of business, confirms to equitable treatment of all stakeholders, and to avoid practices like bribery, corruption and anti-competitive practices. The Code is available on the website of the Bank <https://www.aubank.in/investors/secretarial-policies>.

All members of the Board and Senior Management Personnel have affirmed compliance with the Code of Conduct for Board and Senior Management for the financial year 2022-23. The declaration to this effect signed by Managing Director & CEO of the Bank is annexed to this report.

2. Code of Conduct for Prohibition of Insider Trading

The Board has adopted a Code of Conduct - Prohibition of Insider Trading to regulate, monitor and report trading by insiders/designated persons in securities of the Bank. The Code *inter alia* requires pre-clearance for trading in the securities and prohibits the purchase or sale of securities while in possession of unpublished price sensitive information and closure of trading window.

The Bank organised trainings for the Designated Persons on various occasions during the year to create & enhance awareness on various aspects of the Code of Conduct - Prohibition of Insider Trading and the SEBI (Prohibition of Insider Trading) Regulations, 2015.

The Bank periodically reviews the efficacy of its systems, controls and processes to ensure that access to unpublished price-sensitive information is on a need-to-know basis. The Code of Fair Disclosure and Conduct & Policy for determination and sharing of information for Legitimate purpose is available on the website <https://www.aubank.in/investors/secretarial-policies>.

3. Related Party Transactions

All related party transactions are placed before the Audit Committee for review and approval and annual omnibus approval is obtained for transactions which are of repetitive nature and/or entered in the Ordinary Course of Business. During the FY 2022-23, there were no materially significant related party transactions entered by the Bank with its related parties which may have potential conflict with the interest of the Bank at large. All the transactions entered into by the Bank with related parties during the FY 2022-23 were on arm's length and in ordinary course of business.

Bank's Policy on Related Party Transactions & Materiality is available on the website <https://www.aubank.in/investors/secretarial-policies>.



4. Whistle-Blower Policy & Vigil Mechanism

The Bank is committed to highest standards of ethical, moral and legal business conduct. Accordingly, the Bank has adopted a Whistle-Blower Policy & Vigil Mechanism in compliance with the relevant provisions of Section 177(9) of the Companies Act, 2013, rules made thereunder and Regulation 4(2)(d) and Regulation 22 of the SEBI Listing Regulations to provide a formal mechanism to employees, customer and stakeholders of the Bank to voice concerns in a responsible and effective manner regarding suspected unethical matters involving serious malpractice, abuse or wrongdoing within the organisation and also provides for adequate safeguards against the victimisation of employees who avail the mechanism. Any incidents that are reported are investigated and suitable action is taken in line with the Whistle-Blower Policy. No personnel were denied access to the Audit Committee of the Bank with regard to above.

The Whistle-Blower Policy & Vigil Mechanism have been disclosed on the website <https://www.aubank.in/investors/secretarial-policies>.

5. Credit Rating

The Bank's financial discipline and prudence is reflected in the strong credit ratings ascribed by rating agencies. The following table covers the Credit Ratings of the Bank as on March 31, 2023:

Nature of Debt Instrument	Nature of Term	CRISIL ¹	India Ratings ²	CARE ³
Fixed Deposits	Long-Term	AA+/Stable	-	-
Long-Term/ Subordinated Debt/ Tier II Bonds	Long-Term	AA/Stable	AA/Stable	AA/Stable
Certificate of Deposits	Short-Term	A1+	A1+	A1+

¹ CRISIL rating upgraded long-term rating to AA/Stable from AA-/Positive and reaffirmed Short-Term Ratings to A1+ and also upgraded FD ratings to AA+/Stable from FAA+/Positive on June 29, 2022. CRISIL assigned AA/Stable to Tier II Bond and withdrawn the ratings of Subordinated Debt as the Bank has repaid the term loan in full on July 7, 2022.

² India Ratings upgraded long-term Tier II bonds ratings to AA/Stable from AA-/Stable, reaffirmed Short-Term Ratings to A1+ and has withdrawn the ratings of Subordinated Debt & Bank Facilities as the Bank has repaid the term loan in full on July 22, 2022.

³ CARE Ratings has reaffirmed the long rating Tier-II Bond rating to AA/Stable and reaffirmed rating of Certificate of Deposits on April 4, 2023.

6. Penalties

No penalties, strictures have been imposed on the Bank by the Stock Exchange(s)/SEBI or any other statutory authorities on matters relating to capital market during the last three years.

7. CEO & CFO Certification

In Compliance of Regulation 17(8) of the SEBI Listing Regulations, Managing Director & CEO and CFO of the Bank have certified that the financial statements do not contain any materially untrue statement and these statements represent a true and fair view of the Bank's affairs. The said certificate is annexed with the Corporate Governance Report.

8. Subsidiary Company

The Bank does not have any Subsidiary Company.

9. Declaration of Independence

All Independent Directors provided an annual confirmation that they meet the criteria of independence. Based on the confirmations/disclosures received from the Directors as per the Section 149(7) of the Companies Act, 2013 read with Rule 6 (3) of the Companies (Appointment and Qualification of Directors) Rules, 2014 and Regulation 25(8) of SEBI Listing Regulations, the Board hereby affirm that the Independent Directors fulfill the conditions as specified under Schedule V of the SEBI Listing Regulations and are independent of the management.

The Terms & Conditions of appointment of Independent Directors have been hosted on the Bank's website and can be accessed through link at <https://www.aubank.in/about-us/Board-of-directors>.

10. Accounting Treatment

The Bank has adopted accounting policies which are in line with the Accounting Standards. The Financial Statements of the Bank have been prepared in accordance with the Accounting Standards as per the Section 133 of the Companies Act, 2013, read with relevant Rules issued thereunder and Banking Regulation Act, Guidelines issued by Reserve Bank of India and SEBI Listing Regulations.

11. Means of Communication

The Bank has provided adequate and timely information to its member's *inter alia* through the following means:

- i) **Publication of Quarterly/ Half Yearly/ Annual Financial Results:** The quarterly/half yearly and annual financial results of the Bank are published in the English newspaper viz. Business Standard and one leading newspaper of Vernacular language viz. Nafanuksan and the newspaper advertisement is also submitted to the stock exchanges.
- ii) **Update on Official Website:** The Bank's website www.aubank.in contains a separate 'Investor' Section wherein financial results, corporate announcement, reports and presentations, Annual Reports, Quarterly Corporate Governance Report, Shareholding Pattern and other disclosures are made available. Additionally, other press release, corporate Governance coverage, corporate social responsibility, policies and procedures and other details are also displayed on Bank's website.
- iii) **Presentation to Institutional Investors or Analysts:** The Bank participates in various investor conferences and analyst meets and makes presentation thereat. The presentations made to the institutional investors or analysts are uploaded on the website as well as informed to the Stock Exchanges for dissemination.
- iv) **E-mail Communication:** The Bank sent various communication such as notice calling general meeting/ postal ballot notice, quarterly financial results, audited financial statements, tax deduction at source intimation, credit of dividend intimation through e-mails at the e-mail IDs provided by the shareholders.
- v) **Management's Discussion and Analysis Report** is annexed with this Annual Report.
- vi) **Exclusive e-mail ID for Investors:** The Bank has designated the e-mail ID investorrelations@aubank.in exclusively for Investor servicing and to resolve their grievances, the same is displayed on the Bank's website.
- vii) **NSE Electronic Application Processing System (NEAPS):** All periodical and other event-based compliance filings of the Bank are filed electronically on this web-based portal of NSE.
- viii) **BSE Listing Centre (Listing Centre):** All periodical and other event-based compliance filings of the Bank are filed electronically on this web-based portal of BSE.
- ix) **SEBI Complaints Redress System (SCORES):** Investor complaints received by the Bank at SEBI Complaints Redress System (SCORES) are regularly monitored and resolved by the Bank. Investors can lodge complaints on the SCORES and also can see status of their complaints.

12. Utilisation of Funds

During the FY 2022-23, ₹2,000 crore were raised through Qualified Institutional Placement and was utilised for supporting the growth aspirations of the Bank, meeting regulatory requirements by enhancing its tier 1 capital base and for general corporate requirements and any other purposes, as stated in the placement document.

During the year, Bank has successfully raised Tier-II capital of ₹500 crore by way of private placement by issuing 500, 9.30% Unsecured, Not guaranteed, Subordinate – Tier 2 – Lower, Taxable, Non-Cumulative, Rated, Redeemable, Non-Convertible Debentures having a face value of ₹1,00,00,000/- each for cash which was utilised for the intended object as mentioned in offer document and there was no deviation or variation in utilisation of the said funds.



13. Dividend Payment

The Board of the Bank in its meeting dated April 25, 2023 has recommended final dividend of ₹1/- (Rupee One) per equity share of face value of ₹10 each fully paid up (i.e., 10% of face value) out of net profit for the financial year ended March 31, 2023, subject to approval of shareholders at the ensuing Annual General Meeting (AGM) of the Bank. The dividend on equity shares if approved by the shareholders, will be paid within 30 days from the date of AGM of the Bank.

Pursuant to provisions of Sections 124 and 125 of the Companies Act, read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('IEPF Rules'), wherein any dividend declared by the Bank, which remains unclaimed or unpaid for a period of seven years from the date of transfer to Unpaid Dividend Account of the Bank, is liable to be transferred to the Investor Education and Protection Fund ('IEPF').

Further, all the shares in respect of which dividend has not been paid or claimed for seven consecutive years or more shall also be transferred to the IEPF Authority. Since inception, the Bank has declared dividend in FY 2017-2018, FY 2018-2019 and FY 2021-22, respectively. Hence, the Bank is not required to transfer any unclaimed dividend amount to IEPF Authority. The details of unclaimed dividends are available on the Bank's website at <https://www.aubank.in/investors/investor-services>.

The following tables is containing information relating to unclaimed dividends and the dates by which dividend can be claimed by the shareholders from the Bank:

Unclaimed Dividend	Amount (in ₹)	Status	Last Date for Claiming Dividend
FY 2017-18	24,045.00	Amount lying in respective Unpaid Dividend Accounts	September 11, 2025
FY 2018-19	1,17,421.50		August 28, 2026
FY 2021-22	48,926.97		September 22, 2029

Note: Bank has not paid dividend in 2019-20 and 2020-21.

14. Details in Relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Bank has adopted the Prevention and Redressal of Sexual Harassment Policy in compliance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules framed thereunder. The Bank has zero tolerance towards sexual harassment at the workplace. The Bank believes that all employees, including other individuals who are dealing with the Bank have the right to be treated with dignity. Bank has constituted Internal Complaints Committee to review, investigate and take suitable actions on complaint and Board level Disciplinary Committee reviews the decisions taken by Internal Complaints Committee.

The following is the summary of Sexual Harassment complaints received and disposed of by the Bank during the FY 2022-23.

Sr. No.	Particulars	Numbers
1.	Number of complaints filed during the financial year	5
2.	Number of complaints disposed of during the financial year	5
3.	Number of complaints pending as on the end of the financial year	0

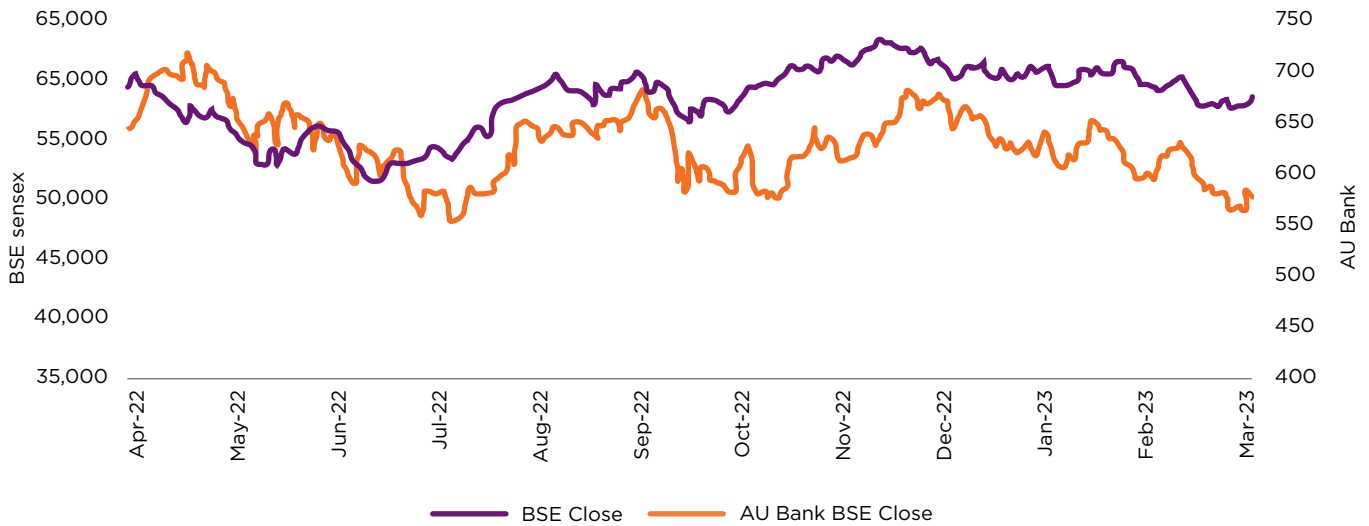
15. Market Price Data

Month	NSE			BSE		
	High (₹)	Low (₹)	Volume	High (₹)	Low (₹)	Volume
Apr-22	733	618	5,93,54,550	733	619	26,43,380
May-22	697	608	7,07,25,202	699	609	19,04,786
Jun-22	660	565	4,73,32,688	660	565	16,70,208
Jul-22	601	539	3,72,87,577	601	539	10,89,569
Aug-22	668	588	4,92,36,368	668	589	1,06,49,292
Sep-22	687	577	3,74,09,377	686	578	15,83,258
Oct-22	639	568	4,07,80,294	638	568	26,96,864
Nov-22	655	592	2,92,66,517	649	593	8,81,870
Dec-22	695	630	3,34,27,668	694	630	9,50,285
Jan-23	664	599	2,66,16,196	664	592	6,67,448
Feb-23	653	585	2,35,15,526	665	585	7,59,086
Mar-23	637	548	3,03,48,633	636	548	7,06,130

Note: Price & Volume of April 1, 2022 to June 8, 2022 are adjusted for Bonus issue done by the Bank in FY 2022-23 (June 9, 2022 being ex-bonus date).

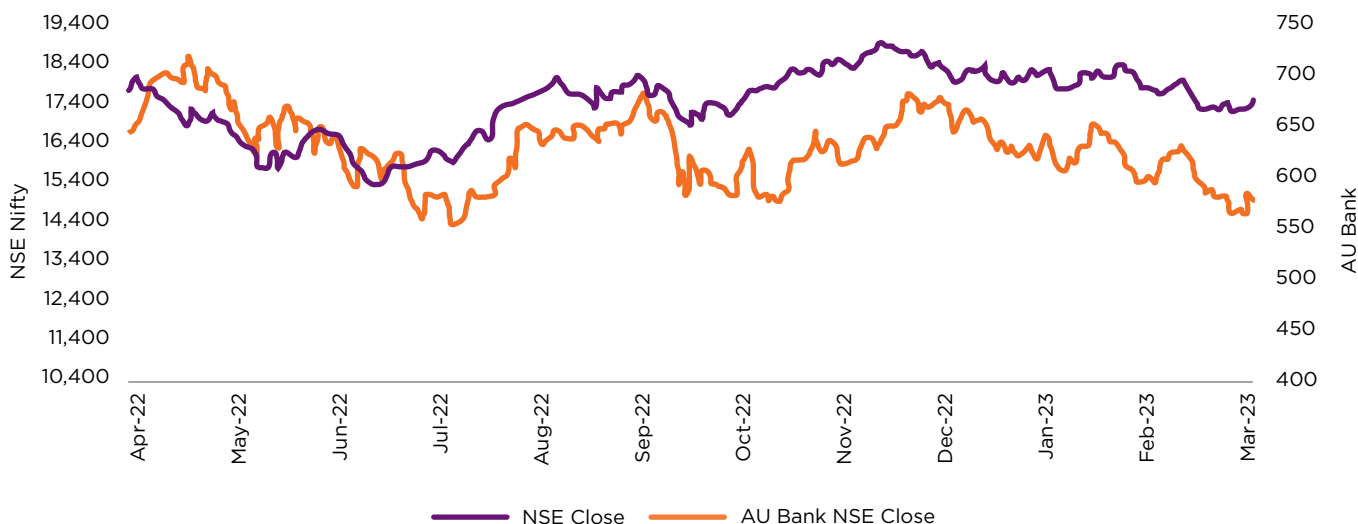
Comparison to Broad-Based Indices

AUBANK relative to BSE SENSEX





AUBANK relative to NIFTY



Distribution of Shareholding

The distribution of shareholding of the Bank as on March 31, 2023, is detailed as under:

Sr. No.	Shareholding of Nominal Shares	Shareholder	Percentage of Total	Total shares	Percentage of Total
1	1 to 5,000	1,73,071	98.96	3,10,97,618	4.66
2	5,001 to 10,000	704	0.40	49,95,057	0.75
3	10,001 to 20,000	379	0.22	54,40,126	0.82
4	20,001 to 30,000	137	0.08	33,68,394	0.51
5	30,001 to 40,000	92	0.05	31,66,179	0.47
6	40,001 to 50,000	51	0.03	23,22,992	0.35
7	50,001 to 1,00,000	128	0.07	89,77,748	1.35
8	1,00,001 to Above	322	0.19	60,73,76,941	91.09
Total		1,74,884	100.00	66,67,45,055	100.00

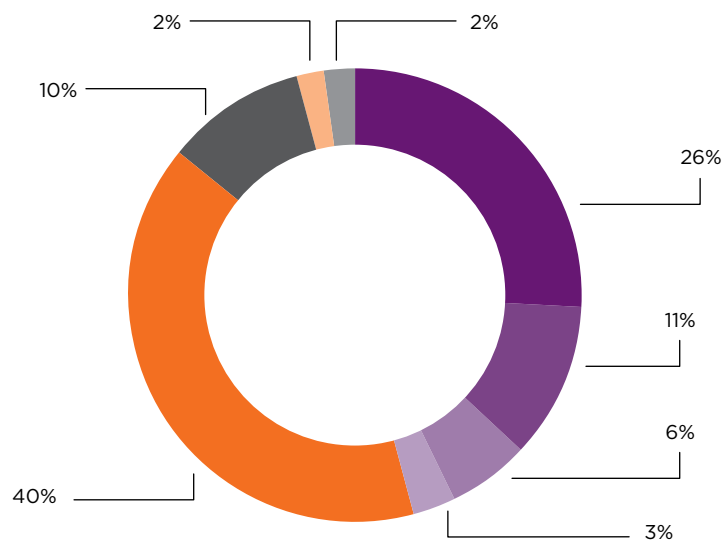
Categories of Shareholders as on March 31, 2023

Category	No. of Shares	% of Issued Capital
Sanjay Agarwal	11,71,91,360	17.58%
Jyoti Agarwal	2,36,37,120	3.55%
Shakuntala Agarwal	1,86,40,860	2.80%
MYS Holdings Private Limited	1,08,29,072	1.62%
Promoters & Promoter Group (A)	17,02,98,412	25.54%
Mutual Funds	7,68,94,541	11.53%
Alternate Investment Funds	3,71,00,634	5.56%
Bank	738	0.00%
Insurance Companies	2,35,34,016	3.53%
Total Domestic Institutions (B)	13,75,29,929	20.62%
Foreign Portfolio Investors Category I	26,22,75,265	39.34%
Foreign Portfolio Investors Category II	24,47,777	0.37%

Category	No. of Shares	% of Issued Capital
Foreign Inst. Investor	2,31,510	0.03%
Total Foreign Institutions (C)	26,49,54,552	39.74%
Directors and their relatives (excluding independent directors and nominee directors)	1,32,81,210	1.99%
Key Managerial Personnel	2,61,748	0.04%
Relatives of promoters (other than "Immediate relatives" of promoters disclosed under Promoter and Promoter Group category)	49,468	0.01%
Resident Individuals holding nominal share capital up to ₹2 lakh	3,31,19,142	4.97%
Resident Individuals holding nominal share capital in excess of ₹2 lakh	1,79,43,598	2.69%
Non-Resident Indians (NRIs)	40,67,703	0.61%
Bodies Corporate	1,30,18,619	1.95%
Trusts	63,74,688	0.96%
Limited Liability Partnership	17,50,237	0.26%
HUF	7,02,885	0.11%
Clearing Members	33,92,864	0.51%
Total Non-Institutions (D)	9,39,62,162	14.10%
Total (A+B+C+D) *	66,67,45,055	100.00%

*Above number of shareholders is based upon PAN grouping.

Shareholding pattern as on March 31, 2023



- Promoter & Promoter Group
- Insurance Companies
- Bodies Corporates
- Mutual Fund
- Foreign Investors
- Others
- Alternate Investment Funds
- Individuals



List of Shareholders holding more than 1% share in the Bank as on March 31, 2023

Sr. No.	Name of Shareholder	No. of Shares held	% of holding
1	Sanjay Agarwal	11,71,91,360	17.58%
2	Wasatch Advisors, Inc. Along With PAC	3,76,21,212	5.64%
2	Westbridge AIF I	3,19,72,121	4.80%
3	Smallcap World Fund, Inc	3,19,37,993	4.79%
4	Kotak Flexicap Fund	2,87,47,943	4.31%
5	New World Fund Inc	2,86,69,552	4.30%
6	Camas Investments Pte. Ltd.	2,69,39,946	4.04%
7	Jyoti Agarwal	2,36,37,120	3.55%
8	Shakuntala Agarwal	1,86,40,860	2.80%
9	Nomura India Investment Fund Mother Fund	1,53,05,638	2.30%
10	Uttam Tibrewal	1,31,84,936	1.98%
11	Nippon Life India Trustee Ltd. - A/C Nippon India Growth Fund	1,28,25,742	1.92%
12	HDFC Life Insurance Company Limited	1,12,01,234	1.68%
13	DSP Flexi Cap Fund	1,10,52,309	1.66%
14	MYS Holdings Private Limited	1,08,29,072	1.62%
15	Government Pension Fund Global	88,55,977	1.33%
16	UTI Flexi Cap Fund	80,74,773	1.21%

Shareholding of the Directors of the Bank as on March 31, 2023

Sr. No.	Name of Directors	No. of Shares	% of Shares
1.	Mr. Raj Vikash Verma	-	-
2.	Mr. H. R. Khan	-	-
3.	Mr. Kamlesh Vikamsey	-	-
4.	Mr. V. G. Kannan	625	0.00
5.	Ms. Kavita Venugopal	-	-
6.	Ms. Malini Thadani	-	-
7.	Mr. M. S. Sriram	-	-
8.	Mr. Pushpinder Singh	500	0.00
9.	Mr. Sanjay Agarwal	11,71,91,360	17.58
10.	Mr. Uttam Tibrewal	1,31,84,936	1.98

Note: The Bank has not issued any convertible instruments.

16. Outstanding Global Depository Receipts or American Depository Receipts or warrants or any convertible instruments, conversion date and likely impact on equity

During the FY 2022-23, the Bank does not have any outstanding GDRs/ADRs warrants that were due for conversion or did not have any other convertible instruments having an impact on the equity of the Bank.

17. Commodity price risk or foreign exchange risk and hedging activities

During the FY 2022-23, the Bank did not undertake trading in any commodity. However, the Bank may be exposed to commodity price risks of customers in its capacity as a lender. Bank is operating in India and is not directly exposed to foreign exchange risk and hedging activities.

18. Plant Location

As the Bank is engaged in the business of Banking/financial services, there is no plant location.

19. Recommendations of the Committees

No instances have been observed where the Board has not accepted recommendations of any of the Board committees.

20. Fees paid to Statutory Auditors

Total fees for services provided by M/s. Deloitte Haskins & Sells and M/s. G.M. Kapadia & Co. (Joint Statutory Auditor) for the FY 2022-23 is ₹1.91 crore excluding taxes including all entities in the network firm of which the Statutory Auditor is a part.

21. Certificate from Company Secretary in Practice

The Bank has received a certificate from M/s. V. M. & Associates, Company Secretaries, Jaipur that none of the Directors on the Board of the Bank have been debarred or disqualified from being appointed or continuing as Directors of companies by the Board/Ministry of Corporate Affairs or any such authority.

Further, the Secretarial Auditor has also certified on compliance of conditions of corporate governance of the Bank for the FY 2022-23. The abovesaid certificates are annexed with this Annual Report.

22. Compliance to Corporate Governance Provisions under SEBI Listing Regulations

During the FY 2022-23, the Bank has complied with all the mandatory requirements of Regulation 17 to 27 and clauses (b) to (i) of Regulation 46(2) and has also complied with the requirement of Schedule V of the SEBI Listing Regulations except for Regulation 24, which is not applicable as the Bank does not have any subsidiary.

Further, among discretionary requirements, as specified in Part E of Schedule II of LODR Regulations and other acts, rules, regulations, and guidelines as applicable, the Bank has adopted the following:

a) Separate Office of Non-Executive Part-time Chairman

The Bank has separated the role of Chairman and the Managing Director & CEO and Chairman is not related to the Managing Director or the Chief Executive Officer as per the definition of the term “relative” defined under the Companies Act, 2013.

Mr. Raj Vikash Verma is the Part-Time Chairman (Non-Executive), and Mr. Sanjay Agarwal is Managing Director & CEO of the Bank. The expenses pertaining to the office of the Non-Executive Chairman is maintained by the Bank along with the reimbursement of all the expenses incurred by the Chairman while performing his duties.

b) Shareholder's Rights

The Bank publishes its financial results every quarter on its website at www.aubank.in which is accessible to the public at large. The same is also available on the websites of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Ltd. ('NSE').

The investors' presentations, call transcripts and Press releases are also posted on the Bank's website. Further, information pertaining to important developments of the Bank was brought to the knowledge of the public at large and to the shareholders through communications sent to the stock exchanges where the shares of the Company are listed.

c) Modified opinion(s) in Audit Report

For the FY 2022-23, there is no audit qualification on the Bank's financial statements.

d) Reporting of Internal Auditor

The internal auditor (Head of Internal Audit) of the Bank reports to and has direct access to the Audit Committee.



CERTIFICATE ON COMPLIANCE WITH THE CODE OF CONDUCT & ETHICS

I confirm that for the year under review, all Directors and Senior Management Personnel have affirmed adherence to the provisions of the Code of Conduct of Directors and Senior Management.

Place: Jaipur
Date: April 25, 2023

Sanjay Agarwal
Managing Director & CEO

CEO & CFO Certification

To,
The Board of Directors
AU Small Finance Bank Limited

1. Pursuant to Regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we have reviewed financial statements and the cash flow statement for the year ended on March 31, 2023 and that to the best of our knowledge and belief:
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain any statements that might be misleading;
 - ii. these statements together present a true and fair view of the Bank's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Bank's during the year which are fraudulent, illegal or violative of the Bank's Code of Conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting and have disclosed to the Auditors and Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or proposed to take to rectify these deficiencies.
4. We have indicated, to the Auditors and the Audit Committee:
 - i. significant changes in internal control over financial reporting during the year;
 - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Bank's internal control system over financial reporting.

Sanjay Agarwal
Managing Director & CEO

Vimal Jain
Chief Financial Officer

Place: Jaipur
Date: April 25, 2023

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI
(Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,
The Members,
AU Small Finance Bank Limited
19-A, Dhuleshwar Garden
Jaipur – 302 001 (Rajasthan)

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **AU Small Finance Bank Limited** having **CIN: L36911RJ1996PLC011381** and having registered office at **19-A, Dhuleshwar Garden, Jaipur – 302 001 (Rajasthan)** (hereinafter referred to as '**the Bank**'), produced before us by the Bank for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C clause 10 sub clause (i) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Bank & its officers, we hereby certify that none of the Directors on the Board of the Bank as stated below for the Financial Year ended on March 31, 2023 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, Reserve Bank of India or any such other Statutory Authority.

Sr. No.	Name of Director	DIN
1.	Mr. Raj Vikash Verma	03546341
2.	Mr. Sanjay Agarwal	00009526
3.	Mr. Uttam Tibrewal	01024940
4.	Mr. Mankal Shankar Sriram	00588922
5.	Mr. Kannan Gopalaraghavan Vellur	03443982
6.	Mr. Pushpinder Singh	08496066
7.	Mr. Harun Rasid Khan	07456806
8.	Mr. Kamlesh Shivji Vikamsey	00059620
9.	Ms. Malini Thadani	01516555
10.	Ms. Kavita Venugopal	07551521

Ensuring the eligibility of, for the appointment/continuity of every Director on the Board is the responsibility of the management of the Bank. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Bank nor of the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

For V. M. & Associates

Company Secretaries
(ICSI Unique Code P1984RJ039200)
PR 581 / 2019

CS Manoj Maheshwari

Partner
Membership No.: FCS 3355
C P No.: 1971

Place: Jaipur
Date: April 25, 2023
UDIN: F003355E000183361

Annexure II

Annual Report on CSR Activities for Financial Year 2022-23

1. Brief outline on CSR Policy of the Company:

Bank's vision for CSR is to empower inhabitants by connecting people to the opportunities with a mission to build sustainable, equitable, effective, and efficient pathways for all including children, youth, and women and aged individuals. The CSR projects of AU Small Finance Bank are designed to empower and enable individuals laying special emphasis on Skills Development, Women Entrepreneurship, Rural Sports, among others, all of which have a profound positive impact on the target communities.

The Bank's CSR initiatives are aimed to create an impact on social, economic, and environmental issues and it is fostered by engaging stakeholders, both within and outside the Bank. Further, the Bank's policy outlines the governance structure, monitoring mechanism, focus areas for CSR activities for optimum utilisation of CSR resources.

Bank's CSR Activities & Projects

The Bank has been financing the entrepreneurship aspiration of the unreached and unbanked masses of India. This has been further adopted in designing and implementing high impact CSR projects aimed at improving livelihoods of marginalised and vulnerable segment of the society. The CSR activities are primarily focused in the state of Rajasthan and gradually being expanded in other states.

Over the past four years, Bank has extended its support to a wide range of CSR initiatives. In the FY 2021-22, the Bank embarked on a process of identifying key focus areas for CSR activities and projects, taking into consideration geography, stakeholders, and thematic Areas. Geography serve as the primary anchor for all CSR programmes of the Bank, prioritising the formulation of initiatives that specifically address the unique requirements of unemployed youth and women in these areas.

AU Ignite – Skills Training Programme



AU Ignite, a Centre of Excellence (COE) Programme is aimed at building a stronger and inclusive India by empowering youth to become self-dependent and earn their livelihoods. Under the aegis of Bank, it shall unlock the potential of the unemployed youth by helping them in developing skills to access employment opportunities in job market. The programme focuses on enabling and empowering youth by providing them with a platform to foster skill development and promote employment opportunities for them.

The programme caters to short-term market-led courses in areas such as Healthcare, Tourism and Hospitality, Banking, Financial Services and Insurance Sector (BFSI), and IT/ITeS. This programme aims to provide demand-driven training programmes that offer appropriate courses for career progression. By doing so, it delivers value by enhancing skills and providing clarity and alignment with evolving industry demands.

Bano Champion – AU Sports Initiative



Bano Champion is a first-of-a-kind initiative of the Bank that aims to provide guided sports training through locally identified coaches in rural and semi urban areas of Rajasthan. The programme focuses on creating a culture of sports and nurture champions in sports such as athletics, football and throwball along with games of local preference.

Besides, regular training at the grassroots, the programme provides Platform to children to compete at different levels through their Village, District & State level sports tournaments. The programme has drawn support from across, with formal partnerships with sectoral experts and association bodies, besides immense government support.

AU Udyogini - Women Entrepreneurship Programme



AU Udyogini is part of strategic initiative under which the Bank has launched multiple initiatives creating livelihood opportunities as well as self-help groups to educate, train and mentor enterprising women to start small businesses thus improving economic well-being. AU Udyogini Programme has grown around promoting 'two community-based enterprises self-help groups' and supporting women entrepreneurs in setting up individual businesses. Under this programme, Bank's aim is to unleash the potential of collective enterprises, build entrepreneurial abilities and improve skills of women members, thereby ensuring the growth of enterprises.

AU Governance - CSR

The Bank ensures compliance with all relevant parameters and governance requirements with respect to Corporate Social Responsibility. Accordingly, the Bank has formed CSR Committee, and has Board Approved CSR Policy for complying with the provision of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014. Bank's CSR Committee is a governing body for ensuring the compliance of CSR policy and for monitoring that the funds disbursed, are being utilised for the CSR activities of Bank.

The Bank's CSR activities are largely focused in the areas of Skill development, Sports, Supporting Women Entrepreneurship and other activities, like Health etc. for fulfilling the CSR objectives as per CSR Policy and Annual action plan.

2. Composition of CSR Committee:

Sr. No.	Name of Director	Designation/Nature of Directorship	Number of meetings of CSR Committee held during the year (Entitled to attend)	Number of meetings of CSR Committee attended during the year
1	Ms. Malini Thadani ¹	Chairperson	0	0
2	Mr. M S Sriram ²	Member	2	2
3	Mr. H.R. Khan ³	Member	1	1
4	Mr. Sanjay Agarwal	Member	2	2
5	Mr. Uttam Tibrewal ⁴	Member	0	0
6	Ms. Jyoti Narang ⁵	Member	2	2
7	Mr. Krishan Kant Rathi ⁶	Member	1	1
8	Mr. Pushpinder Singh ⁷	Member	1	1

Notes:

- Ms. Malini Thadani inducted as Chairperson & member of the Committee w.e.f. March 30, 2023.
- Mr. M.S. Sriram ceased to be Chairperson of the Committee w.e.f. March 30, 2023 and continued as member of the Committee.
- Mr. H.R. Khan was inducted as member of the Committee w.e.f. April 26, 2022.
- Mr. Uttam Tibrewal was inducted as member of the Committee w.e.f. March 30, 2023.
- Ms. Jyoti Narang ceased to be member of the Committee w.e.f. March 30, 2023 upon completion of her tenure on Board.
- Mr. Krishan Kant Rathi ceased to be member of the Committee w.e.f. April 26, 2022.
- Mr. Pushpinder Singh ceased to be member of the Committee w.e.f. April 26, 2022.

3. Provide the web-link(s) where Composition of CSR Committee, CSR Policy and CSR Projects approved by the Board are disclosed on the website of the Company:

Sr. No.	Particulars	Web-Link
1	Composition of CSR committee	https://www.aubank.in/about-us/board-committee
2	CSR Policy of the Bank	https://www.aubank.in/investors/secretarial-policies
3	CSR Projects	https://www.aubank.in/csr

4. Provide the executive summary along with web-link(s) of Impact Assessment of CSR Projects carried out in pursuance of sub-rule (3) of rule 8, if applicable.

This is not applicable for year under review. Further, Impact Assessment of Bank's two CSR projects shall be carried out in FY 2023-24 and accordingly report of the same will be published.

		₹ in crore
5.	(a) Average net profit of the Company as per sub-section (5) of Section 135.	₹1,029.87
	(b) Two percent of average net profit of the Company as per sub-section (5) of Section 135.	₹20.60
	(c) Surplus arising out of the CSR Projects or programmes or activities of the previous financial years.	Nil
	(d) Amount required to be set-off for the financial year, if any.	Nil
	(e) Total CSR obligation for the financial year [(b)+(c)-(d)].	₹20.60
		₹ in crore
6.	(a) Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project)	₹11.82
	(b) Amount spent in Administrative Overheads.	₹0.52
	(c) Amount spent on Impact Assessment, if applicable.	Nil
	(d) Total amount spent for the Financial Year [(a)+(b)+(c)].	₹12.34



(e) CSR amount spent or unspent for the Financial Year:

Total Amount Spent for the Financial Year (₹ in crore)	Amount Unspent (₹ in crore)				
	Total Amount transferred to Unspent CSR Account as per sub-section (6) of Section 135		Amount transferred to any fund specified under Schedule VII as per second proviso to sub-section (5) of Section 135		
	Amount	Date of transfer	Name of the fund	Amount	Date of transfer
12.34	8.26	April 28, 2023	-	-	-

(f) Excess amount for set-off, if any: No

Sr. No.	Particular	Amount (In ₹)
(1)	(2)	(3)
(i)	Two percent of average net profit of the Company as per sub-section (5) of Section 135	
(ii)	Total amount spent for the financial Year	
(iii)	Excess amount spent for the financial year [(ii)-(i)]	
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial Years, if any	Not Applicable
(v)	Amount available for set off in succeeding Financial Years [(iii)-(iv)]	

7. Details of Unspent Corporate Social Responsibility amount for the preceding three Financial Years:

1	2	3	4	5	6		7	8
Sr. No.	Preceding Financial Year(s)	Amount transferred to Unspent CSR Account under sub-section (6) of Section 135 (₹ in crore)	Balance Amount in Unspent CSR Account under sub-section (6) of Section 135 (₹ in crore)	Amount Spent in the Financial Year (₹ in crore)	Amount transferred to a Fund as specified under Schedule VII as per second proviso to sub-section (5) of Section 135, if any		Amount remaining to be spent in succeeding Financial Years (₹ in crore)	Deficiency, if any
					Amount (₹ in crore)	Date of Transfer		
1	FY 2021-22	8.22	8.22	8.22	-	-	Nil	-
2	FY 2020-21	3.46	0.31	0.31	-	-	Nil	-
3	FY 2019-20				Not Applicable			

Note: The unspent amount pertaining to ongoing projects of the Bank for FY 2021-22 and FY 2020-21 have been fully spent.

8. Whether any capital assets have been created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

Yes No

If Yes, enter the number of Capital assets created/acquired

NA

Furnish the details relating to such asset(s) so created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

Sr. No	Short particulars of the property or asset(s) [including complete address and location of the property]	Pincode of the property or asset(s)	Date of creation	Amount of CSR amount spent	Details of entity/ Authority/ beneficiary of the registered owner			
					CSR Registration Number, if applicable	Name	Registered address	
(1)	(2)	(3)	(4)	(5)	(6)			
Not Applicable								

(All the fields should be captured as appearing in the revenue record, flat no., house no. Municipal Office/ Municipal Corporation/ Gram Panchayat are to be specified and also the area of the immovable property as well as boundaries.)

9. Specify the reason(s), if the Company has failed to spend two per cent of the average net profit as per sub-section (5) of Section 135.

Bank has spent ₹20.88 crore in FY 2022-23 (inclusive of ₹0.31 crore and ₹8.22 crore from unspent CSR amount for FY 2020-21 and FY 2021-22 respectively) against the overall CSR obligation of ₹29.13 crore (inclusive of ₹0.31 crore and ₹8.22 crore from unspent CSR amount for FY 2020-21 and FY 2021-22 respectively).

All CSR projects except Centre of Excellence and AU Udyogini have been timely completed and there was no shortfall in the expenditure incurred except these projects. The amount could not be utilised fully in few CSR projects due to the nature of the projects and their duration, where assessment of their strategic location, targeted impact and other factors were required to be planned even more meticulously. In these projects, the allocated budget could not be spent completely as planned, and the unspent amount has been transferred to “Unspent CSR Account” which will be spent in accordance with the CSR Rules.

Furthermore, for AU Udyogini, the project started late due to delay in internal assessment of targeted locations & beneficiaries, hence some portion of the budget has remained unspent. For flagship programme viz. Centre of Excellence, the Bank is in progress to identify suitable low-cost land/infrastructure for developing a HUB centre. Since it is a long-term project and HUB location is strategically important for impactful delivery in areas where Bank operates, the allocated budget could not be incurred in the current FY 2022-23 and has resulted in an unspent balance which will be utilised by the Bank during the remaining years of the projects.

Sd/-

Mr. Sanjay Agarwal

Managing Director & CEO

Sd/-

Ms. Malini Thadani

(Chairperson - CSR Committee).



Annexure III

Disclosure on Remuneration

The ratio of the remuneration of each director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

Name & Designation of Directors & KMPs	Ratio of the remuneration¹ of each director to the median remuneration of the employees of the Company for the financial year	Percentage increase in remuneration¹ of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary, if any, in the financial year
Mr. Raj Vikash Verma, Chairman & Independent Director	6	Nil
Mr. Sanjay Agarwal ² , MD & CEO	71	Nil
Mr. Uttam Tibrewal ² , Whole-Time Director	62	Nil
Mr. Krishan Kant Rathi ⁵ , Independent Director	5	Nil
Ms. Jyoti Narang ⁵ , Independent Director	5	Nil
Mr. Mankal Shankar Sriram, Independent Director	5	Nil
Mr. Pushpinder Singh, Independent Director	5	Nil
Mr. Kannan Gopalaraghavan Vellur, Independent Director	5	Nil
Mr. Harun Rasid Khan, Independent Director	5	Nil
Mr. Kamlesh Shivji Vikamsey ⁶ , Independent Director	5	Nil
Ms. Malini Thadani ⁷ , Independent Director	5	Nil
Ms. Kavita Venugopal ⁸ , Independent Director	5	Nil
Mr. Vimal Jain, CFO	NA	27.57%
Mr. Manmohan Parnami, CS	NA	32.28%

Sr. No. Requirements	Disclosure
1. The percentage increase in the median remuneration of employees in the financial year	There has been increase of 16.62% in median remuneration of employees. Further, there is increase in number of employees by 503 as on year ended March 31, 2023, vis-a-vis as on March 31, 2022. Median has been calculated by taking remuneration on annualised basis considering the employees as on year end and the same approach has been followed for presenting the above data for Directors.
2. The number of permanent employees on the rolls of Bank as on March 31, 2023	There were 28,320 employees as on March 31, 2023.
3. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	Average remuneration increase for non-managerial personnel of the Bank during FY 2022-23 was 18.86%. The average remuneration increase for the managerial personnel of the Bank during FY 2022-23 was 7.06%. The average increase is dependent on the individual's performance, promotions & overall Bank's performance.
4. Affirmation that the remuneration is as per the remuneration policy of the Company	Yes, remuneration is as per the Compensation policy of the Bank.

Notes:

- In above calculation, remuneration i.e. Fixed Pay of employees including MD & CEO and Whole-Time Director as at the year-end have been considered for presenting data on comparable basis. Fixed Pay is exclusive of the variable pay, bonus, value of perquisites on ESOPs.

2. RBI vide its letter dated November 18, 2022 approved the revision in Fixed Pay of Mr. Sanjay Agarwal, MD & CEO and Mr. Uttam Tibrewal, Whole-Time Director for FY 2021-22 and same was also retained at the same level for FY 2022-23 and accordingly the percentage increase in Fixed Pay for FY 2021-22 over FY 2020-21 was 9.92% for Mr. Sanjay Agarwal, MD & CEO and 9.65% for Mr. Uttam Tibrewal, Whole-Time Director.
3. In terms of RBI circular on Corporate Governance in Banks – Appointment of Directors and Constitution of Committees of the Board dated April 26, 2021, compensation in form of fixed remuneration for each Independent Director [excluding the Part-Time Chairman (Independent Director)] of ₹15 lakh per annum as approved by the Board of Directors is paid.
4. The part-time Chairman & Independent Director of the Bank is paid consolidated honorarium of ₹20 lakh per annum.
5. Mr. Krishan Kant Rathi and Ms. Jyoti Narang ceased to be the Independent Directors of the Bank with effect from March 29, 2023 (close of business hours) on completion of their tenure and their compensation (fixed remuneration) have been annualised for the whole year for presenting data on comparable basis.
6. Mr. Kamlesh Shivji Vikamsey was appointed as an Additional Director (Non-executive Independent) w.e.f. April 25, 2022 for a term of 3 years and his appointment was approved by the shareholders as Independent Director pursuant to the resolution passed through postal ballot on May 29, 2022 and his compensation (fixed remuneration) has been annualised for the whole year for presenting data on comparable basis.
7. Ms. Malini Thadani was appointed as an Additional Director (Non-Executive Independent) w.e.f. November 25, 2022 for a term of 3 years and her appointment was approved by the shareholders as Independent Director pursuant to the resolution passed through postal ballot on December 30, 2022 and her compensation (fixed remuneration) has been annualised for the whole year for presenting data on comparable basis.
8. Ms. Kavita Venugopal was appointed as an Additional Director (Non-executive Independent) w.e.f. March 29, 2023 for a term of 3 years and her appointment was approved by the shareholders as Independent Director pursuant to the resolution passed through postal ballot on April 30, 2023 and her compensation (fixed remuneration) has been annualised for the whole year for presenting data on comparable basis.
9. The remuneration of Independent Directors including Part-time Chairman is exclusive of sitting fees and Executive Directors were not eligible to receive sitting fees.



Annexure IV

Form No. MR-3

Secretarial Audit Report

For the Financial Year Ended March 31, 2023

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Au Small Finance Bank Limited
19-A, Dhuleshwar Garden
Jaipur - 302 001 (Rajasthan)

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Au Small Finance Bank Limited** (hereinafter called "**the Bank**"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts /statutory compliances and expressing our opinion thereon.

Based on our verification of the Bank's books, papers, minute books, forms and returns filed and other records maintained by the Bank and also the information provided by the Bank, its officers, agents and authorised representatives during the conduct of secretarial audit, the explanations and clarifications given to us and the representations made by the Management and considering the relaxations granted by the Ministry of Corporate Affairs and Securities and Exchange Board of India warranted due to the spread of the COVID-19 pandemic, we hereby report that in our opinion, the Bank has, during the audit period covering the Financial Year ended on March 31, 2023 ('**Audit Period**') complied with the statutory provisions listed hereunder and also that the Bank has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Bank for the Financial Year ended on March 31, 2023 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
 - (d) The Securities and Exchange Board of India (Share-Based Employee Benefits and Sweat Equity) Regulations, 2021;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021;

- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 **(Not applicable to the Bank during the Audit Period)**;
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; **(Not applicable to the Bank during the Audit Period)**;
 - (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; and
 - (j) The Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994
- (vi) As confirmed, following other laws are specifically applicable to the Bank for which the Management has confirmed that the Bank has devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively:
- (a) The Reserve Bank of India Act, 1934;
 - (b) The Banking Regulation Act, 1949 and Notifications and Circulars issued by the Reserve Bank India ('RBI') from time to time; and
 - (c) Guidelines issued by RBI on Small Finance Bank dated November 27, 2014 and Operational Guidelines issued dated October 6, 2016

We have also examined compliance with the applicable clauses of the following:

- i. Secretarial Standards issued by The Institute of Company Secretaries of India;
- ii. The Listing Agreements entered into by the Bank with BSE Limited and National Stock Exchange of India Ltd.

During the period under review the Bank has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above. Further, the Bank has also maintained Structured Digital Database ("SDD") in compliance with Regulation 3(5) and 3(6) of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

We further report that

The Board of Directors of the Bank is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance. Further, independent director(s) were present at Board Meetings which were called at shorter notice to transact business which were considered urgent by the management in compliance of Section 173(3) of the Act. A system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the Bank commensurate with the size and operations of the Bank to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period the Bank has:

- (a) Allotted 22,69,033 (Twenty-Two Lakh Sixty-Nine Thousand and Thirty-Three) equity shares upon exercise of options by its eligible employees under its various Employee Stock Option Schemes/plans;



- (b) Duly passed the resolution pursuant to Section 42 of the Act for approving issue of non-convertible debentures/ bonds for an amount up to ₹6,000 crore (Rupees Six Thousand Crore Only) on a private placement basis in one or more tranches and/or series; and
- (c) Duly passed resolution to raise funds through issue of equity shares and/or any other instruments or securities representing either equity shares and/or convertible securities linked to equity shares including through Qualified Institutions Placement or such other permissible mode or combinations thereof pursuant to Sections 23, 41, 42, and 62(1)(c) of the Act for an aggregate amount not exceeding ₹3,000 crore (Rupees Three Thousand Crore Only) or an equivalent amount thereof.
- (d) Issued and allotted 31,50,93,233 (Thirty One Crore Fifty Lakh Ninety Three Thousand Two Hundred and Thirty Three) Bonus Equity Shares to eligible shareholders in the ratio of 1 (One) equity share of ₹10/- each for every 1 (One) existing equity shares of ₹10/- each held pursuant to the provisions of Section 63 of the Act.
- (e) Increased the Authorised Share Capital of the Bank from ₹3,50,00,00,000/- (Rupees Three Hundred and Fifty Crore Only) divided into 35,00,00,000 (Thirty-Five Crore) equity shares of ₹10/- (Rupees Ten only) each to ₹12,00,00,00,000 (Rupees One Thousand Two Hundred Crore Only) divided into 1,20,00,00,000 (One Hundred and Twenty crore) equity shares of ₹10/- (Rupees Ten only) each.
- (f) Allotted 500/- (Five Hundred) 9.30% Unsecured, Not Guaranteed, Subordinate- Tier 2-Lower, Taxable, Non-Cumulative, Rated, Redeemable, Non-Convertible Debentures in different series in the form of LOA having a face value of ₹1,00,00,000/- (Rupees One Crore Only) each aggregating to ₹5,00,00,00,000/- (Rupees Five Hundred Crore Only) on a private placement basis.
- (g) Issued and allotted 3,44,82,758 (Three Crore Forty Four Lakh Eighty Two Thousand Seven Hundred and Fifty Eight) Equity Shares of Face value of ₹10/- each at a price of ₹580/- per equity share, including a premium of ₹570/- per equity share, aggregating to ₹19,99,99,99,640 (Rupees Nineteen Hundred Ninety Nine Crore Ninety Nine Lakh Ninety Nine Thousand Six Hundred Forty Only) on a private placement basis.

For **V. M. & Associates**

Company Secretaries

(ICSI Unique Code P1984RJ039200)

PR 581 / 2019

CS Manoj Maheshwari

Partner

Membership No.: FCS 3355

C P No.: 1971

Place: Jaipur

Date: April 25, 2023

UDIN: F003355E000183315

Note: This report is to be read with our letter of even date which is annexed as **Annexure A** and forms an integral part of this report.

Annexure A

To,
The Members,
Au Small Finance Bank Limited
19-A, Dhuleshwar Garden
Jaipur - 302 001 (Rajasthan)

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Bank. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Account of the Bank.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the management has conducted the affairs of the Bank.

For **V. M. & Associates**

Company Secretaries

(ICSI Unique Code P1984RJ039200)

PR 581 / 2019

CS Manoj Maheshwari

Partner

Membership No.: FCS 3355

C P No.: 1971

Place: Jaipur

Date: April 25, 2023

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Annexure V

Business Responsibility and Sustainability Report

Section A: General Disclosures

I. Details of the listed entity

1. Corporate Identity Number (CIN) of the Listed Entity	L36911RJ1996PLC011381
2. Name of the Listed Entity	AU Small Finance Bank Limited
3. Year of incorporation	1996
4. Registered office address	19-A, Dhuleshwar Garden, Ajmer Road, Jaipur - 302 001, Rajasthan
5. Corporate Office address	5 th Floor, E-Wing, Kanakia Zillion, Junction of CST Road & LBS Road, Kurla (West), Mumbai - 400 070, Maharashtra
6. E-mail	investorrelations@aubank.in
7. Telephone	0141-4110060/61
8. Website	www.aubank.in
9. The financial year for which reporting is being done	April 1, 2022 to March 31, 2023
10. Name of the Stock Exchange(s) where shares are listed	1. BSE Limited 2. National Stock Exchange of India Ltd.
11. Paid-up capital	₹6,66,74,50,550
12. Name and contact details (telephone, e-mail address) of the person who may be contacted in case of any queries on the BRSR report	Mr. Rajesh Sharma Telephone: 0141-4110060/61 sustainability@aubank.in
13. Reporting boundary - Are the disclosures under this report made on a standalone basis (i.e. only for the entity), or on a consolidated basis (i.e. for the entity and all the entities which form a part of its consolidated financial statements, taken together)?	The Bank doesn't have any subsidiary or holding company and thus, this report has been made on standalone basis.

II. Products/services

14. Details of business activities (accounting 90% of the turnover)

Sr. No.	Description of Main Activity	Description of Business Activity	% of Turnover of the entity
1	Financial and Insurance Service	Banking activities by Central, Commercial and Saving Banks	100%

15. Products/Services sold by the entity (accounting for 90% of the entity's Turnover)

Sr. No.	Product/Service	NIC Code	% of total Turnover contributed
1	Retail Banking, Treasury, Wholesale Banking, and other Banking Operations	64191	100%

III. Operations

16. Number of locations where plants and/ or operations/ offices of the entity are situated:

Location	Number of plants	Number of offices	Total
National	-	1,027 touchpoints	1,027
International	-	None	None

17. Markets served by the entity:

a) Number of locations

Locations	Number
National (No. of States)	21 states and 3 union territories
International (No. of Countries)	-

b) What is the contribution of exports as a percentage of the total turnover of the entity?

Not Applicable

c) A brief on types of customers:

The Bank serves a diverse range of customers, catering to various segments and demographics. The Bank provides financial products and services to individuals, including salaried employees, self-employed professionals, small and medium enterprises (SMEs), micro-enterprises, and individuals from low-income or underserved communities. The Bank’s customer base encompasses both urban and rural areas, fostering inclusive growth and providing accessible banking services to a wide spectrum of customers.

The Bank has formalised Strategic Business Units (SBUs) structure to drive future growth. Below are the 10 SBUs of the Bank:



Under the above SBUs, the Bank caters to a wide range of customers, including:

Branch Banking: The Bank offers services of savings accounts, current accounts, deposits, lockers, third party products etc. to Branch Banking customers. These customers include Self Employed Non-professional, Self Employed Professional, Salaried, Housewife, Senior Citizens, NRI, Trader, Retailer & Distributors and Service Providers.

Wheels: The Bank has a strong presence in vehicle financing with widest product range in the industry and extend credit for 2 to 22-wheeler vehicles for individuals and corporate customers.

SBL & Commercial Banking: The Bank provides a range of banking services tailored to the needs of MSMEs, trusts, NGOs, schools, colleges, hospitals and other corporates including current accounts, fixed deposits, secured business loan, term loans, cash credit, over draft, trade & forex transactions, cash management services and non-fund based facilities etc. to support the growth and development of small businesses.



Housing Loans: The Bank provides housing finance solutions to individuals looking to buy, construct, or renovate their homes. It offers home loans with competitive interest rates, flexible repayment options, and quick processing to meet the housing needs of its customers.

Digital Banking: The Bank offers various digital solutions for retail customers, small merchants, MSMEs and Corporates through AU 0101 app, video banking and UPI QR etc.

Credit Cards: The Bank offers various types of credit cards to corporates and individuals who are from tier 2/3 cities, mid income segment, high income segment and super affluent.

Merchant Solutions Group: The Bank offers various products to MSMEs such as QR, POS, payment gateway, small ticket finance, Bank Guarantee, Letter of Credit and Bill discounting etc.

Financial & digital inclusion: The Bank focuses on serving unserved and underserved individuals residing in rural, semi-urban and urban areas who may have limited access to formal banking services through the Jan Dhan Bouquet comprising of savings account (BSBDA Account), micro-insurance (PMJJBY and PMSBY) and micro-pension services (APY).

IV. Employees

18. Details as at the end of the financial year:

a) Employees and workers (including differently abled):

Sr. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B/A)	No. (C)	% (C/A)
Employees						
1	Permanent (D)	28,320	25,967	91.69%	2,353	8.31%
2	Other than Permanent (E)	-	-	-	-	-
3	Total employees (D+E)	28,320	25,967	91.69%	2,353	8.31%
Workers						
4	Permanent (F)	-	-	-	-	-
5	Other than Permanent (G)	-	-	-	-	-
6	Total workers (F+G)	-	-	-	-	-

b) Differently abled employees and workers:

Sr. No.	Particulars	Total (A)	Male		Female	
			No. (B)	% (B/A)	No. (C)	% (C/A)
Differently abled employees						
1	Permanent (D)	21	19	90.48%	2	9.52%
2	Other than Permanent (E)	-	-	-	-	-
3	Total differently abled employees (D + E)	21	19	90.48%	2	9.52%
Differently abled workers						
4	Permanent (F)	-	-	-	-	-
5	Other than permanent (G)	-	-	-	-	-
6	Total differently abled workers (F+ G)	-	-	-	-	-

19. Participation/ Inclusion/ Representation of women

	Total (A)	No. and percentage of Females	
		No. (B)	% (B/A)
Board of Directors	10	2	20%
Key Management Personnel*	4	0	0

*including Executive Directors

20. Turnover rate for permanent employees and workers (Disclose trends for the past 3 years)*

In line with the BRSR guidance note, the turnover rates have been calculated with the formula: (No. of persons who have left the employment of the entity in the FY *100/Average no. of persons employed in the category), where average number of persons employed in a category has been calculated as (Persons employed in the category at the beginning of FY + Persons employed in the category at the end of FY)/2.

Turnover percentage for employees also includes attrition on account of death, superannuation, disciplinary action and exit of employees on account of low performance.

Particulars	FY 2022-23			FY 2021-22			FY 2020-21		
	Male (%)	Female (%)	Total (%)	Male (%)	Female (%)	Total (%)	Male (%)	Female (%)	Total (%)
Senior level employees	4.9%	-	4.9%	9.6%	-	9.6%	8.2%	-	8.2%
Mid-level employees	17.7%	19.4%	17.8%	14.8%	19.5%	15.0%	11.6%	19.4%	11.9%
Junior employees	35.6%	45.4%	36.4%	27.5%	41.4%	28.5%	18.2%	32.2%	19.0%
Frontline employees	53.2%	60.1%	53.8%	47.7%	57.1%	48.3%	38.7%	53.6%	39.6%
Total	46.7%	54.4%	47.3%	41.6%	52.0%	42.3%	33.3%	48.1%	34.2%
Permanent workers	-	-	-	-	-	-	-	-	-

*Bank's overall headcount at the end of FY 2022-23 was 28,320 employees compared to 27,817 employees at the end of FY 2021-22. During the year, the Bank continued its focus on enhancing efficiency and productivity levels and there has been some increase in turnover rate as the overall base of employees remained at similar levels.

V. Holding, Subsidiary and Associate Companies (including joint ventures)

21. Names of holding/ subsidiary/ associate companies/ joint ventures

Name of the holding/ Sr. subsidiary/ associate No. companies/ joint ventures (A)	Indicate-whether holding/ subsidiary/ Associate/ Joint venture	% of shares held by the listed entity	Does the entity indicated at column A, participate in the Business-Responsibility initiatives of the listed entity? (Yes/No)
The Bank doesn't have any Holding, Subsidiary, Associate Company or Joint Venture. Thus, not applicable.			

VI. CSR Details

22.

(i) Whether CSR is applicable as per Section 135 of Companies Act, 2013: (Yes/No)	Yes
(ii) Turnover (in ₹)	92,39,87,24,811
(iii) Net Worth (in ₹)	1,09,77,34,36,370

VII. Transparency and Disclosures Compliances

23. Complaints/Grievances on any of the principles (Principles 1 to 9) under the National Guidelines on Responsible Business Conduct:

Stakeholder group from whom a complaint is received	Grievance Redressal Mechanism in Place (Yes/No) (If yes, then provide a web-link for grievance redress policy)	FY 2022-23			FY 2021-22		
		Number of complaints filed during the year	Number of complaints pending resolution at the close of the year	Remarks	Number of complaints filed during the year	Number of complaints pending resolution at the close of the year	Remarks
Communities	Yes Covered under Bank's Whistle-Blower Policy and Vigil Mechanism https://www.aubank.in/investors/secretarial-policies	Nil	Nil	-	Nil	Nil	-
Investors (other than shareholders)	Yes Covered under Investor Grievance Redressal Policy https://www.aubank.in/investors/secretarial-policies	Nil	Nil	-	Nil	Nil	-



Stakeholder group from whom a complaint is received	Grievance Redressal Mechanism in Place (Yes/No) (If yes, then provide a web-link for grievance redress policy)	FY 2022-23			FY 2021-22		
		Number of complaints filed during the year	Number of complaints pending resolution at the close of the year	Remarks	Number of complaints filed during the year	Number of complaints pending resolution at the close of the year	Remarks
Shareholders	Yes Covered under Investor Grievance Redressal Policy https://www.aubank.in/investors/secretarial-policies	6	Nil	-	Nil	Nil	-
Employees and workers	Yes Covered under Bank's Whistle-Blower Policy and Vigil Mechanism https://www.aubank.in/investors/secretarial-policies	9	Nil	-	4	Nil	-
Customers	Yes Covered under Customer Grievance Redressal Policy https://www.aubank.in/notice-board	35,322	1,491	-	35,497	485	-
Value Chain Partners	Yes, Covered under Bank's Whistle-Blower Policy and Vigil Mechanism https://www.aubank.in/investors/secretarial-policies	2	Nil	-	Nil	Nil	-
Others (Third Party/Anonymous)	Yes Covered under Bank's Whistle-Blower Policy and Vigil Mechanism https://www.aubank.in/investors/secretarial-policies	9	Nil	-	8	Nil	-

24. Overview of the entity's material responsible business conduct issues:

Please indicate material responsible business conduct and sustainability issues pertaining to environmental and social matters that present a risk or an opportunity to your business, rationale for identifying the same, approach to adapt or mitigate the risk along-with its financial implications, as per the following format

Sr. No.	Material issue identified	Indicate whether risk or opportunity (R/O)	The rationale for identifying the risk/opportunity	In case of risk, approach to adapt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)
1	Financial and Digital Inclusion	Opportunity	Financial Inclusion is being recognised as a key driver of economic growth and poverty alleviation. Embracing financial and digital inclusion not only contributes to the social and economic development of India but also positions the Bank as a key enabler of inclusive growth. The Bank visualises immense opportunities in Financial and digital inclusion and by focusing on these initiatives, Bank can expand its customer base, increase customer loyalty, diversify revenue streams, reduce costs, leverage data analytics and foster collaborations in this area for making a positive impact.	-	Positive

Sr. No.	Material issue identified	Indicate whether risk or opportunity (R/O)	The rationale for identifying the risk/opportunity	In case of risk, approach to adapt or mitigate	Financial implications of the risk or opportunity (Indicate positive or negative implications)
2	Diversity and Inclusion	Opportunity	<p>While the Bank continues to demonstrate progress in the diverse representation of its workforce, the Bank seeks to continuously improve in this area.</p> <p>The Bank can harness the power of diverse perspectives to make informed decisions, gain deeper insights into their customers' needs, attract and retain exceptional talent, foster a culture of innovation, enhance its reputation and brand image, effectively manage risks, and expand its presence in the market.</p>	-	Positive
3	Corporate Social Responsibility	Opportunity	<p>The CSR initiatives of the Bank are primarily focused on Skills Development, Women Entrepreneurship, Rural Sports, to have a profound positive impact on the communities.</p> <p>The Bank through its CSR initiatives endeavours to make meaningful contribution by empowering socially, economically, financially, and physically excluded, disadvantaged and challenged communities and thereby helping them to become self-reliant and achieve sustainable inclusive development.</p> <p>CSR shall help the Bank to contribute to community development, engage employees, building a positive image of institution, and comply with regulations.</p>	-	Positive
4	Climate risk	Risk	<p>Climate change is being recognised globally as a source of financial risk for Banks. The uncertainty about the timing and severity of climate-related and environmental risk certainly threatens the safety, soundness and resilience of Regulated Entities and, in turn, the stability of the overall financial system.</p>	<p>It is imperative for Banks to understand the impact of climate risk and taking prudent measures. The Bank is further deep diving on this aspect and exploring solutions for positive climate action.</p> <p>The Bank is also taking measures to sensitise and create awareness among employees about ESG and climate change.</p>	Negative

For more information regarding Bank's responsible business conduct issues, please refer "Materiality Assessment" section in Sustainability Report of the Bank available at <https://www.aubank.in/sustainability-awareness>.



Section B: Management and Process Disclosures

This section is aimed at helping businesses demonstrate the structures, policies, and processes put in place towards adopting the National Guidelines on Responsible Business Conduct (“NGRBC”) Principles and Core Elements. The nine NGRBC Principles are as follows:

Principle 1

Businesses should conduct and govern themselves with integrity, and in a manner that is ethical, transparent, and accountable.

Principle 2

Businesses should provide goods and services in a manner that is sustainable and safe.

Principle 3

Businesses should respect and promote the well-being of all employees, including those in their value chain.

Principle 4

Businesses should respect the interests of and be responsive to all its stakeholders.

Principle 5

Businesses should respect and promote human rights.

Principle 6

Businesses should respect and make efforts to protect and restore the environment.

Principle 7

Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.

Principle 8

Businesses should promote inclusive growth and equitable development.

Principle 9

Businesses should engage with and provide value to their consumers in a responsible manner.

Disclosure Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
Policy and management processes									
1. a) Whether your entity’s policy/policies cover each principle and its core elements of the NGRBCs. (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
b) Has the policy been approved by the Board? (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
c) Web-Link of the Policies, if available									
2. Whether the entity has translated the policy into procedures. (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3. Do the enlisted policies extend to your value chain partners? (Yes/No)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4. Name of the national and international codes/certifications/ labels/ standards (e.g., Forest Stewardship Council, Fairtrade, Rainforest Alliance, Trustee) standards (e.g. SA 8000, OHSAS, ISO, BIS) adopted by your Entity and mapped to each principle	The Bank has adopted and complies with the regulations as prescribed by Reserve Bank of India (RBI), Ministry of Corporate Affairs (MCA), Securities and Exchange Board of India (SEBI), and other regulators. AU Bank has also been certified for its robust data privacy and cyber security capabilities in alignment with ISO 27001:2013 standards.								
5. Specific commitments, goals, and targets set by the entity with defined timelines, if any.	No specific commitments, goals and targets were set in relation to above principles during the financial year.								
6. Performance of the entity against the specific commitments, goals, and targets along with reasons in case the same are not met.	-	-	-	-	-	-	-	-	-

Disclosure Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
Governance, leadership, and oversight									
7. Statement by the director responsible for the business responsibility report, highlighting ESG related challenges, targets, and achievements (listed entity has flexibility regarding the placement of this disclosure)	Please refer “MD & CEO’s Message” at page no. 40 of the Integrated Report 2022-23.								
8. Details of the highest authority responsible for implementation and oversight of the Business Responsibility policy(ies).	Mr. Sanjay Agarwal MD & CEO								
9. Does the entity have a specified Committee of the Board/ Director responsible for decision-making on sustainability-related issues? (Yes/No). If yes, provide details.	Yes, the Bank has Board level Sustainability Committee.								

10. Details of Review of NGRBCs by the Company:

Subject for Review	Indicate whether the review was undertaken by the Director/ Committee of the Board/ Any Other Committee									Frequency (Annually/ Half-yearly/ Quarterly/ Any Other - please specify)								
	P1	P2	P3	P4	P5	P6	P7	P8	P9	P1	P2	P3	P4	P5	P6	P7	P8	P9
Performance against the above policies and follow up action	Yes, by Board/Respective Committee of Board									Annually								
Compliance with statutory requirements of relevance to the principles, and the rectification of any non-compliances	The Bank follows all the applicable statutory and regulatory guidelines.																	

	P1	P2	P3	P4	P5	P6	P7	P8	P9
11. Has the entity carried out an independent assessment/evaluation of the working of its policies by an external agency? (Yes/No). If yes, provide name of the agency	No								

12. If the answer to question (1) above is “No” i.e. not all Principles are covered by a policy, reasons to be stated:

Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
The entity does not consider the principles material to its business (Yes/No)									
The entity is not at a stage where it is in a position to formulate and implement the policies on specified principles (Yes/No)									
The entity does not have the financial or/human and technical resources available for the task (Yes/No)	Not Applicable								
It is planned to be done in the next financial year (Yes/No)									
Any other reason (please specify)									



Section C: Principle-wise Performance Disclosure

This section is aimed at helping entities demonstrate their performance in integrating the Principles and Core Elements with key processes and decisions. The information sought is categorised as “Essential” and “Leadership”. While the essential indicators are expected to be disclosed by every entity that is mandated to file this report, the leadership indicators may be voluntarily disclosed by entities which aspire to progress to a higher level in their quest to be socially, environmentally and ethically responsible.

PRINCIPLE 1: Businesses should conduct and govern themselves with integrity, and in a manner that is ethical, transparent, and accountable.

Essential Indicators

1. Percentage coverage by training and awareness programmes on any of the Principles during the financial year:

Segment	Total number of training and awareness programmes held	Topic/Principles covered under the training and its impact	% of a person in respective categories covered by the awareness programmes
Board of Directors	8	Principle 1 to 4 & 7 to 9	100%
Key Managerial Personnel	10	Principle 1 to 5, 8 & 9	100%
Employees other than BOD and KMPs	198	Principle 1 to 5 & 7 to 9	99%
Workers	NA	NA	NA

2. Details of fines/ penalties/ punishment/ award/ compounding fees/ settlement amount paid in proceedings (by the entity or by directors /KMPs) with regulators/ law enforcement agencies/ judicial institutions, in the financial year, in the following format (Note: the entity shall make disclosures on the basis of materiality as specified in Regulation 30 of SEBI (Listing Obligations and Disclosure Obligations) Regulations, 2015 and as disclosed on the entity’s website):

Particulars	Monetary				
	NGRBC Principle	Name of the regulatory/ enforcement agencies judicial institutions	Amount (in ₹)	Brief of the Case	Has an appeal been preferred? (Yes/No)
Penalty fine			Nil		
Settlement					
Compounding fee					
Particulars	Non-Monetary				
	NGRBC Principle	Name of the regulatory/ enforcement agencies judicial institutions	Brief of the Case	Has an appeal been preferred? (Yes/No)	
Imprisonment			Nil		
Punishment					

3. Of the instances disclosed in Question 2 above, details of the Appeal/Revision are preferred in cases where monetary or non-monetary action has been appealed

Case Details	Name of the regulatory/enforcement agencies judicial institutions
NA	NA

4. Does the entity have an anti-corruption or anti-bribery policy? If yes, provide details in brief and if available, provide a web-link to the policy.

The Bank has a robust Anti-Bribery and Anti-Corruption Policy that applies to all stakeholders, including customers, vendors, investors, regulators and governmental agencies. The Bank maintains a zero-tolerance approach towards instances of bribery and corruption. The policy specifically addresses measures to combat

corruption within the Bank and falls under the purview of the Disciplinary Committee and Audit Committee. The Disciplinary Committee is responsible for investigating any acts of misconduct committed by employees within the Bank’s control and taking appropriate punitive action. Additionally, the Disciplinary Committee keeps an oversight for implementing preventive measures to deter misconduct among employees. As part of Banks training programmes, employees are imparted vigilance awareness trainings.

Web-link of the Policy: <https://www.aubank.in/notice-board>.

5. Number of Directors/ KMPs/ employees/ workers against whom disciplinary action was taken by any law enforcement agency for the charges of bribery/ corruption:

Particulars	FY 2022-23	FY 2021-22
Directors	Nil	Nil
KMPs	Nil	Nil
Employees	Nil	Nil
Workers	NA	NA

6. Details of complaints with regard to conflict of interest:

Particulars	FY 2022-23		FY 2021-22	
	Numbers	Remarks	Numbers	Remarks
Number of complaints received in relation to issues of Conflict of Interest of the Directors	Nil	NA	Nil	NA
Number of complaints received in relation to issues of conflicts of interest of the KMPs	Nil	NA	Nil	NA

7. Provide details of any corrective action taken or underway on issues related to fines/ penalties/ action taken by regulators/ law enforcement agencies/ judicial institutions, on cases of corruption and conflicts of interest.

There are no cases or incidents related to fines/ penalties/ action taken by regulators/ law enforcement agencies/ judicial institutions, on cases of corruption and conflicts of interest.

Leadership Indicators

1. Awareness programmes conducted for value chain partners on any of the principles during the financial year:

Total numbers of awareness programmes held	Topic/principles covered under training	% of value chain partners covered (by the value of business done with such partners) under the awareness programmes
Nil	Nil	Nil

2. Does the entity have processes in place to avoid/manage conflict of interests involving members of the Board? (Yes/No) If yes, provide details of the same.

Yes, the Bank has a Code of Conduct for Directors and Senior Management Personnel and Policy on Related Party Transactions and Materiality which specifies that the Directors shall not involve in a situation that directly or indirectly involves conflict with the interest of the Bank.

Web-link of the above Policies: <https://www.aubank.in/investors/secretarial-policies>

PRINCIPLE 2: Businesses should provide goods and services in a manner that is sustainable and safe.

Essential Indicators

1. Percentage of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of products and processes to total R&D and capex investments made by the entity, respectively.

Particulars	Current Financial Year	Previous Financial year	Details of improvement in environmental and social impact
R&D	Not applicable given the nature of the business and being a financial service sector entity.		
Capex			



2. a) Does the entity have procedures in place for sustainable sourcing? (Yes/No):

Yes, the Bank has Sustainable Procurement Guidelines (“SPG”) and the Bank expects its supply chain partners to imbibe sustainability in their DNA and align themselves with ESG aspects. SPG is an effort to spread and promote the sustainability across supply chain and covers suppliers’ providing goods & services, contractors, and third-party collaborators.

Web-link of the SPG: <https://www.aubank.in/sustainability-awareness>

b) If yes, what percentage of inputs were sourced sustainably?

Percentage of inputs sourced sustainably could not be ascertained due to insufficient data availability or lack of comprehensive reporting mechanisms. The Bank is in process of developing necessary tools for comprehensive reporting mechanisms in this regard.

3. Describe the processes in place to safely reclaim your products for reusing, recycling, and disposing at the end of life, for (a) Plastics (including packaging) (b) E-waste (c) Hazardous waste and (d) other waste

Given the nature of the Bank’s business activities, products and services are intangible in nature, the Bank has limited scope for using recycled material as processed inputs. The Bank disposes of its waste such as paper, dustbin bags through state’s municipal authorities and disposing e-waste through authorised vendors. The Bank is reducing the usage of plastics in its offices and branches with the alternatives. The Bank procures furniture made from recyclable materials from authorised suppliers to the extent possible.

4. Whether Extended Producer Responsibility (EPR) is applicable to the entity’s activities (Yes/No). If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards? If not, provide steps taken to address the same.

No, Given the nature of the Bank’s operations, Extended Producers Responsibility (EPR) is not applicable to the Bank.

Leadership indicators

1. Has the entity conducted Life Cycle Perspective/Assessments (LCA) for any of its products (for manufacturing industry) or for its services (for service industry)? If yes, provide details in the following format?

The Life Cycle of the Bank’s services are as follows:

Loans: The Bank’s loan life cycle process involves sourcing loan files, conducting credit assessments, making loan decisions, executing loan documents, disbursing funds, monitoring compliance, and closing of loan accounts. Loan applications are sourced by branches or dedicated teams, and credit managers scrutinise documents and assess loan requirements. After loan sanction, relationship managers assist borrowers in executing loan documents, and the Central Operations Department ensures proper scrutiny and disburses funds. Ongoing monitoring and compliance are conducted, including tracking covenants and conducting risk assessments. Loan accounts are closed upon maturity or borrower request and security is released after full payment and account closure. Overall, the process ensures a systematic approach to loan management, from application to closure.

Deposits: The deposit lifecycle begins with customer acquisition through branches, offices, business correspondent, or walk-in customers. The Bank collects and reviews the necessary Know Your Customer (KYC) information to ensure compliance with regulations. Once the KYC process is completed, customers can open deposits through digital channels like mobile banking or internet banking, or by submitting an application form at the branches.

For Fixed Deposits, customers receive deposit advice and can also view the details through digital channels, regardless of the opening method. Upon maturity, fixed deposits are either closed, and the proceeds are transferred to the operative account, or they can be renewed for another term.

Customers also have the option to open operative accounts such as Savings Bank or Current Accounts. These accounts offer various facilities, including cheque books and debit cards. If a customer wishes to close their operative account, they can submit a request to the Bank.

The Bank has not conducted LCA of its services.

2. If there are any significant social or environmental concerns and/or risks arising from production or disposal of your products/services, as identified in the Life Cycle Perspective/Assessments (LCA) or through any other means, briefly describe the same along-with action taken to mitigate the same.

Not Applicable.

3. Percentage of recycled or reused input material to total material (by value) used in production (for manufacturing industry) or providing services (for service industry).

Not Applicable.

4. Of the products and packaging reclaimed at end of life of products, amount (in metric tonnes) reused, recycled, and disposed, as per the following format:

	FY 2022-23			FY 2021-22		
	Reused	Recycled	Safely Disposed	Reused	Recycled	Safely Disposed
Plastic including packaging	NA	NA	NA	NA	NA	NA
E-waste	NA	NA	4.420	NA	NA	9.406
Hazardous Waste	Nil	Nil	Nil	Nil	Nil	Nil
Other Waste	NA	NA	NA	NA	NA	NA

5. Reclaimed products and their packaging materials (as percentage of products sold) for each product category.

Indicate product category	Reclaimed products and their packaging materials as % of total products sold in respective category
	Not Applicable

PRINCIPLE 3: Businesses should respect and promote the well-being of all employees, including those in their value chain.

Essential Indicators

1. a) Details of measures for the well-being of employees:

Category	% of employees covered by										
	Total (A)	Health Insurance		Accident Insurance		Maternity Benefits		Paternity Benefits		Day Care facilities	
		Number (B)	% (B/A)	Number (C)	% (C/A)	Number (D)	% (D/A)	Number (E)	% (E/A)	Number (F)	% (F/A)
Permanent employees											
Male	25,967	25,967	100%	25,967	100%	-	-	25,967	100%	-	-
Female	2,353	2,353	100%	2,353	100%	2,353	100%	-	-	-	-
Total	28,320	28,320	100%	28,320	100%	2,353	100%	25,967	100%	-	-
Other than Permanent employees											
Male											
Female	Not Applicable										
Total											

b) Details of measures for the well-being of workers:

Category	% of workers covered by										
	Total (A)	Health Insurance		Accident Insurance		Maternity Benefits		Paternity Benefits		Day Care facilities	
		Number (B)	% (B/A)	Number (C)	% (C/A)	Number (D)	% (D/A)	Number (E)	% (E/A)	Number (F)	% (F/A)
Permanent workers											
Male											
Female	Not Applicable										
Total											
Other than Permanent workers											
Male											
Female	Not Applicable										
Total											



2. Details of retirement benefits, for Current financial year and Previous financial year

Benefits	FY 2022-23			FY 2021-22		
	No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/ N/ NA)	No. of employees covered as a % of total employees	No. of workers covered as a % of total workers	Deducted and deposited with the authority (Y/ N/ NA)
PF	93.90%	NA	Yes	91%	NA	Yes
Gratuity	93.90%	NA	Yes	91%	NA	Yes
ESI	NA	NA	NA	NA	NA	NA
Others	NA	NA	NA	NA	NA	NA

3. Accessibility of workplaces:

Are the premises/offices of the entity accessible to differently-abled employees and workers, as per the requirements of the Rights of Persons with Disabilities Act, 2016? If not, whether any steps are being taken by the entity in this regard.

Yes, the Bank has put in place various initiatives and provisions across the Bank's offices and branches for its specially abled employees as per the requirements of the Rights of Persons with Disabilities Act, 2016 for easy access to the premises/offices of the Bank.

4. Does the entity have an equal opportunity policy as per the Rights of Persons with Disabilities Act, 2016? If so, provide a web-link to the policy.

The Bank has a recruitment and selection policy in place that provides for non-discriminatory treatment of all employees and focuses on providing equal opportunity to all the candidates. Further, the Bank has a dedicated Diversity & Inclusion (D&I) Committee which is setup to uplift diversity and inclusion in the Bank with the aim of fostering a varied talent pool. The major goal of D&I Committee is to focus on creating a diverse yet inclusive culture in the organisation where people get a sense of comradery. The Bank's initiatives are regularly monitored by the D&I Committee to foresee the diverse work culture in the organisation and make sure there is equal employment opportunity for all. The D&I guidelines of the Bank is available on <https://www.aubank.in/investors/secretarial-policies>.

5. Return to work and Retention rates of permanent employees and workers that took parental leave.

Gender	Permanent employees		Permanent workers	
	Return to work rate	Retention rate	Return to work rate	Retention rate
Male	99.82%	59.20%	Not Applicable	
Female	98.82%	39.39%		
Total	99.77%	58.82%		

6. Is there a mechanism available to receive and redress grievances for the following categories of employees and workers? If yes, give details of the mechanism in brief. (If yes, then give details of the mechanism in brief)

Permanent Workers	NA
Other than Permanent Workers	NA
Employees	Yes
Other than Permanent Employees	NA

The Bank has Prevention of Sexual Harassment (“POSH”) Committee and Disciplinary Committee to address the grievances of the employees. Each Committee constitutes of members who are proficient to manage varied problems of all employees. Any issue or concern can be reported on e-mail ids mentioned in the policy. The Bank also have ‘raise a complaint’ section on intranet where employees can file a complaint under POSH and whistle blower. The Bank ensures the confidentiality of the matter and supports the employee in every capacity. The Bank promotes an open-door culture where employees are encouraged to communicate about their concerns without hesitation.

The Bank also have a consequence management policy which deals with employee’s unacceptable actions and non-compliance to code of conduct. This policy defines necessary actions on violation of behavioural issues and operational lapses.

The Bank encourages its employees to voice their concerns, if any, related to suspected or occurrence of illegal, unethical inappropriate actions, serious conduct risk, potential misconduct and related concerns, fraudulent transactions, suspicions, etc. without fear of retribution or fear of reprisal or victimisation of the employee raising the concern through its whistle blower policy.

7. Membership of employees and worker in association(s) or Unions recognised by the listed entity:

Category	FY 2022-23			FY 2021-22		
	Total employees/ workers in the respective category (A)	No. of employees/ workers in respective category, who are part of the association(s) or Union (B)	% (B/A)	Total employees/ workers in respective category (C)	No. of employees/ Workers in respective category, who are part of the association(s) or Union (D)	% (D/C)
Total Permanent Employees						
Male						
Female						
Total Permanent Workers						
Male						
Female						

Not Applicable

8. Details of training given to employees and workers:

Category	FY 2022-23					FY 2021-22				
	Total (A)	On Health and safety measures		On Skill upgradation		Total (D)	On Health and safety measures		On Skill upgradation	
		No. (B)	% (B /A)	No. (C)	% (C/A)		No. (E)	% (E/D)	No. (F)	% (F/D)
Employees										
Male	25,967	25,431	97.94%	25,220	97.12%	25,887	24,819	95.87%	25,196	97.33%
Female	2,353	2,294	97.49%	2,248	95.54%	1,930	1,855	96.11%	1,878	97.31%
Total	28,320	27,725	97.90%	27,468	96.99%	27,817	26,674	95.89%	27,074	97.33%
Workers										
Male										
Female										
Total										

Not Applicable



9. Details of performance and career development reviews of employees and workers:

Category	FY 2022-23			FY 2021-22		
	Total (A)	No. (B)	% (B/A)	Total (C)	No. (D)	% (D/C)
Employees						
Male	25,967	25,967	100%	25,887	25,887	100%
Female	2,353	2,353	100%	1,930	1,930	100%
Total	28,320	28,320	100%	27,817	27,817	100%
Workers						
Male						
Female						
Total						

10. Health and safety management system:

a) Whether an occupational health and safety management system has been implemented by the entity? (Yes/No). If yes, the coverage of such a system?

Yes, all Branches with ATMs and asset offices with cash facility (except Unbanked Category branches) are secured with E-Surveillance System or CMS System, which not only can detect, but also have the capability to generate a real-time alert. Further, all offices are covered under CCTVs and fire alarm systems, including fire extinguishers, thereby instilling required confidence to Bank's workforce. Moreover, mock drills are also performed regularly to create awareness among employees on safety measures.

b) What are the processes used to identify work-related hazards and assess risks on a routine and non-routine basis by the entity?

The Bank prioritises the well-being of its employees and takes their physical and mental health as a top priority. Through periodic assessments, the Bank identifies and evaluates occupational health and safety risks and implement necessary mitigation measures. Regular training sessions, including mock fire drills are conducted to enhance preparedness for emergencies. The Bank's proactive approach fosters a safe work environment, surpassing regulatory compliance. By addressing risks, implementing controls, and providing comprehensive training, the Bank demonstrates its commitment to employee well-being, ensuring a secure and healthy workplace and reinforcing its reputation as a caring and responsible employer.

c) Whether you have processes for workers to report work-related hazards and to remove themselves from such risks. (Yes/No)

Not Applicable

d) Do the employees/worker of the entity have access to non-occupational medical and healthcare services? (Yes/No)

Yes, the Bank has taken several measures to provide medical coverage for its employees to provide safety against the medical and healthcare emergencies, which includes Group Medical Policy for employees and their families, Group Term Life Insurance and Group Personal Accident Cover.

The Bank has tie-up with wellness app which provides unlimited online consultations across specialties to employees and their family members. The Bank has also collaborated with various hospitals to get additional discount & benefits for employees and annual health check-ups, blood donation camps, eye camps etc. were also conducted during the year for the employees.

11. Details of safety related incidents, in the following format:

Safety Incident/Number	Category	FY 2022-23	FY 2021-22
Lost Time Injury Frequency Rate (LTIFR) (per one million-person hours worked)	Employees	Nil	Nil
	Workers	Not Applicable	
Total recordable work-related injuries	Employees	Nil	Nil
	Workers	Not Applicable	
No. of fatalities	Employees	Nil	Nil
	Workers	Not Applicable	
High consequence work-related injury or ill-health (excluding fatalities)	Employees	Nil	Nil
	Workers	Not Applicable	

12. Describe the measures taken by the entity to ensure a safe and healthy workplace.

The Bank prioritises the physical and mental well-being of its employees and the Bank has meticulously planned and regularly conducted various activities and programmes to ensure a safe and healthy workplace for its employees, such as:

- Installed fire alarms, fire sprinklers and extinguishers in offices for emergency situations.
- Tie-up with wellness app which provides unlimited online consultations across specialties.
- Collaborated with various hospitals to get additional discount and benefits for employees.
- Conducted annual health check-ups, blood donation camps, eye camps and others.
- Organised yoga and Zumba sessions.
- The Bank has also undertaken several programmes to enhance gender diversity and inclusivity.
- Organised Annual AU Marathon & AU Khelotsav to encourage employees for active physical engagement and camaraderie amongst all.
- The Bank don't encourage employees to work beyond the working hours.
- Providing cab facilities for late sitting women employees.
- Maintaining clean and hygienic working environment.
- POSH posters for awareness and regulation of rules in the offices.
- Canteen facilities with healthy eating options.
- Address employee queries through a HR Sahayak portal.

The Bank aims to create a positive and inclusive work environment that promotes the overall well-being of employees.

13. Number of Complaints on the following made by employees and workers:

Particulars	FY 2022-23			FY 2021-22		
	Filed during the year	Pending resolution at the end of the year	Remarks	Filed during the year	Pending resolution at the end of year	Remarks
Working Conditions						
Health & Safety						Nil



14. Assessments for the year:

Particulars	% of your plants and offices that were assessed (by the entity or statutory authorities or third parties)
Health and safety practices	Nil
Working Conditions	Nil

15. Provide details of any corrective action taken or underway to address safety-related incidents (if any) and on significant risks/concerns arising from assessments of health & safety practices and working conditions.

Not Applicable

Leadership Indicators

1. Does the entity extend any life insurance or any compensatory package in the event of death of (A) Employees (Y/N) (B) Workers (Y/N)?

(A) Employees - Yes, the Bank provides benefits to its employees, such as insurance benefits and a compensatory package to the employee's legal heir in case of unfortunate demise. The Bank has also extended compassionate employment to the family members of 2 employees who lost their life due to unforeseen incidents.

(B) Workers - Not Applicable

2. Provide the measures undertaken by the entity to ensure that statutory dues have been deducted and deposited by the value chain partners.

The Bank has complied with applicable requirements in this regard. Further, the Bank also sets clear expectations with vendors and suppliers to abide by labour laws including payment of statutory dues, human rights, and regulations applicable on their businesses.

3. Provide the number of employees/ workers having suffered high consequence work- related injury/ ill-health/ fatalities (as reported in Q11 of Essential Indicators above), who have been rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment:

Particulars	Total no. of affected employees/workers		No. of employees/workers that are rehabilitated and placed in suitable employment or whose family members have been placed in suitable employment	
	FY 2022-23	FY 2021-22	FY 2022-23	FY 2021-22
Employees	Not Applicable			
Workers				

4. Does the entity provide transition assistance programmes to facilitate continued employability and the management of career endings resulting from retirement or termination of employment? (Yes/No)

Yes, the Bank has implemented multiple programmes to help our employees in their career progression, some of them are:

Saksham - A programme which helps employees in getting the right skills for delivering their KRAs, and for enabling their growth.

AU Dharma - A programme to build synergy and to reiterate the Banks' work principles. These programmes help employees to gel with the organisational culture.

Capacity Building - A unique policy which intends to put in place system and strategies to understand the capacity of an employee and undertake capacity building efforts by providing training and skill development sessions.

Behavioural Workshops - The Bank has developed and delivered multiple behavioural programmes to help our employees in building and improving competency.

First Time Managers - A programme to help our employees in their transition from officers to managers, and managers to leaders.

5. Details on assessment of value chain partners:

Particulars	% of value chain partners (by value of business done with such partners) that were assessed
Health and safety practices	Not Applicable
Working Conditions	

6. Provide details of any corrective actions taken or underway to address significant risks/concerns arising from assessments of health and safety practices and working conditions of value chain partners.

Not Applicable

PRINCIPLE 4: Businesses should respect the interests of and be responsive to all its stakeholders

Essential Indicators

1. Describe the processes for identifying key stakeholder groups of the entity.

The Bank has a structured mechanism in place to identify its stakeholders who are impacted by the Bank and has an impact on Bank’s business. This is carried out considering various factors - the dependency of business, regulatory authorities, investors, value chain partners supporting in key areas like IT & other allied services, community where the Bank operates, media platforms where the Bank does its advertising/communication to public and customers to name a few. Customers, investors/shareholders, regulatory authorities and government, employees, Partners, vendors and associates and society, are being recognised as Bank’s key stakeholder groups.

2. List stakeholder groups identified as key for your entity and the frequency of engagement with each stakeholder group.

Stakeholder Group	Whether identified as Vulnerable & Marginalised Group (Yes/No)	Channels of communication (E-mail, SMS, Newspaper, Pamphlets, Advertisements, Community Meetings, Notice Board Website) Other	Frequency of engagement (Annually/ Half-yearly/ Quarterly/ others - please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Customers	No	<ul style="list-style-type: none"> Over the counter – Branch & Offices, ATMs, BOs and BCs Tele Banking - Phone Banking, IVR and Customer care Digital Channels – Mobile Banking, Net Banking, SMS, WhatsApp, Social media platform, E-mail, Auro chatbot and Video Banking Advertisements including print media Customer satisfaction surveys and feedback 	Continuous engagement	<ul style="list-style-type: none"> Access to safe, non-discriminatory, and responsible banking services with transparent pricing Products and services that meet customer needs Seamless transactions across different platforms Convenient access to banking
Investors and Shareholders	No	<ul style="list-style-type: none"> Quarterly financial updates Investor meetings, presentation and investors call transcripts Public disclosures Shareholders Meetings Analyst Meets Annual Report 	Continuous engagement as per requirement	<ul style="list-style-type: none"> Sound risk management and compliance Sustainable shareholder value Strong governance and transparency Responsible business practices Effective and timely communication



Stakeholder Group	Whether identified as Vulnerable & Marginalised Group (Yes/No)	Channels of communication (E-mail, SMS, Newspaper, Pamphlets, Advertisements, Community Meetings, Notice Board Website) Other	Frequency of engagement (Annually/ Half-yearly/ Quarterly/ others - please specify)	Purpose and scope of engagement including key topics and concerns raised during such engagement
Regulatory, Authorities and Government	No	<ul style="list-style-type: none"> Regular meetings - onsite and offsites Policy updates, circulars, guidelines, and directives Mandatory filings of information - regulatory and need based Various Government schemes and policies 	Continuous engagement as per requirement	<ul style="list-style-type: none"> Facilitating financial and digital inclusion Implementation of various social security schemes Compliance with all relevant laws and regulations Responsiveness towards regulatory changes Customer privacy and data security Contribution to national priorities
Employees	No	<ul style="list-style-type: none"> Internal meetings and town halls Performance discussions and periodic reviews Training and development workshops Employees connect initiatives like - Anticipation & Reflection platform sessions with MD & CEO and Head of HR, Coffee with CIO, Seedhi baat MD ke Saath Feedback and surveys 	Continuous engagement	<ul style="list-style-type: none"> Employee health, safety, and well-being Create a culture that encourages ethical practices, promotes meritocracy, and rewards high performance Professional development of our employees through nurturing and providing growth opportunities Diverse and inclusive workplace
Partners, vendors and associates	No	<ul style="list-style-type: none"> Regular online and offline meetings Phone calls Surveys Workshops, conferences 	Continuous engagement	<ul style="list-style-type: none"> Ensure effective communication for quality and efficient service High governance standards with policies around corruption, child labour, human rights Maintain transparency in all the disclosures and interactions Resolution mechanisms and frameworks for handling of differences and disputes
Society	Yes	<ul style="list-style-type: none"> CSR initiatives at multiple locations Social activities through AU Foundation Print Media and Social media communication Regular meetings and interventions Financial Literacy Programme Project monitoring and reviews 	Continuous engagement	<ul style="list-style-type: none"> Contribution towards various causes/programmes for skill development, financial and digital literacy, safe and drinking water, education, healthcare Proactive involvement in community development and upliftment of unbanked rural regions
Environment	No	<ul style="list-style-type: none"> Social media Internal and town hall meetings Campaigns and promotions Reports and publications National and international forums 	Continuous engagement	<ul style="list-style-type: none"> Integration of ESG factors into business decisions To use our resources to promote social and environmental issues, and other common agendas to build a thriving society Ensure that the end-use of products offered by our Bank is in consonance with environment.

Leadership Indicators

1. Provide the processes for consultation between stakeholders and the Board on economic, environmental, and social topics, or if consultation is delegated, how is feedback from such consultations provided to the Board.

The Bank communicates with its stakeholders through the communication channels referred above on continuous basis and the feedback received through those communication is apprised to the Board and its Committees.

Feedback received from customers is directed to the Customer Service Committee for appropriate consideration and action. Investors and shareholders' feedback is channeled to the Stakeholders Relationship Committee to ensure their concerns and interests are addressed. The Audit Committee handles regulatory directions and advice to ensure compliance and effective governance. Matters related to employees are directed to the Nomination and Remuneration Committee, which focuses on employee-related issues and policies. Further, feedback and matters related to society are directed to the Corporate Social Responsibility Committee, which oversees the Bank's initiatives and actions in promoting social welfare and community development. The Bank also has Board level Sustainability Committee to oversee stakeholder consultation and feedback received on ESG aspects. By assigning these responsibilities to specialised committees and thereafter review of important issues by the Board of the Bank, it is ensured that dedicated attention and appropriate handling of feedback of stakeholders different areas of concern is taken care.

2. Whether stakeholder consultation is used to support the identification and management of environmental, and social topics (Yes/No). If so, provide details of instances as to how the inputs received from stakeholders on these topics were incorporated into policies and activities of the entity.

Yes, the Bank uses stakeholders' inputs to support the identification and management of environmental and social topics. The Bank recognises the importance of engaging stakeholders to gather insights, perspectives, and feedback on these matters.

In the Bank's materiality assessment process, stakeholders inputs played a crucial role. The Bank identified and prioritised the most meaningful and relevant material issues by considering various sources such as media reports, peer benchmarks, global standards, and initiatives. This involved analysing the practices of other Banks, non-banking financial institutions, HFCs, auto OEMs, vehicle loan lending firms, as well as global frameworks like UN SDGs, TCFD, GRI, SASB, and WEF metrics. To further refine the identified material issues, a survey was conducted with a select group of stakeholders. Their valuable insights were incorporated, resulting in a final list of 20 probable material issues. By involving stakeholders in the process, the Bank ensured a comprehensive and inclusive approach to identifying and addressing key concerns.

3. Provide details of instances of engagement with, and actions taken to, address the concerns of vulnerable/marginalised stakeholder groups.

Engagement with and addressing the concerns of vulnerable/marginalised stakeholder groups is a crucial aspect of responsible business practices. Here are some of the instances of engagement and actions taken to address the concerns of such groups:

Community Outreach: The Bank engages in proactive community outreach programmes to understand the needs and concerns of marginalised communities. This can include organising meetings with focus groups or partnering with local NGOs to conduct needs assessment.

Financial Inclusion Initiatives: The foundation of the Bank was laid to provide access to financial services and build an inclusive Banking ecosystem for all. Our special focus on Unbanked Rural Centres (URC) and Special Focus Districts (SFD) allows us to serve the underserved population that has long been excluded from the formal financial system. Our comprehensive Banking Outlet (BO) channel enables a strong presence in the rural markets and streamlines last-mile intervention as custodians of financial inclusion. Therefore, Financial Inclusion is furthering Bank's purpose of empowering India financially, socially, and digitally.



Financial Literacy: The Bank's focus on conducting good quality financial literacy programmes acts as an impetus to real-time financial awareness and prevents the underserved population from financial distress, debt, and poverty. The Bank continue to disseminate financial information responsibly and Bank firmly believes that financial literacy is an unparalleled enabler of financial inclusion.

Priority Sector Lending: The Bank through its Priority Sector Lending creates social impact that address the needs of marginalised communities, such as small and marginal farmers, affordable housing, Self Help Groups, and sustainable livelihood programmes etc. These measures are aimed to create positive social change and uplift vulnerable groups.

By engaging with marginalised stakeholder groups and taking specific actions to address their concerns, the Bank demonstrates its commitment to inclusivity, social responsibility, and sustainable development.

PRINCIPLE 5: Businesses should respect and promote human rights

Essential Indicators

1. Employees and workers, who have been provided training on human rights issues and policy(ies) of the entity, in the following format:

Category	FY 2022-23			FY 2021-22		
	Total (A)	No. of employees/workers covered (B)	% (B/A)	Total (C)	No. of employees/workers covered (D)	% (D/C)
Employees						
Permanent	28,320	27,828	98.26%	27,817	26,863	96.57%
Other than permanent			Not Applicable			
Total Employees	28,320	27,828	98.26%	27,817	26,863	96.57%
Workers						
Permanent						
Other than permanent			Not Applicable			
Total Workers						

2. Details of minimum wages paid to employees and workers, in the following format:

Category	FY 2022-23					FY 2021-22				
	Total (A)	Equal to Minimum Wage		More than Minimum Wage		Total (D)	Equal to Minimum Wage		More than Minimum Wage	
		No. (B)	% (B/A)	No. (C)	% (C/A)		No. (E)	% (E/D)	No. (F)	% (F/D)
Employees										
Permanent	28,320	59	0.21%	28,261	99.79%	27,817	21	0.08%	27,796	99.92%
Male	25,967	57	0.22%	25,910	99.78%	25,887	14	0.05%	25,873	99.95%
Female	2,353	2	0.08%	2,351	99.92%	1,930	7	0.36%	1,923	99.64%
Other than permanent										
Male										Not Applicable
Female										
Workers										
Permanent										
Male										
Female										
Other than permanent										Not Applicable
Male										
Female										

3. Details of remuneration/ salary/ wages, in the following format:

Particulars	Male		Female	
	Number	Median remuneration/ salary/ wages of respective category (In ₹)	Number	Median remuneration salary/wages of the respective category (In ₹)
Board of Directors (BoD)	6	15,00,000	2	15,00,000
Key Managerial Personnel	4	1,56,00,012	-	-
Employees other than BoD and KMP	25,963	3,20,604	2,353	3,80,004
Workers	NA	NA	NA	NA

Notes:

- Remuneration of Executive Directors has been considered under KMP category and Non-Executive Directors under Board of Directors category.
- Remuneration of Non-Executive Directors doesn't include sitting fees and Remuneration of KMPs and Employees is excluding perquisites on exercise of ESOPs.

4. Do you have a focal point (Individual/Committee) responsible for addressing human rights impacts or issues caused or contributed to by the business? (Yes/No)

Yes, the Bank has constituted a Disciplinary Committee to address a wide range of concerns related to its employees, including human rights issues. In addition to the Disciplinary Committee, the Bank has implemented proactive measures such as a Policy for Prevention & Redressal against Sexual Harassment, Whistle-Blower Policy and a Vigil Mechanism Policy to ensure the detection and correction of any misconduct or unethical behaviour. These policies serve as safeguards and provide a platform for employees to report any wrongdoing, ensuring that corrective actions are taken promptly and effectively.

5. Describe the internal mechanisms in place to redress grievances related to human rights issues.

The Bank's commitment to upholding human rights is deeply embedded in its organisational culture, as evidenced by the existence of a dedicated Disciplinary Committee that addresses grievances raised by stakeholders. The Bank acknowledges the fundamental importance of human rights and holds the utmost respect for the dignity of all individuals associated with the organisation. This commitment is clearly reflected in the Bank's comprehensive policies and code of conduct, which not only outline its guiding principles but also emphasise the philosophy of placing human rights as a top priority.

6. Number of Complaints on the following made by employees and workers:

Particulars	FY 2022-23			FY 2021-22		
	Filed during the year	Pending resolution at the end of year	Remarks	Filed during the year	Pending resolution at the end of year	Remarks
Sexual Harassment	5	Nil	-	1	Nil	-
Discrimination at Workplace	Nil	Nil	-	Nil	Nil	-
Child Labour	Nil	Nil	-	Nil	Nil	-
Forced Labour/Involuntary Labour	Nil	Nil	-	Nil	Nil	-
Wages	Nil	Nil	-	Nil	Nil	-
Other (human rights related) issues	Nil	Nil	-	Nil	Nil	-

7. Mechanisms to prevent adverse consequences to the complainant in discrimination and harassment cases.

Bank treat all information related to the complaints received with utmost confidentiality and ensure adequate support to the complainant. The Bank has a Policy in place for Prevention and Redressal against Sexual Harassment. Bank has zero tolerance towards sexual harassment and the primary objective of the said policy is to safeguard all employees from sexual harassment at the workplace and maintain safe and secure work



environment. The Bank has Internal Complaints Committee in compliance of the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 to review, investigate and take suitable actions on complaint, and there is a Board level Disciplinary Committee that reviews the decisions taken by Internal Complaints Committee.

8. Do human rights requirements form part of your business agreements and contracts? (Yes/No)

Yes, the relevant business agreements which the Bank enters contains the clause for complying with the laws governing environment, health and safety and laws affecting the work force.

9. Assessments for the year:

Particulars	% of your plants and offices that were assessed (by entity or statutory authorities or third parties)
Child labour	
Forced/involuntary labour	
Sexual harassment	
Discrimination at workplace	Not Applicable
Wages	
Others - please specify	

10. Provide details of any corrective actions taken or underway to address significant risks/concerns arising from the assessments at Question 9 above.

Not Applicable.

Leadership Indicators

1. Details of a business process being modified/ introduced as a result of addressing human rights grievances/ complaints.

During the year, there have been no instances of human rights grievances requiring modification/introduction of processes.

2. Details of the scope and coverage of any human rights due diligence conducted.

There was no due diligence conducted relating to human rights during the year.

3. Is the premise/office of the entity accessible to differently abled visitors, as per the requirements of the Rights of Persons with Disabilities Act, 2016?

The Bank has put in place various initiatives and provisions across its offices and branches to ease the banking services to differently abled visitors. Many of the offices are located in commercial premises which are on the ground floor or have elevators and infrastructure for differently abled visitors. Ramps are provided at Branches & ATMs, wherever feasible to accommodate senior citizens and differently abled visitors.

4. Details on assessment of value chain partners:

Particulars	% of value chain partners (by value of business done with such partners) that were assessed
Sexual Harassment	The Bank has not conducted any such assessment of value chain partners. The Bank through its Sustainability Procurement Guidelines always requires that suppliers comply with all applicable laws, regulations and standards within the geographies in which they operate as part of the Supply Chain Sustainability initiative.
Discrimination at workplace	
Child Labour	
Forced Labour/Involuntary Labour	
Wages	
Others - please specify	

5. Provide details of any corrective actions taken or underway to address significant risks/concerns arising from the assessments at Question 4 above.

Not Applicable

PRINCIPLE 6: Businesses should respect and make efforts to protect and restore the environment

Essential Indicators

1. Details of total energy consumption (in Joules or multiples) and energy intensity, in the following format

Parameter	FY 2022-23	FY 2021-22
Total electricity consumption (A) (in GJ)	77,911.70	58,978.12
Total fuel consumption (B) (in GJ)	3,766.68	2,806.38
Energy consumption through other sources (C)	-	-
Total energy consumption (A+B+C) (in GJ)	81,678.38	61,784.50
Energy intensity per rupee of turnover (Total energy consumption/ turnover in rupees)	Negligible	Negligible
Energy intensity (optional) - the relevant metric may be selected by the entity	-	-

*The figures are updated after assurance of the Sustainability Report for FY 2021-22

Note: Indicate if any independent assessment/ evaluation/ assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency: Limited Assurance on the Sustainability Report for FY 2021-22 containing details of total energy consumption was provided by Price Waterhouse Chartered Accountants LLP. Details of total energy consumption for FY 2022-23 as part of Sustainability Report is under assurance by an external agency.

2. Does the entity have any sites/facilities identified as designated consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the Government of India? (Y/N) If yes, disclose whether targets set under the PAT scheme have been achieved. In case targets have not been achieved, provide the remedial action taken, if any.

Not Applicable

3. Provide details of the following disclosures related to water, in the following format:

Parameter	FY 2022-23	FY 2021-22
Water withdrawal by source (in kilolitres)	Given the nature of the Bank's business operations, water consumption and discharge is not material to the business. Water consumption is limited to drinking and domestic consumption.	
(i) Surface water		
(ii) Groundwater		
(iii) Third party water		
(iv) Seawater/desalinated water		
(v) Others		
Total volume of water withdrawal (in kilolitres) (i + ii + iii + iv + v)		
Total volume of water consumption (in kilolitres)		
Water intensity per rupee of turnover (Water consumed/turnover)		
Water intensity (optional) - the relevant metric may be selected by the entity		

Note: Indicate if any independent assessment/ evaluation/ assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency: Not Applicable

4. Has the entity implemented a mechanism for Zero Liquid Discharge? If yes, provide details of its coverage and implementation.

Not Applicable



5. Please provide details of air emissions (other than GHG emissions) by the entity, in the following format:

Parameter	Please specify unit	FY 2022-23	FY 2021-22
NOx			
Sox			
Particulate matter (PM)			
Persistent organic pollutants (POP)		Not Applicable	
Volatile organic compounds (VOC)			
Hazardous air pollutants (HAP)			
Others - please specify			

Note: Indicate if any independent assessment/ evaluation/ assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency: Not Applicable

6. Provide details of greenhouse gas emissions (Scope 1 and Scope 2 emissions) and its intensity, in the following format:

Parameter	Unit	FY 2022-23	FY 2021-22
Total Scope 1 emissions (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	Metric tonnes of CO ₂ equivalent	280.04	207.95
Total Scope 2 emissions (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	Metric tonnes of CO ₂ equivalent	15,365.92	12,942.42
Total Scope 1 and Scope 2 emissions per rupee of turnover		Negligible	Negligible
Total Scope 1 and Scope 2 emission intensity (optional) - the relevant metric may be selected by the entity		-	-

**The figures are updated after assurance of the Sustainability Report for FY 2021-22*

Note: Indicate if any independent assessment/ evaluation/assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency: Limited Assurance on the Sustainability Report for FY 2021-22 containing details of total greenhouse gas emissions was provided by Price Waterhouse Chartered Accountants LLP. Details of greenhouse gas emissions for FY 2022-23 as part of Sustainability Report is under assurance by an external agency.

7. Does the entity have any project related to reducing Green House Gas emission? If yes, then provide details.

The Bank is dedicated to creating and maintaining an environment friendly working environment for its staff across all its operations. The Bank understands the importance of energy efficiency and the need to address climate change, which is deeply ingrained in its operational practices. The Bank's long-term vision is to achieve sustainability by eliminating direct CO₂ emissions from its operations and promoting the use of renewable energy sources, thereby reducing its impact on climate change.

Aligned with global sustainable development goals (SDGs) and our national commitment to achieve net-zero emissions by 2070, the Bank has taken concrete steps to minimise its carbon footprint. This includes the widespread adoption of digital banking channels, implementing energy-efficient measures, and promoting paper conservation. These initiatives serve as a testament to Bank's unwavering dedication to address the impacts of climate change and managing its environmental footprint.

The Bank remain committed to its goal of reducing energy consumption and emissions in all its operational outlets. By continuously focusing on energy efficiency and emissions reduction measures, the Bank strive to contribute to a sustainable future and play its part in combating climate change.

8. Provide details related to waste management by the entity, in the following format:

Parameter	FY 2022-23	FY 2021-22
Total Waste generated (in metric tonnes)		
Plastic waste (A)	Nil	Nil
E-waste (B)	4.420	9.406
Bio-medical waste (C)	Nil	Nil
Construction and demolition waste (D)	Nil	Nil
Battery waste (E)	Nil	Nil
Radioactive waste (F)	Nil	Nil
Other Hazardous waste. Please specify, if any. (G)	Nil	Nil
Other Non-hazardous waste generated (H). Please specify, if any. (Break-up by composition i.e., by materials relevant to the sector)	Nil	Nil
Total (A+B + C + D + E + F + G + H)	4.420	9.406
For each category of waste generated, total waste recovered through recycling, re-using or other recovery operations (in metric tonnes)		
Category of waste		
(i) Recycled	Nil	Nil
(ii) Re-used	Nil	Nil
(iii) Other recovery operations	Nil	Nil
Total	Nil	Nil
For each category of waste generated, total waste disposed by nature of disposal method (in metric tonnes)		
Category of waste		
(i) Incineration	Nil	Nil
(ii) Landfilling	Nil	Nil
(iii) Other disposal operations	Nil	Nil
Total	Nil	Nil

Note: Indicate if any independent assessment/ evaluation/ assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency: No.

9. Briefly describe the waste management practices adopted in your establishments. Describe the strategy adopted by your company to reduce usage of hazardous and toxic chemicals in your products and processes and the practices adopted to manage such wastes.

Being a Bank, there is no usage of hazardous and toxic chemicals in our operations. The Bank disposes of its waste, such as paper, dustbin bags through state’s municipal authorities and disposing e-waste through authorised vendors. The Bank is reducing the usage of plastics in its offices and branches with the alternatives.

10. If the entity has operations/ offices in/ around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones, etc.) where environmental approvals/clearances are required, please specify details in the following format:

Sr. No.	Location of operations/offices	Type of operations	Whether the conditions of environmental approval/ clearance are being complied with? (Y/N) If no, the reasons thereof and Corrective action taken, if any.
Not Applicable			

11. Details of environmental impact assessments of projects undertaken by the entity based on applicable laws, in the current financial year:

Name and brief details of project	EIA Notification No.	Date	Whether conducted by independent external agency (Yes/No)	Results communicated in public domain (Yes/No)	Relevant Web-link
Not Applicable					



12. Is the entity compliant with the applicable environmental law/ regulations/ guidelines in India, such as the Water (Prevention and Control of Pollution) Act, Air (Prevention and Control of Pollution) Act, Environment protection act and rules thereunder (Y/N). If not, provide details of all such non-compliances, in the following format:

Sr. No.	Specify the law/ regulation/ guidelines which were not complied with	Provide details of the non-compliance	Any fines/ penalties/ action taken by regulatory agencies such as pollution control Boards or by courts	Corrective action taken if any
		Not Applicable		

Leadership Indicators

1. Provide break-up of the total energy consumed (in Joules or multiples) from renewable and non-renewable sources, in the following format:

Parameter	FY 2022-23	FY 2021-22
	From renewable sources	
Total electricity consumption (A)	-	-
Total fuel consumption (B)	-	-
Energy consumption through other sources (C)	-	-
Total energy consumed from renewable sources (A+B+C)	-	-
	From non-renewable sources	
Total electricity consumption (D)	77,911.70 GJ	58,978.12 GJ
Total fuel consumption (E)	3,766.68 GJ	2,806.38 GJ
Energy consumption through other sources (F)	-	-
Total energy consumed from non-renewable sources (D+E+F)	81,678.38 GJ	61,784.50 GJ

**The figures are updated after assurance of the Sustainability Report for FY 2021-22*

Note: Indicate if any independent assessment/ evaluation/ assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency: Limited Assurance on the Sustainability Report for FY 2021-22 containing details of total energy consumption was provided by Price Waterhouse Chartered Accountants LLP. Details of total energy consumption for FY 2022-23 as part of Sustainability Report is under assurance by an external agency.

2. Provide the following details related to water discharged:

Parameter	FY 2022-23	FY 2021-22
Water discharge by destination and level of treatment (in kilolitres)		
(i) To Surface water		
- No treatment		
- With treatment - please specify level of treatment		
(ii) To Groundwater		
- No treatment		
- With treatment - please specify level of treatment		
(iii) To Seawater		
- No treatment		
- With treatment - please specify level of treatment		
(iv) Sent to third-parties		
- No treatment		
- With treatment - please specify level of treatment		
(v) Others		
- No treatment		
- With treatment - please specify level of treatment		
Total water discharged (in kilolitres)		Not Applicable

Note: Indicate if any independent assessment/ evaluation/ assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency: Not Applicable.

3. Water withdrawal, consumption, and discharge in areas of water stress (in kilolitres):

For each facility/plant located in areas of water stress, provide the following information:

- (i) Name of the area
- (ii) Nature of operations
- (iii) Water withdrawal, consumption, and discharge in the following format:

Being a financial services institution, Bank do not use water for any industrial purpose and our water usage is limited to drinking and domestic usage. Bank is making efforts to ensure that water is consumed judiciously in the office premises. Most of our water consumption is through municipal water supply or third-party potable water suppliers.

Parameter	FY 2022-23	FY 2021-22
Water withdrawal by source (in kilolitres)		
(i) Surface water		
(ii) Groundwater		
(iii) Third party water		
(iv) Seawater/desalinated water		
(v) Others		Not Applicable
Total volume of water withdrawal (in kilolitres)		
Total volume of water consumption (in kilolitres)		
Water intensity per rupee of turnover (Water consumed/turnover)		
Water intensity (optional) - the relevant metric may be selected by the entity		
Water discharge by destination and level of treatment (in kilolitres)		
(i) Into Surface water		
- No treatment		
- With treatment - please specify level of treatment		
(ii) Into Groundwater		
- No treatment		
- With treatment - please specify level of treatment		
(iii) Into Seawater		
- No treatment		
- With treatment - please specify level of treatment		Not Applicable
(iv) Sent to third parties		
- No treatment		
- With treatment - please specify level of treatment		
(v) Others		
- No treatment		
- With treatment - please specify level of treatment		
Total water discharged (in kilolitres)		

Note: Indicate if any independent assessment/ evaluation/ assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency: Not Applicable

4. Please provide details of total Scope 3 emissions and its intensity, in the following format:

Parameter	Unit	FY 2022-23	FY 2021-22
Total Scope 3 emissions (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	Metric tonnes of CO ₂ equivalent		
Total Scope 3 emissions per rupee of turnover	-		Not Applicable
Total Scope 3 emission intensity (optional) - the relevant metric may be selected by the entity	-		

Note: Indicate if any independent assessment/ evaluation/ assurance has been carried out by an external agency? (Y/N) If yes, name of the external agency: Not Applicable



5. With respect to the ecologically sensitive areas reported at Question 10 of Essential Indicators above, provide details of significant direct and indirect impact of the entity on biodiversity in such areas along with prevention and remediation activities.

The Bank's offices and Branches are not operated in and around the ecologically sensitive areas.

6. If the entity has undertaken any specific initiatives or used innovative technology or solutions to improve resource efficiency, or reduce impact due to emissions/ effluent discharge/ waste generated, please provide details of the same as well as outcome of such initiatives, as per the following format:

The Bank has implemented several strategies to enhance its positive impact and reduce emissions, effluent discharge, and waste generation. These strategies include promoting digital banking services, video banking, and use of the AU 0101 App for streamlined transactions which minimises the need of visiting physical branches and paper documentation. The Bank also focuses on energy efficiency through LED lighting, insulation to reduce air conditioning usage, and the use of UPS and inverters instead of diesel generators. The Bank prioritises energy-efficient equipment with higher star ratings, utilises power supervision technology, and has adopted cloud-based technology and virtualised information centres. Additionally, the Bank refurbishes aging IT systems and responsibly disposes of e-waste through authorised vendors. Overall, these efforts demonstrate the Bank's commitment to sustainability and reducing its environmental impact.

7. Does the entity have a business continuity and disaster management plan? Give details in 100 words/ web-link.

Yes, the Bank has developed and implemented business continuity plan and has recovery strategies and infrastructure to address the risks associated with its operating environment and to ensure the timely recovery and uninterrupted continuity of critical banking operations while maintaining acceptable service levels. By recognising the importance of preparedness, the Bank demonstrates its commitment to effectively managing potential disruptions and minimising their impact on customers and stakeholders. The Business Continuity Plan aims to ensure the uninterrupted provision of banking services and safeguard the interests of customers and stakeholders during significant disruptions. It encompasses recovery strategies, infrastructure, and predefined recovery time objectives (RTOs) for critical banking operations. The plan is periodically tested, reviewed, and adjusted to incorporate changes in processes, technology, and resources. It adheres to regulatory guidelines and undergoes internal, external, and regulatory reviews. In the event of disruptions, customers are provided with alternative communication channels such as customer care numbers, online contact links, and mobile applications to ensure seamless access to services and support.

Web-link: <https://www.aubank.in/Notice-Slider-1-10-Business-Continuity-Plan.pdf>

8. Disclose any significant adverse impact on the environment, arising from the value chain of the entity. What mitigation or adaptation measures have been taken by the entity in this regard.

As a responsible corporate citizen, the Bank believes that it can improve environmental management not only in its premises but also partner with supply chain to ensure that they adopt similar environmental management strategies.

Through the Sustainability Procurement Guidelines, the suppliers of the Bank commits to integrate environmental attributes in business processes and practices with specific consideration to substitution of hazardous chemicals, strengthening the greening of their supply chain, innovating to improve environmental compatibility, comply with all applicable environmental legislation as per the laws, institutionalise resource conservation in the areas of oil, water, energy & chemicals and enhance environmental awareness of their employees and stakeholders.

9. Percentage of value chain partners (by the value of business done with such partners) that were assessed for environmental impacts.

The Bank as per its Sustainability Procurement Guidelines expects its supply chain partners to demonstrate commitment on sustainability and align on environmental aspects. The supplier of the Bank commit to integrate environmental attributes in business processes and practices with specific consideration to substitution of hazardous chemicals, strengthening the greening of their supply chain, innovating to improve environmental compatibility, comply with all applicable environmental legislation as per the laws, institutionalise resource conservation in the areas of oil, water, energy and chemicals, enhance environmental awareness of employees and stakeholders.

PRINCIPLE 7: Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent

Essential Indicators

1. a) **Number of affiliations with trade and industry chambers/associations: 7**
- b) **List the top 10 trade and industry chambers/associations (determined based on the total members of such body) the entity is a member of/affiliated to.**

Sr. No.	Name of the trade and industry chambers/associations	Reach of trade and industry chambers/associations (State/National)
1	Indian Banks' Association	National
2	Association of Small Finance Banks of India	National
3	Confederation of Indian Industry	National
4	Federation of Indian Chambers of Commerce and Industry	National
5	Fixed Income Money Market and Derivatives Association of India	National
6	Foreign Exchange Dealer's' Association of India	National
7	Association of Mutual Funds of India	National

2. **Provide details of corrective action taken or underway on any issues related to anti-competitive conduct by the entity, based on adverse orders from regulatory authorities**

Name of Authority	Brief of the case	Corrective action taken
Bank has not received any adverse order from any regulatory authorities regarding any issues related to anti-competitive conduct by the Bank.		

Leadership Indicators

1. **Details of public policy positions advocated by the entity:**

Sr. No.	Public policy advocated	Method resorted for such advocacy	Whether information is available in the public domain? (Yes/No)	Frequency of review by Board (Annually/ Half-yearly/ Quarterly/ Other please specify)	Web-link if available
The Bank actively collaborates with key industry associations in India, including the Indian Banks' Association, the Association of Small Finance Banks of India, the Confederation of Indian Industry, and the Federation of Indian Chambers of Commerce and Industry. Through these engagements, the Bank focuses on agendas targeted at societal upliftment and regulatory changes envisaged. By working closely with these associations, the Bank actively participates in initiatives and discussions to contribute for betterment of the society and promote positive changes in the regulatory landscape.					

PRINCIPLE 8: Businesses should promote inclusive growth and equitable development

Essential Indicators

1. **Details of Social Impact Assessments (SIA) of projects undertaken by the entity based on applicable laws, in the current financial year.**

Name and brief detail of project	SIA Notification No.	Date of Notification	Whether conducted by independent external agency (Yes/No)	Results communicated in the public domain (Yes/No)	Relevant Web-link
Considering the nature of the business of the Bank, the same is not applicable.					

2. **Provide information on project(s) for which ongoing Rehabilitation and Resettlement (R&R) is being undertaken by your entity, in the following format:**

Sr. No.	Name of the project for which R&R is ongoing	State	District	No. of projects Affected Families (PAFs)	% of PAFs covered by R&R	Amount paid to PAFs in the FY (In ₹)
Considering the nature of the business of the Bank, the same is not applicable.						



3. Describe the mechanisms to receive and redress the grievances of the community.

The Bank has established effective mechanisms to receive and address community grievances. Grievances may be submitted to the Bank on its registered office or through e-mail on the designated e-mail ID. Additionally, alternate modes of communication such as phone, SMS, and mobile applications are also permitted for registering grievances. Further, under Bank's Whistle Blower policy, grievances can be submitted to the Bank in person, through letter or through e-mail or phone. These measures ensure that grievances are received securely and promptly, allowing for appropriate timely redressal. The Bank values the feedback and concerns of community, and through transparent processes, strive to address them in a fair and equitable manner.

4. Percentage of input material (inputs to total inputs by value) sourced from suppliers:

Particulars	FY 2022-23	FY 2021-22
Directly sourced from MSMEs/small producers	80%	70%
Sourced directly from within the district and neighbouring districts	40%	60%

Leadership Indicators

1. Provide details of actions taken to mitigate any negative social impacts identified in the Social Impact Assessments (Reference: Question 1 of Essential Indicators above):

Details of negative social impact identified	Corrective action taken
Not Applicable	

2. Provide the following information on CSR projects undertaken by your entity in designated aspirational districts as identified by government bodies:

Sr. No.	State	Aspirational District	Amount Spent (in ₹)
1		Baran	16,94,760
2		Karauli	16,22,118
3	Rajasthan	Dholpur	5,51,210
4		Jaisalmer	4,62,240
5		Sirohi	3,90,000
Total			47,20,328

3. a) Do you have a preferential procurement policy where you give preference to purchase from suppliers comprising marginalised/vulnerable groups? (Yes/No): No

b) From which marginalised/vulnerable groups do you procure? Not Applicable

c) What percentage of total procurement (by value) does it constitute? Not Applicable

4. Details of the benefits derived and shared from the intellectual properties owned or acquired by your entity (in the current financial year), based on traditional knowledge:

Sr. No.	Intellectual Property Based on Traditional Knowledge	Owned Acquired (Yes/No)	Benefit Shared (Yes/No)	Basis of Calculating Benefit Share
Not Applicable				

5. Details of corrective actions taken or underway, based on any adverse order in intellectual property related disputes wherein usage of traditional knowledge is involved.

Name of Authority	Brief of the Case	Corrective action taken
Not Applicable		

6. Details of beneficiaries of CSR Projects:

Sr. No.	CSR Project	No. of persons benefitted from CSR projects	% of beneficiaries from vulnerable and marginalised groups
1	Centre of Excellence – AU Ignite - Skills Training Programme	7,693	27%
2	AU Udyogini - Women entrepreneurship programme	2187	The beneficiaries of these CSR projects encompass diverse communities and segments, including vulnerable and marginalised groups and thus, the percentage of beneficiary from any particular group could not be determined. The Bank recognise the importance of inclusivity and strive to ensure that our initiatives reach and benefit all segments of society, particularly those facing vulnerability and marginalisation.
3	AU Sports Initiative - Bano Champion	6,963	
4	Arogya - Healthcare Initiative	32,020	
5	AU Jal Bank – Making Available Safe Drinking water	2,36,800	
6	AU Road Safety Initiative	12,500	
7	AU Sahayog – Support programme for Senior Citizen and economically backward groups	2,220	
8	Community Sports	13,710	
9	Education - Chalo Pathshala	31,955	
10	India Culture and Values	6,003	
11	Save Environment	31,787	
12	Support to Veteran Armed Forces	250	

PRINCIPLE 9: Businesses should engage with and provide value to their consumers in a responsible manner

Essential Indicators

1. Describe the mechanisms in place to receive and respond to consumer complaints and feedback.

The Bank has implemented a comprehensive policy on Customer Grievance Redressal, which outlines the proper procedure for addressing and resolving customer complaints. This policy has been carefully designed to adhere to all relevant regulatory requirements and is applicable across the entire Bank.

Customers have multiple channels available to them for registering their complaints:

- i. Telephonic Channel: Customers can register complaints by contacting the Bank's 24X7 customer care through the contact numbers provided on the Bank's website and displayed at its branches.
- ii. Branch: Customers have the option to lodge their complaints with the branch officials or by entering their concerns in the complaint book/register during the working hours of the branch. The names and contact details of the officers responsible for handling complaints are prominently displayed at the branches.
- iii. Electronic Channel: The Bank provides an online complaint form on its website (www.aubank.in), which customers can use to register their complaints. Alternatively, customers can also send an e-mail to customercare@aubank.in or utilise the specific service-related e-mail IDs available on the Bank's website.

In addition, the Bank's website provides details regarding the business heads, regional nodal officers, and principal nodal officer. Customers can reach out to these individuals for assistance if their grievance is not resolved within defined timelines.

If a customer does not receive a response from the Bank within 30 days of lodging a complaint or if their complaint is rejected, or if they are unsatisfied with the Bank's reply, they have the option to file a complaint with the Banking Ombudsman.

To ensure effective customer grievance redressal, the Bank has established a 4-tiered governance framework, which includes:

- i. Branch Level Customer Service Committee: This committee is responsible for addressing customer complaints at the branch level.



- ii. Standing Committee on Customer Service: This committee oversees customer service matters across the entire Bank.
- iii. Customer Service Committee of the Board: This committee, formed at the Board level, ensures that effective customer service and grievance redressal practices are in place.
- iv. Customer Service Department & Nodal Officers: The Bank has designated a dedicated Customer Service Department along with appointed nodal officers, who are responsible for handling customer complaints and ensuring their resolution.

Overall, the Bank's policy and governance framework are designed to prioritise customer satisfaction and provide a structured approach to resolving customer grievances.

2. Turnover of products and/ services as a percentage of turnover from all products/ service that carry information about:

Particulars	As a percentage to total turnover
Environmental and social parameters relevant to the product	Not Applicable
Safe and responsible usage	
Recycling and/or safe disposal	

3. Number of consumer complaints in respect of the following:

Particulars	FY 2022-23			FY 2021-22		
	Received during the year	Pending resolution at end of year	Remarks	Received during the year	Pending resolution at end of year	Remarks
Data privacy	Nil	Nil	-	Nil	Nil	-
Advertising						
Cyber-security						
Delivery of essential services						
Restrictive Trade Practices						
Unfair Trade Practices						
Other	35,322	1,491	-	35,497	485	-

4. Details of instances of product recalls on account of safety issues:

Particulars	Number	Reasons for recall
Voluntary recalls	-	Not Applicable
Forced recalls		

5. Does the entity have a framework/policy on cyber security and risks related to data privacy? (Yes/No) If available, provide a web-link of the policy.

Yes, the same is available on <https://www.aubank.in/privacy-policy>.

6. Provide details of any corrective actions taken or underway on issues relating to advertising, and delivery of essential services; cyber security and data privacy of customers; re-occurrence of instances of product recalls; penalty/ action taken by regulatory authorities on safety of products/ services.

During the reporting period, there were no instances of issues relating to advertising, cyber security and data privacy.

Leadership Indicators

1. Channels/platforms where information on products and services of the entity can be accessed (provide web-link, if available).

The information about the products/services of the Bank can be accessed on <https://www.aubank.in>.

2. Steps taken to inform and educate consumers about safe and responsible usage of products and/or services.

The Bank is spreading awareness to safeguard customers from potential risks and consequences of frauds. The customers are informed through:

- SMS to not to divulge sensitive information to anyone including Bank officials and that Bank does not request for such information,
- E-mail tips for safe banking,
- Social media post on safe banking tips,
- Knowledge Centre on website of the Bank at <https://www.aubank.in/safe-banking> to share awareness about frauds and have also posted tips for safe banking.

3. Mechanisms in place to inform consumers of any risk of disruption/discontinuation of essential services.

The Bank informs the customers about disruption of services along with period of disruption via SMS, push notifications of Banks app and placing communication banners on the website of the Bank. The restoration of services are also communicated to customer via SMS and push notifications of Banks app.

4. Does the entity display product information on the product over and above what is mandated as per local laws? (Yes/ No/ Not Applicable) If yes, provide details in brief. Did your entity carry out any survey regarding consumer satisfaction relating to the major products/services of the entity, significant locations of operation of the entity or the entity as a whole? (Yes/No)

The Bank's products are intangible in nature and thus, product labelling is not applicable. However, the Bank complies with the disclosure requirements relevant for its products and services in all its communication.

Additionally, details of the Bank's products, services offered are disclosed through various modes viz. brochures, website, advertisements, print media and social media etc. for information of the customers and other stakeholders.

The Bank carries out survey regarding customer satisfaction and the Bank is using customer experience measurement tools for conducting customer surveys through AU Mobile App, Phone Banking, Branch Servicing, Service Request Resolution Feedback, and ATM Services etc. The feedback received from customers through different surveys is analysed, collated, and shared with respective teams for incorporation of suggestions to improve Bank's products and services.

5. Provide the following information relating to data breaches:

- a) Number of instances of data breaches along-with impact: None
- b) Percentage of data breaches involving personally identifiable information of customers: None

BANO CHAMPION

मैदान से मंज़िल तक

Step into the arena of Bano Champion that aims to create opportunities, foster talent, and build a brighter future in sports.

AU Bank under the purview of CSR identifies the hidden potential of sports enthusiasts from rural hinterlands of Rajasthan through its initiative, **Bano Champion**. To promote a culture of sports and nurture children into champions of tomorrow, the initiative provides guided training at 60+ locations across 16 districts of the state.





Independent Auditors' Report

To The Members of AU SMALL FINANCE BANK LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **AU SMALL FINANCE BANK LIMITED** (“the Bank”), which comprise the Balance Sheet as at March 31, 2023, Profit and Loss Account, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 and the Companies Act, 2013 (“the Act”) in the manner so required and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act (“Accounting Standards”) as applicable to bank and other accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2023, its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing (“SAs”) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor’s Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (“ICAI”) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI’s Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Sl. No. Key Audit Matter	Auditor's Response
<p>1 Identification of Non-Performing Advances and Provisioning for Advances</p> <p>(Refer Schedule 9 to the financial statements)</p> <p>Advances constitute a significant portion of the Bank's assets and the quality of these advances is measured in terms of ratio of Non-Performing Advances ("NPA") to the gross advances of the Bank. The Bank has gross advances amounting to ₹ 591,576,979 thousands (Previous Year ₹ 467,887,891 thousands) and the gross NPA ratio of Bank is 1.66 % (Previous Year 1.98%) as at March 31, 2023.</p> <p>The Reserve Bank of India's (RBI) guidelines on income recognition, asset classification and provisioning ('IRAC norms') and guidelines relating to Resolution Framework for covid-19 related stress (herein after referred as "Relevant RBI guidelines") prescribes the norms for identification and classification of NPAs and the minimum provision required for such assets.</p> <p>The Bank is also required to apply its judgement to determine the identification and provisioning for NPAs by applying quantitative as well as qualitative factors. Additionally, the Bank carries provision on advances that are not classified as NPAs.</p> <p>Since the identification of NPAs and provisioning for advances is significant to the overall audit due to stakeholder and regulatory focus, we have ascertained this as a key audit matter.</p>	<p>Our audit approach included testing the design, operating effectiveness of internal controls and substantive audit procedures in respect of income recognition, asset classification and provisioning pertaining to advances. In particular:</p> <ul style="list-style-type: none"> • We have evaluated and understood the Bank's internal control system in adhering to the Relevant RBI guidelines; • We have analysed and understood key IT systems/ applications used and tested the design and implementation as well as operational effectiveness of relevant controls in relation to income recognition, asset classification, viz., standard, sub-standard, doubtful and loss with reference to relevant RBI guidelines and provisioning pertaining to advances; • We test checked advances to examine the validity of the recorded amounts, underlying loan documentation and statement of accounts, indicators of impairment, impairment provision for NPAs, and compliance with IRAC norms;
<p>2 Key Information technology (IT) systems used in financial reporting process:</p> <p>As a Scheduled Commercial Bank that operates on core banking solution ("CBS") across its branches and asset centres, the reliability and security of IT systems plays a key role in the business operations. Since large volume of transactions are processed daily, the IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner.</p> <p>The IT infrastructure is critical for smooth functioning of the Bank's business operations as well as for timely and accurate financial accounting and reporting.</p> <p>Due to the pervasive nature and complexity of the IT environment we have ascertained Key Information technology ("IT") systems used in financial reporting process as a key audit matter.</p>	<p>We involved our IT specialists to obtain an understanding of the Bank's IT related control environment. Furthermore, we conducted an assessment and identified key IT applications, databases and operating systems that are relevant for our audit. For the key IT systems used to prepare accounting and financial information, our areas of audit focus included access security (including controls over privileged access), programme change controls, database management and network operations. In particular:</p> <ul style="list-style-type: none"> • We obtained an understanding of the Bank's IT control environment and key changes during the audit period that may be relevant to the audit; • We tested the design, implementation and operating effectiveness of the Bank's General IT controls over the key IT systems that are critical to financial reporting. This included evaluation of Bank's controls to evaluate segregation of duties and access rights being provisioned / modified based on duly approved requests, access for exit cases being revoked in a timely manner and access of all users being recertified during the period of audit; • We also tested key automated and manual business cycle controls and logic for system generated reports relevant to the audit; including testing of compensating controls or performed alternate procedures to assess whether there were any unaddressed IT risks that would materially impact the financial statements.



Information Other than the Financial Statements and Auditors' Report Thereon

- The Bank's Board of Directors is responsible for the preparation of the other information. The other information comprises the Chairman's Statement, the Directors Report including annexures to the Directors report and Corporate Governance Report included in the Annual Report, but does not include the financial statements and our auditors report thereon and the Basel II Disclosures under New Capital Adequacy Framework (Basel II Disclosures).
- Our opinion on the financial statements does not cover the other information and Basel II Disclosures and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, Accounting Standards and other accounting principles generally accepted in India and the circulars, guidelines and the directions issued by the Reserve Bank of India, from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Bank's Board of Directors are also responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act and Section 30(3) of the Banking Regulation Act, 1949, based on our Audit, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and found them to be satisfactory.
 - b) In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the bank.
 - c) As explained in the paragraph 2 below, the financial accounting system of the Bank are centralised and, therefore, accounting returns are not required to be submitted by branches.
 - d) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books.



- e) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- f) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act as applicable to the Banks.
- g) On the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164(2) of the Act.
- h) With respect to the adequacy of the internal financial controls with reference to financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in “Annexure A”. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Bank’s internal financial controls with reference to financial statements.
- i) With respect to the other matters to be included in the Auditor’s Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the entity being a banking company, section 197 of the Act related to the managerial remuneration is not applicable by virtue of Section 35B(2A) of the Banking Regulation Act, 1949.
- j) With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 12 to the financial statements;
 - ii. The Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.
 - iv. (a) The Management has represented that, to the best of it’s knowledge and belief, as disclosed in note 18.B(10) to the financial statements no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s) or entity(ies), including foreign entities (“Intermediaries”), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
 - (b) The Management has represented, that, to the best of it’s knowledge and belief, as disclosed in note 18.B(10) to the financial statements, no funds have been received by the Bank from any person(s) or entity(ies), including foreign entities (“Funding Parties”), with the understanding, whether recorded in writing or otherwise, that the Bank shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
 - (c) Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.

- v. The final dividend proposed in the previous year, declared and paid by the Bank during the year is in accordance with section 123 of the Act, as applicable.

As stated in note 18.B(8) to the financial statements, the Board of Directors of the Bank has proposed final dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting. The dividend proposed is in accordance with section 123 of the Act, as applicable.

- vi. Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 for maintaining books of account using accounting software which has a feature of recording audit trail (edit log) facility is applicable to the Bank w.e.f. April 1, 2023, and accordingly, reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 is not applicable for the financial year ended March 31, 2023.

- 2. We report that during the course of our audit we have visited and performed select relevant procedures at 40 branches. Since the Bank considers its key operations to be automated, with the key applications largely integrated to the Core Banking System, it does not require its branches to submit any financial returns. Accordingly, our audit is carried out centrally at Head Office based on the records and data required for the purpose of Audit being made available to us.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm Registration No. 117365W)

G. K. Subramaniam
Partner
Membership No. 109839
UDIN: 23109839BGXPXF1136
Place: Jaipur

Date: April 25, 2023

For **G.M. Kapadia & Co.**
Chartered Accountants
(Firm Registration No. 104767W)

Atul Shah
Partner
Membership No. 039569
UDIN: 23039569BGURFP6460
Place: Jaipur

Date: April 25, 2023



Annexure “A” to the Independent Auditors’ Report

(Referred to in paragraph 1(h) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

Report on the Internal Financial Controls with reference to Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls with reference to financial statements of **AU SMALL FINANCE BANK LIMITED** (the “Bank”) as of March 31, 2023 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management’s Responsibility for Internal Financial Controls with reference to Financial Statements

The Bank’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the Banking Regulation Act, 1949 and the guidelines issued by the Reserve Bank of India.

Auditors’ Responsibility for Internal Financial Controls with reference to Financial Statements

Our responsibility is to express an opinion on the internal financial controls with reference to financial statements of the Bank based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls with reference to Financial Statements

A Bank’s internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank’s internal financial control with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions

of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorisations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

Inherent Limitations of internal financial control with reference to Financial Statements

Because of the inherent limitations of internal financial control with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us the Bank has, in all material respects, an adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2023, based on the criteria for internal financial control over financial reporting established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm Registration No. 117365W)

For **G.M. Kapadia & Co.**
Chartered Accountants
(Firm Registration No. 104767W)

G. K. Subramaniam
Partner
Membership No. 109839
UDIN: 23109839BGXPXF1136
Place: Jaipur

Atul Shah
Partner
Membership No. 039569
UDIN: 23039569BGURFP6460
Place: Jaipur

Date: April 25, 2023

Date: April 25, 2023



Balance Sheet

as at March 31, 2023

Particulars	Schedule	(₹ in '000)	
		As at March 31, 2023	As at March 31, 2022
CAPITAL & LIABILITIES			
Capital	1	6,667,450	3,149,000
Employees stock options outstanding		440,252	413,316
Reserves & Surplus	2	102,665,735	71,577,824
Deposits	3	693,649,864	525,846,206
Borrowings	4	62,986,521	59,907,786
Other Liabilities and Provisions	5	35,751,362	29,883,872
Total		902,161,184	690,778,004
ASSETS			
Cash and Balances with Reserve Bank of India	6	89,160,930	57,534,072
Balances with banks and Money at Call and Short Notice	7	5,090,793	1,751,078
Investments	8	200,720,099	153,065,043
Advances	9	584,215,441	460,952,564
Fixed Assets	10	7,401,394	6,225,713
Other Assets	11	15,572,527	11,249,534
Total		902,161,184	690,778,004
Contingent Liabilities	12	34,985,941	21,076,078
Bills for Collection		-	-
Significant accounting policies and notes to accounts forming part of financial statements	17 & 18		

The Schedules referred to above form an integral part of the Balance Sheet.
As per our attached Report of even date.

For **Deloitte Haskins & Sells**
Chartered Accountants
ICAI Firm Registration No.: 117365W

G. K. Subramaniam
Partner
Membership No. 109839
Place: Jaipur

For **G.M. Kapadia & Co.**
Chartered Accountants
ICAI Firm Registration No.: 104767W

Atul Shah
Partner
Membership No. 039569
Place: Jaipur

Date: April 25, 2023

For and on behalf of the Board of Directors
AU Small Finance Bank Limited

Raj Vikash Verma
(Non-Executive Independent
Part Time Chairman)
DIN: 03546341
Place: Jaipur

Uttam Tibrewal
(Whole Time Director)
DIN: 01024940
Place: Jaipur

Manmohan Parnami
(Company Secretary)
Membership No. F9999
Place: Jaipur

Date: April 25, 2023

Sanjay Agarwal
(Managing Director and CEO)
DIN: 00009526
Place: Jaipur

Vimal Jain
(Chief Financial Officer)
Place: Jaipur

Profit and Loss Account

for the Year ended March 31, 2023

Particulars	Schedule	(₹ in '000)	
		Year Ended March 31, 2023	Year Ended March 31, 2022
I. INCOME			
Interest earned	13	82,054,083	59,217,307
Other income	14	10,344,642	9,936,943
Total Income		92,398,725	69,154,250
II. EXPENDITURE			
Interest expended	15	37,801,264	26,876,058
Operating expenses	16	34,402,699	24,127,743
Provisions & contingencies {refer note 15 (e) - schedule 18A}		5,915,509	6,852,105
Total Expenditure		78,119,472	57,855,906
III. PROFIT/LOSS			
Net profit for the year		14,279,253	11,298,342
Add: Balance in Profit Account brought forward from previous year		33,824,206	26,911,021
Total		48,103,459	38,209,363
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		3,569,813	2,824,586
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		1,150,000	1,172,992
Transfer to Capital Reserve		25,223	185,190
Transfer to Investment Reserve Account		-	-
Transfer to Investment Fluctuation Reserve		171,964	202,389
Dividend paid		315,093	-
Balance carried over to Balance Sheet		42,871,366	33,824,206
Total		48,103,459	38,209,363
V. EARNING PER SHARE (refer note 23- schedule 18B)			
Basic (₹)		21.86	18.03
Diluted (₹)		21.74	17.85
Nominal value per share (₹)		10.00	10.00
Significant accounting policies and notes to accounts forming part of financial statements	17 & 18		

The Schedules referred to above form an integral part of the Profit and Loss Account.
As per our attached Report of even date.

For **Deloitte Haskins & Sells**
Chartered Accountants
ICAI Firm Registration No.: 117365W

G. K. Subramaniam
Partner
Membership No. 109839
Place: Jaipur

For **G.M. Kapadia & Co.**
Chartered Accountants
ICAI Firm Registration No.: 104767W

Atul Shah
Partner
Membership No. 039569
Place: Jaipur

Date: April 25, 2023

For and on behalf of the Board of Directors
AU Small Finance Bank Limited

Raj Vikash Verma
(Non-Executive Independent
Part Time Chairman)
DIN: 03546341
Place: Jaipur

Uttam Tibrewal
(Whole Time Director)
DIN: 01024940
Place: Jaipur

Manmohan Parnami
(Company Secretary)
Membership No. F9999
Place: Jaipur

Date: April 25, 2023

Sanjay Agarwal
(Managing Director and CEO)
DIN: 00009526
Place: Jaipur

Vimal Jain
(Chief Financial Officer)
Place: Jaipur



Cash Flow Statement

for the year ended on March 31, 2023

Particulars	(₹ in '000)	
	Year Ended March 31, 2023	Year Ended March 31, 2022
Cash Flow From Operating Activities		
Profit after tax	14,279,253	11,298,342
Add: Provision for tax	4,367,115	3,242,362
Net Profit Before Taxes	18,646,368	14,540,704
Adjustments for:-		
Employee Stock Options Expense	207,581	184,834
Depreciation on Bank's Property	1,854,177	1,401,666
Amortisation of Premium on HTM Investments	916,921	766,311
Provision for Employee Expenses	(255,650)	91,281
Provision for Non Performing Assets, Standard Assets and Other Provisions	1,743,157	3,605,012
Loss on sale of Fixed Assets	6,631	6,366
Operating profit before working capital changes	23,119,185	20,596,175
Movement in working capital		
Decrease / (Increase) in Investments (other than HTM Investments)	(8,613,953)	(953,618)
Decrease / (Increase) in Advances	(123,689,150)	(114,325,107)
Decrease / (Increase) in Other Assets	(4,816,449)	(1,800,989)
(Decrease) / Increase in Deposits	167,803,659	166,053,064
(Decrease) / Increase in Other Liabilities and Provisions	4,832,447	2,768,858
Cash Flow from Operating Activities	58,635,739	72,338,383
Direct Taxes Paid (Net of refunds)	(3,699,341)	(3,848,564)
Net Cash Flow from Operating Activities (A)	54,936,398	68,489,819
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(3,059,355)	(2,824,892)
Proceeds from Sale of Fixed Assets	22,864	14,832
Investments in HTM securities (Net)	(40,158,532)	(44,723,597)
Net cash flow (used) in Investing Activities (B)	(43,195,023)	(47,533,657)
Cash Flow from Financing Activities		
Proceeds from /(Repayment of) borrowings	3,078,735	(10,389,171)
Money received on exercise of Stock Options / Issue of Shares	20,693,735	904,804
Share Issue Expenses	(232,179)	-
Dividend paid (includes tax on dividend)	(315,093)	-
Net cash flow (used in)/ from Financing Activities (C)	23,225,198	(9,484,367)
Net Increase in Cash and Cash Equivalents (A + B + C)	34,966,573	11,471,795

Cash Flow Statement

for the year ended on March 31, 2023

Particulars	(₹ in '000)	
	Year Ended March 31, 2023	Year Ended March 31, 2022
Cash and Cash Equivalents at the beginning of the year (Refer Note Below)	59,285,150	47,813,355
Cash and Cash Equivalents at the end of the year (Refer Note Below)	94,251,723	59,285,150
Note:		
Balance with Banks in India in Fixed Deposit (As per Sch 7 I (i) (b))	3,245,705	234,041
Balance with Banks in India in Current Account (As per Sch 7 I (i) (a))	1,845,088	1,517,037
Money at Call and Short Notice in India (as per Sch 7 I (ii))	-	-
Cash in hand (including foreign currency notes) (As per Sch 6 I)	5,268,885	4,536,032
Balance with RBI in Current Accounts (As per Sch 6 II)	83,892,045	52,998,040
Cash and Cash Equivalents at the end of the year	94,251,723	59,285,150

As per our attached Report of even date.

For **Deloitte Haskins & Sells**
Chartered Accountants
ICAI Firm Registration No.: 117365W

G. K. Subramaniam
Partner
Membership No. 109839
Place: Jaipur

For **G.M. Kapadia & Co.**
Chartered Accountants
ICAI Firm Registration No.: 104767W

Atul Shah
Partner
Membership No. 039569
Place: Jaipur

Date: April 25, 2023

For and on behalf of the Board of Directors
AU Small Finance Bank Limited

Raj Vikash Verma
(Non-Executive Independent
Part Time Chairman)
DIN: 03546341
Place: Jaipur

Uttam Tibrewal
(Whole Time Director)
DIN: 01024940
Place: Jaipur

Manmohan Parnami
(Company Secretary)
Membership No. F9999
Place: Jaipur

Date: April 25, 2023

Sanjay Agarwal
(Managing Director and CEO)
DIN: 00009526
Place: Jaipur

Vimal Jain
(Chief Financial Officer)
Place: Jaipur



Schedules

forming part of the Balance Sheet as at March 31, 2023

Schedule 1: Capital

Particulars	(₹ in '000)	
	As at March 31, 2023	As at March 31, 2022
Authorised shares		
1,20,00,00,000 (March 31, 2022: 35,00,00,000) equity shares of ₹ 10/- each	12,000,000	3,500,000
Issued Subscribed and paid up capital		
I. 31,49,00,031 equity shares of ₹ 10/- each (March 31, 2022: 31,22,13,390 equity shares)	3,149,000	3,122,134
II. Add: 22,69,033 equity shares of ₹ 10/- each (March 31, 2022: 26,86,641 equity share) in pursuant to exercise of employee stock option	22,690	26,866
III. Add: 3,44,82,758 equity shares of ₹ 10/- each (March 31, 2022: Nil equity shares) in pursuant to QIP allotment	344,828	-
IV. Add: 31,50,93,233 equity shares of ₹ 10/- each (March 31, 2022: Nil equity shares) in pursuant to Bonus Share issue	3,150,932	-
Total	6,667,450	3,149,000

Schedule 2: Reserves & Surplus

Particulars	(₹ in '000)	
	As at March 31, 2023	As at March 31, 2022
I. Statutory Reserve		
Opening Balance*	12,041,761	9,217,175
Additions during the year under the Banking Regulation Act, 1949	3,569,813	2,824,586
Deductions during the year	-	-
Sub- Total	15,611,574	12,041,761
*Opening balance of Statutory Reserve includes ₹ 291.89 crore represents transfer of twenty percent of net profit after tax in accordance with the provision of Section 45-IC of Reserve Bank of India Act, 1934 pursuant to NBFC Regulations.		
II. Share Premium		
Opening Balance	20,933,573	19,252,946
Add: Allotment of equity shares	20,506,862	1,680,627
Less: Utilised for share issue expenses	232,179	-
Less: Utilised for issue of bonus shares	3,150,932	-
Sub- Total	38,057,324	20,933,573
III. Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961		
Opening Balance	3,195,992	2,023,000
Additions during the year	1,150,000	1,172,992
Deductions during the year	-	-
Sub- Total	4,345,992	3,195,992
IV. Capital Reserve		
Opening Balance	570,805	385,615
Additions during the year	25,223	185,190
Deductions during the year	-	-
Sub- Total	596,028	570,805
V. Investment Fluctuation Reserve		
Opening Balance	1,011,487	809,098
Additions during the year	171,964	202,389
Deductions during the year	-	-
Sub- Total	1,183,451	1,011,487
VI. Investment Reserve Account		
Opening Balance	-	-
Additions during the year	-	-
Deductions during the year	-	-
Sub- Total	-	-
VII. Balance in Profit and Loss Account		
Balance in Profit and Loss Account	42,871,366	33,824,206
Sub- Total	42,871,366	33,824,206
Total	102,665,735	71,577,824

Schedules

forming part of the Balance Sheet as at March 31, 2023

Schedule 3: Deposits

Particulars	(₹ in '000)	
	As at March 31, 2023	As at March 31, 2022
A.I Demand Deposits		
(i) From Banks	345,767	388,603
(ii) From Others	36,451,745	25,303,456
Sub- Total	36,797,512	25,692,059
A.II Savings Bank Deposits	229,802,792	170,390,664
A.III Term Deposits		
(i) From Banks	74,609,653	67,654,789
(ii) From Others	352,439,907	262,108,694
Sub- Total	427,049,560	329,763,483
Total	693,649,864	525,846,206
B.I Deposits of branches in India	693,649,864	525,846,206
B.II Deposits of branches outside India	-	-
Total	693,649,864	525,846,206

Schedule 4: Borrowings

Particulars	(₹ in '000)	
	As at March 31, 2023	As at March 31, 2022
I. Borrowings in India		
(i) Reserve Bank of India	-	-
(ii) Other Banks	3,044,959	4,854,498
(iii) Other Institutions and Agencies	59,941,562	55,053,288
Sub Total	62,986,521	59,907,786
II. Borrowings outside India	-	-
Total	62,986,521	59,907,786
Secured Borrowings / Refinance other than CBLO, Tri-Party Repo, Repo and LAF Borrowings included in I above	50,691,562	50,553,288
Tier II Debt included in I above	10,000,000	5,000,000
Tier II Debt included in II above	-	-

Schedule 5: Other Liabilities and Provisions

Particulars	(₹ in '000)	
	As at March 31, 2023	As at March 31, 2022
I. Bills Payable	1,927,736	1,884,695
II. Interest Accrued	3,667,754	2,505,483
III. Provision for Taxation (net of advance tax and tax deducted at source)	187,385	13,067
IV. Standard Asset provision	2,709,615	2,772,650
V. Others (including Provisions)*	27,258,872	22,707,977
Total	35,751,362	29,883,872

*Includes an additional contingency provision of ₹ 125.73 crores as at March 31, 2023 (previous year: 211.17 crore), of which the additional provision for the accounts restructured under RBI Resolution framework is at ₹ 35.71 crore as at March 31, 2023 (previous year: 53.62 crore).



Schedules

forming part of the Balance Sheet as at March 31, 2023

Schedule 6: Cash and Balances with Reserve Bank of India

Particulars	(₹ in '000)	
	As at March 31, 2023	As at March 31, 2022
I. Cash in Hand (including Foreign Currency Notes - NIL)	5,268,885	4,536,032
II. Balances with Reserve Bank of India		
a. in Current Account	30,202,045	20,148,040
b. in Other Account	53,690,000	32,850,000
Total	89,160,930	57,534,072

Schedule 7: Balances with Banks & Money at Call & Short Notice

Particulars	(₹ in '000)	
	As at March 31, 2023	As at March 31, 2022
I. In India		
i) Balances with banks in		
(a) Current Accounts	1,845,088	1,517,037
(b) Other Deposit Accounts	3,245,705	234,041
ii) Money at call and short Notice		
(a) with Banks	-	-
(b) with Other Institutions	-	-
Sub- Total	5,090,793	1,751,078
II. Outside India		
i) in Current Accounts	-	-
ii) in Other Deposit Accounts	-	-
iii) in Money at Call and Short Notice	-	-
Sub-Total	-	-
Total	5,090,793	1,751,078

Schedule 8: Investments

Particulars	(₹ in '000)	
	As at March 31, 2023	As at March 31, 2022
I. Investments in India (net of Provision)		
i) Government Securities	161,553,788	110,543,135
ii) Other Approved Securities	-	-
iii) Shares	88,106	88,106
iv) Debentures and Bonds	13,847,380	23,877,964
v) Subsidiaries and /or Joint Venture	-	-
vi) Others [Certificate of Deposits (CD), Commercial Paper (CP), Pass Through Certificates (PTC), Security Receipts (SR)]	25,230,825	18,555,838
Sub- Total	200,720,099	153,065,043
II. Investments outside India (net of provision)	-	-
Total	200,720,099	153,065,043

Schedules

forming part of the Balance Sheet as at March 31, 2023

Schedule 9: Advances

		(₹ in '000)	
Particulars	As at March 31, 2023	As at March 31, 2022	
A			
i) Bills Purchased and Discounted	94,155	2,473,245	
ii) Cash Credits Overdrafts and Loans repayable on Demand	105,523,215	63,375,728	
iii) Term loans	478,598,071	395,103,591	
Total	584,215,441	460,952,564	
B			
i) Secured by Tangible Assets (includes advances against Book debts)	528,842,665	418,263,584	
ii) Covered by Bank / Government Guarantees (includes Advance to Banks)	7,981,181	8,912,662	
iii) Unsecured	47,391,595	33,776,318	
Total	584,215,441	460,952,564	
C. I Advances in India			
i) Priority Sectors*	347,322,194	327,069,821	
ii) Public Sector	2,500,000	-	
iii) Banks	710,015	3,013,090	
iv) Others	233,683,232	130,869,653	
Total	584,215,441	460,952,564	
C. II Advances outside India	-	-	
Total	584,215,441	460,952,564	

*Priority sectors includes ₹ 19,604.00 crore (previous year: ₹ 18,000.00 crore), in respect of which the Bank has sold Priority Sector Lending Certificates (PSLC).

Above Advances are net of provisions.

Schedule 10: Fixed Assets

		(₹ in '000)	
Particulars	As at March 31, 2023	As at March 31, 2022	
I. Premises (including Land)			
Gross Block			
At Cost as on 31 st March of the preceding year	630,090	632,403	
Additions during the year	-	1,266	
Deductions during the year	-	3,579	
Sub- Total	630,090	630,090	
Depreciation			
As at 31 st March of the preceding year	33,396	28,334	
Add: charge during the year	6,694	6,856	
Deductions during the year	-	1,794	
Sub- Total	40,090	33,396	
Net Block	590,000	596,694	
II. Other Fixed Assets (including Furniture & Fixtures)			
Gross Block			
At Cost as on 31 st March of the preceding year	9,980,122	7,334,352	
Additions during the year	2,869,843	2,734,571	
Deductions during the year	75,256	88,801	
Sub- Total	12,774,709	9,980,122	



Schedules

forming part of the Balance Sheet as at March 31, 2023

Schedule 10: Fixed Assets (Contd.)

Particulars	(₹ in '000)	
	As at March 31, 2023	As at March 31, 2022
Depreciation		
As at 31 st March of the preceding year	4,490,109	3,164,687
Add: charge during the year	1,847,484	1,394,810
Deductions during the year	45,761	69,388
Sub- Total	6,291,832	4,490,109
Net Block	6,482,877	5,490,013
III. Capital Work in Progress	328,517	139,006
Total	7,401,394	6,225,713

Schedule 11: Other Assets

Particulars	(₹ in '000)	
	As at March 31, 2023	As at March 31, 2022
i) Interest Accrued	7,101,110	5,583,965
ii) Deferred Tax Assets (Net)	928,101	1,421,556
iii) Advance for expenses	109,317	382,924
iv) Security Deposits	529,379	479,866
v) Others	6,904,620	3,381,223
Total	15,572,527	11,249,534

Schedule 12: Contingent Liabilities

Particulars	(₹ in '000)	
	As at March 31, 2023	As at March 31, 2022
I. Claims against the Bank not acknowledged as Debts	505,202	365,158
II. Guarantees given on behalf of Constituents		
a) In India	25,445,403	14,651,112
b) Outside India	-	-
III. Acceptances Endorsements and Other Obligation	896,859	711,914
IV. Other items for which the Bank is Contingently Liable		
(a) Credit enhancements provided by the Bank towards assets assignment/securitisation	6,279,050	3,783,734
(b) Capital commitments not provided	1,417,914	1,139,230
(c) Other Guarantees	441,513	424,930
Total	34,985,941	21,076,078

Schedules

forming part of the Profit and Loss Account for the Year Ended March 31, 2023

Schedule 13: Interest Earned

Particulars	(₹ in '000)	
	As at March 31, 2023	As at March 31, 2022
I. Interest / Discount on Advances / Bills	68,470,183	49,474,770
II. Income on Investments	11,898,843	7,805,320
III. Interest on Balances with RBI and Other Inter-Bank Funds	582,772	870,812
IV. Others	1,102,285	1,066,405
Total	82,054,083	59,217,307

Schedule 14: Other Income

Particulars	(₹ in '000)	
	As at March 31, 2023	As at March 31, 2022
I. Commission, Exchange and Brokerage	9,851,003	6,126,405
II. Profit / (Loss) on sale of Investments (net)	(442,789)	1,429,695
III. Profit / (Loss) on sale of Land Building & Other Assets (net)	(6,631)	(6,366)
IV. Miscellaneous Income (refer note 16- schedule 18B)	943,059	2,387,208
Total	10,344,642	9,936,942

Schedule 15: Interest Expended

Particulars	(₹ in '000)	
	As at March 31, 2023	As at March 31, 2022
I. Interest on Deposits	33,389,423	22,635,367
II. Interest on Reserve Bank of India /Inter Bank Borrowings	126,107	109,913
III. Others	4,285,734	4,130,778
Total	37,801,264	26,876,058

Schedule 16: Operating Expenses

Particulars	(₹ in '000)	
	As at March 31, 2023	As at March 31, 2022
I. Payments to and Provision for Employees	17,930,283	13,789,217
II. Rent, Taxes and Lighting	1,873,180	1,376,167
III. Printing and Stationery	425,700	221,302
IV. Advertisement and Publicity	1,747,204	836,846
V. Depreciation on Bank's Property	1,854,177	1,401,666
VI. Directors' fees- allowances and expenses	34,079	26,697
VII. Auditors' Fee and expenses	19,118	20,079
VIII. Law charges (includes Professional Fees)	689,239	333,901
IX. Postages, Telegrams, Telephones etc.	836,366	642,942
X. Repairs and Maintenance (includes AMC)	1,689,220	1,253,464
XI. Insurance	669,103	451,783
XII. Direct marketing expenses (Payout expenses)	2,862,813	1,308,202
XIII. Travelling & Conveyance	986,959	566,832
XIV. Other Expenditure	2,785,258	1,898,644
Total	34,402,699	24,127,743



Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 17: Basis of preparation and significant Accounting Policies

1. Background

AU Small Finance Bank Limited (formerly known as Au Financiers (India) Limited) (“AUSFBL” or “the Company” or “the Bank”) is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956.

The Company had originally obtained its license from Reserve Bank of India (‘RBI’) to operate as a non-deposit accepting Non-Banking Financial Company (NBFC-ND). on November 7, 2000 vide certificate of registration no. B-10-00139.

The Company has commenced its operations as a Small Finance Bank from April 19, 2017 pursuant to the approval received from the RBI dated December 20, 2016.

The Bank is engaged in providing a range of banking and financial services including retail banking, wholesale banking and treasury operations and other services. The Bank operates in India only and does not have presence in any foreign country.

The Bank is governed by the Banking Regulation Act, 1949, banking guidelines issued by the RBI on Small Finance Bank 2016, and the Companies Act, 2013.

2. Basis of preparation

The financial statements have been prepared under the historical cost convention and on the accrual basis of accounting, unless otherwise stated and complying with the requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank which is used in the preparation of financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by the RBI from time to time, the accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014, Companies (Accounting Standards) Amendment Rules, 2016 as amended from time to time in so far as they apply to banks. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

3. Use of estimates

The preparation of the financial statements in conformity with Indian GAAP as applicable to Banks requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses for the reporting period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Actual results could differ due to these estimates. Any revision in the accounting estimates is recognised prospectively in the current and future periods.

4. Significant accounting policies

A. Advances

(i) Classification

Advances are classified as performing assets and non-performing assets (‘NPAs’) in accordance with the RBI guideline on Income Recognition and Asset Classification (IRAC). Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. The advances are stated net of specific provisions made towards NPAs and unrealised interest on NPAs. Interest on NPAs is transferred to an interest suspense account and not recognised in the Profit and Loss Account until received.

(ii) Provisioning

Provision for non-performing advances comprising sub-standard, doubtful and loss assets is made at a minimum in accordance with the RBI guidelines. In addition, the Bank considers accelerated specific

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 17: Basis of preparation and significant Accounting Policies (Contd.)

provisioning that is based on past experience, evaluation of security and other related factors. Specific loan loss provision in respect of non-performing advances are charged to the Profit and Loss Account. Any recoveries made by the Bank in case of NPAs written off are recognised in the Profit and Loss Account. Provisions in respect of credit card receivables classified into sub-standard and doubtful assets are made at rates which are higher than those prescribed by the RBI.

The floating provisions are made in conformity with RBI guidelines and is netted off against advances and not disclosed separately under Other liabilities.

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advances / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of instalments / rate of interest (due to reasons other than competitive reasons). Restructured accounts are classified as such by the Bank only upon approval and implementation of the restructuring package. Necessary provision for diminution in the fair value of a restructured account is made and classification thereof is as per the extant RBI guidelines.

In accordance with the RBI guidelines on the prudential framework for resolution of stressed assets and the resolution framework for COVID-19 related stress, the Bank in accordance with its Board approved policy, carried out one-time restructuring of eligible borrowers. The asset classification and necessary provisions thereon are done in accordance with the said RBI guidelines.

In accordance with RBI guidelines, the Bank has provided general provision on standard assets at levels stipulated by RBI from time to time. - direct advances to sectors agricultural and SME at 0.25%, commercial real estate at 1.00%, restructured standard advance at 5.00%, commercial real estate-residential housing at 0.75%, housing loans (which have adequate Loan to Value (LTV) ratio as prescribed by RBI) at 0.25% and for other sectors at 0.40%. Provision made against standard assets in accordance with RBI guidelines as above is disclosed separately under Other Liabilities and not netted off against Advances.

Provision for unhedged Foreign Currency Exposure of borrowers is made as per the RBI guidelines.

B. Securitisation and transfer of assets

The Bank securitises out its receivables to Special Purpose Vehicles ('SPVs') in securitisation transactions. Such securitised-out receivables are de-recognised in the Balance Sheet when they are transferred (conditions as prescribed in the Reserve Bank of India (Securitisation of Standard Assets) Directions 2021 being fully met with) and consideration is received by the Bank. In respect of receivable pools securitised-out, the Bank provides liquidity facility and credit enhancements, as specified by the rating agencies, in the form of cash collaterals / guarantees and / or by subordination of cash flows in line with the RBI guidelines. The Bank also acts as a servicing agent for receivable pools securitised-out.

The Bank enters into transactions for transfer of standard assets through the direct assignment of cash flows, which are similar to asset-backed securitisation transactions through the SPV route, except that such portfolios of receivables are assigned directly to the purchaser and are not represented by Pass Through Certificates ('PTCs').

In accordance with the Master Direction - Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021, the Bank does not provide liquidity facility or credit enhancements on the direct assignment transactions undertaken subsequent to these guidelines. The Bank amortises any profit received for every individual securitisation or direct assignment transaction based on the method prescribed in these guidelines.



Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 17: Basis of preparation and significant Accounting Policies (Contd.)

The Bank invests in PTCs issued by other SPVs. These are accounted for at the deal value and are classified as investments. The Bank also buys loans through the direct assignment route which are classified as advances. These are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised over the tenor of the loans.

In accordance with RBI guidelines on sale of nonperforming advances, if the sale is at a price below the net book value (i.e., book value less provisions held), the shortfall is charged to the Profit and Loss Account and if the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year the amounts are received.

The Bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances. Advances exclude derecognised securitised advances, inter-bank participation certificates issued.

C. Priority Sector Lending Certificates (PSLCs)

The Bank enters into transactions for the sale or purchase of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Bank sells the fulfilment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfilment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received for the sale of PSLCs is recorded as 'Miscellaneous Income' and the fee paid for purchase of the PSLCs is recorded as 'Other Expenditure' in the Profit and Loss Account.

D. Investments

Classification and valuation of the Bank's Investments is carried out in accordance with RBI and Fixed Income Money Market and Derivatives Association ('FIMMDA') guidelines issued in this regard from time to time.

(i) Classification

In accordance with the RBI guidelines on investment classification and valuation, investments are classified on the date of purchase into 'Held for Trading' ('HFT'), 'Available for Sale' ('AFS') and 'Held to Maturity' ('HTM') categories (hereinafter called "categories").

Investments, which the Bank intends to hold till maturity, are classified as HTM investments. Investments that are held principally for resale within a short period, including short sale, are classified as HFT investments. All other investments are classified as AFS investments.

For the purpose of disclosure in the financial statements, the investments are classified under six groups (hereinafter called "groups"):

- a) Government Securities;
- b) Other Approved Securities;
- c) Shares;
- d) Debentures and Bonds;
- e) Subsidiaries / Joint Ventures; and
- f) Other Investments.

All investments purchase and sale including equity shares are recorded under "Settlement Date" Accounting.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 17: Basis of preparation and significant Accounting Policies (Contd.)

(ii) Acquisition cost

The cost of investments is determined on weighted average basis. Broken period interest on debt instruments and government securities are considered as a revenue item. The transaction costs including brokerage, commission, transaction/settlement charges etc. paid at the time of acquisition of investments are recognised in Profit and Loss Account.

(iii) Transfer between categories

Transfer of investments between categories, if any are considered in accordance with the extant RBI guidelines as follows:

- a) Transfer from AFS /HFT to HTM is made at the lower of book value or market value at the time of transfer;
- b) Transfer from HTM to AFS/HFT is made at acquisition price/book value if originally placed in HTM at par or at a discount and at amortised cost if originally placed in HTM at a premium;
- c) Transfer from AFS to HFT category or vice-versa is made at book value and the provision for the accumulated depreciation, if any, held is transferred to the provisions for depreciation against the HFT securities or vice-versa.

(iv) Valuation

Investments classified under HTM need not be marked to market and are carried at acquisition cost, unless it is more than face value, in which case the premium is amortised over the period remaining maturity by applying constant price method (Straight Line Method). Such amortisation of premium is adjusted against interest income under the head "Income from investments" as per the RBI guidelines.

Bank recognises any diminution, other than temporary, in the value of their investment under HTM category for each investment individually.

Investments classified as AFS and HFT are marked to-market on a periodic basis as per relevant RBI guidelines. The securities are valued scrip-wise, and any depreciation / appreciation is aggregated for each category. Net appreciation in each category, if any, is ignored, while net depreciation is provided for. The book value of individual securities is not changed consequent to the periodic valuation of investments.

Treasury bills, commercial papers and certificates of deposit are valued at carrying cost including the pro rata discount accreted for the holding period.

Quoted investments are valued at traded/ quoted price available on the recognised stock exchanges, subsidiary general ledger account transactions, price list of RBI or prices declared by Financial Benchmark India Pvt. Ltd. ('FBIL') jointly with Fixed Income Money Market and Derivatives Association (FIMMDA) applicable as at the balance sheet date. For deriving market value of unquoted fixed income securities (other than Central and State Government securities), yields / mark-up rates (reflecting associate credit risk) published by the FIMMDA is used. The market value of unquoted government securities which are in the nature of Statutory Liquidity Ratio ('SLR') securities included in the AFS and HFT categories is valued as per rates published by FBIL/FIMMDA.

Security receipts are valued as per the net asset value provided by the issuing Asset Reconstruction Company from time to time.

In case of unquoted bonds, debentures and preference shares where interest / dividend is received regularly (i.e., not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by Fixed Income Money Market and Derivatives Association of India (FIMMDA)/ Financial Benchmark India Pvt. Ltd. ('FBIL') and suitably marked up for credit risk



Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 17: Basis of preparation and significant Accounting Policies (Contd.)

applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity published by FIMMDA is adopted for this purpose.

Equity shares for which current quotations are not available or where the shares are not quoted on the stock exchanges, should be valued at break-up value (without considering 'revaluation reserves', if any) which is to be ascertained from the company's latest balance sheet (which should not be more than 18 months prior to the date of valuation). In case the latest balance sheet is not available the shares are to be valued at Re.1 per company, as per relevant RBI guidelines.

Investment in mutual fund units are valued at latest available re-purchase price or Net Asset Value (where re-purchase price is not available) as declared by the mutual fund in respect of each particular scheme.

In case of funds with a lock-in period, where repurchase price/ market quote is not available, Units could be valued at Net Asset Value (NAV). If NAV is not available, then these could be valued at cost, till the end of the locking period. Wherever the re-purchase price is not available, the Units is valued at the NAV of the respective scheme.

Units of Venture Capital Funds (VCF) held under AFS category are valued using the Net Asset Value (NAV) shown by VCF as per the financial statement. The VCFs are valued based on the audited results once in a year. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the aforesaid six groups, is charged to the Profit and Loss Account. The net appreciation, if any, in any of the six groups is not recognised except to the extent of depreciation already provided. The valuation of investments includes securities under repo transactions. The book value of individual securities is not changed after the valuation of investments.

Non-performing investments are identified and depreciation / provision are made thereon based on the RBI guidelines. The depreciation / provision on such non-performing investments are not set off against the appreciation in respect of other performing securities. Interest on non-performing investments is not recognised in the Profit and Loss Account until received.

(v) Disposal of investments

Profit / Loss on sale of investments under AFS and HFT categories are recognised in the Profit and Loss Account. Profit in respect of investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to Capital Reserve account as per RBI guidelines. Loss on sale from HTM is recognised in the Profit and Loss account.

(vi) Investment Fluctuation Reserve

As per the RBI circular RBI/2017-18/147 DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018, to build up adequate reserves to protect against increase in yields in future, the Bank has created an Investment Fluctuation Reserve (IFR) to the extent of the lower of following:

- a) net profit on sale of investments during the year;
- b) net profit for the year less mandatory appropriations.

As per the RBI circular, this reserve will be created until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis.

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forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 17: Basis of preparation and significant Accounting Policies (Contd.)

(vii) Repo and reverse repo transactions

Repurchase ('repo') and reverse repurchase ('reverse repo') transactions including liquidity adjustment facility (with RBI) accounted for as borrowing and lending transactions. Accordingly, securities given as collateral under an agreement to repurchase them are held under the investments of the Bank and the Bank is accruing the coupon/discount on such securities during the repo period.

Also, the Bank value the securities sold under repo transactions as per the investment classification of the securities. The difference between the clean price of the first leg and clean price of the second leg is recognised as interest income/expense over the period of the transaction in the Profit and Loss Account.

E. Transactions involving foreign exchange

Initial recognition

Transactions in foreign currencies entered into by the Bank are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement at the Balance Sheet date

Foreign currency monetary items, if any, of the Bank, outstanding at the balance sheet date are restated at the rates prevailing at the year-end as notified by Foreign Exchange Dealers Association of India ('FEDAI'). Non-monetary items of the Bank are carried at historical cost.

Contingent liabilities on account of foreign exchange contracts, currency future contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

Treatment of Exchange differences

Exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities of the Bank are recognised as income or expense in the Profit and Loss Account.

F. Employee Benefits

Employee benefits include provident fund, gratuity and compensated absences.

Defined contribution plan:

Provident Fund

The Bank's contributions to provident fund are considered as defined contribution plan and are charged as an expense as they fall due based on the amount of contribution required to be made when the services are rendered by the employees.

New Pension Scheme (NPS)

In respect of employees who opt for contribution to the NPS, the Bank contributes certain percentage of the basic salary of employees to the aforesaid scheme, a defined contribution plan, which is managed and administered by pension fund management companies. The Bank has no liability other than its contribution, and recognises such contributions as an expense in the year incurred.

Defined Benefits Plan

Gratuity

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Profit and Loss Account in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested while otherwise, it is amortised on a straight-line basis over the average period until the benefits become vested. The retirement



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forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 17: Basis of preparation and significant Accounting Policies (Contd.)

benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Compensated absences - Long term Employee benefits

The Bank accrues the liability for compensated absences based on actuarial valuation as at the Balance Sheet date conducted by an independent actuary which includes assumptions about demographics, early retirement, salary increases, interest rates and leave utilisation. The net present value of the Banks' obligation is determined using the Projected Unit Credit Method as at the Balance Sheet date. Actuarial gains/losses are recognised in the Profit and Loss Account in the year in which they arise.

Other Employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive.

Share based payments

The Employee Stock Option Schemes (ESOSs) of the Bank are in accordance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The Schemes provide for grant of options on equity shares to employees of the Bank to acquire the equity shares of the Bank that vest in a cliff vesting or in a graded manner and that are to be exercised within a specified period.

In accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the Guidance Note on Accounting for Employee Share-based Payments, issued by The Institute of Chartered Accountants of India, the cost of equity-settled transactions is measured using the intrinsic value method. The intrinsic value being the excess, if any, of the fair market price of the share under ESOSs over the exercise price of the option is recognised as deferred employee compensation with a credit to Employee's Stock Option (Grant) Outstanding account. The deferred employee compensation cost is amortised on a straight-line basis over the vesting period of the option. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of equity instruments that are outstanding. The fair market price is the latest available closing price preceding the date of grant of the option, on the stock exchange on which the shares of the Bank are listed.

In accordance with the RBI circular RBI/2021-22/95 DOR.GOV.REC.44/29.67.001/2021-22 "Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff - Clarification" dated August 30, 2021, Share-linked instruments granted to Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff after the accounting period ending March 31, 2021, shall be fair valued on the date of grant using Black-Scholes model.

The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion. In respect of the options which expire unexercised the balance standing to the credit of Employee's Stock Option (Grant) Outstanding accounts is transferred to Profit & Loss Account.

G. Revenue recognition

- i) Interest Income is recognised on a time proportion accrual basis taking into account the amount outstanding and the interest rate implicit in the underlying agreements. Income or any other charges on non-performing assets or on assets taken in custody for recovery of loan through disposal of such assets

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forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 17: Basis of preparation and significant Accounting Policies (Contd.)

during the period are recognised only when realised as per the IRAC norms of RBI. Any such income recognised and remaining unrealised, before the asset became non-performing or before disposal of assets in custody of the company, is reversed. Overdue interest is recognised on realisation basis. Overdue interest is treated to accrue on realisation, due to the uncertainty of their realisation other than on running accounts where it is recognised when due.

- ii) in case of CCOD and Credit card, Service charges, fees and commission income are recognised when due. Commission income on guarantee and letter of credit is recognised over the period of contract.
- iii) Income on discounted instruments are recognised over the tenure of the instrument on a constant yield basis.
- iv) Loan origination income i.e. processing fee and other charges are collected upfront and recognised at the inception of the loan.
- v) All other charges such as Emi bounce charges, Cheque return charges, Legal charges, Seizing charges, etc. are recognised on realisation basis. These charges are treated to accrue on realisation, due to the uncertainty of their realisation.
- vi) Dividend income is recognised on an accrual basis when the right to receive the dividend is established.
- vii) Interest income on deposits with banks and other financial institutions are recognised on a time proportion accrual basis taking into account the amount outstanding and the rate applicable.
- viii) Interest income on investments is recognised on accrual basis.
- ix) Gains arising on securitisation of assets is recognised over the tenure of securities issued by SPV as per guidelines on securitisation of standard assets issued by RBI. Income from excess interest spread is accounted for net of losses when redeemed in cash. Expenditure in respect of securitisation (except bank guarantee fees for credit enhancement) is recognised upfront. Bank guarantee fees for credit enhancement is amortised over the tenure of the agreements. Income arising on direct assignment is recognised over the tenure of agreement on accrual basis.
- x) Amounts recovered against debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognised in the Profit and Loss Account.
- xi) Fees received on sale of Priority Sector Lending Certificates is recognised on proportionate basis during the financial year and considered as Miscellaneous Income, in accordance with the guidelines issued by the RBI and amortised on quarterly basis.

H. Credit Card Reward Points

The Bank estimates the probable redemption of credit card reward points and cost per point using an actuarial method by employing an independent actuary, which includes assumptions such as mortality, redemption and spends.

I. Accounting for leases

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term is classified as operating leases. Operating lease rentals are recognised as an expense on straight-line basis over the lease period in accordance with the AS 19, Leases.

J. Taxation

Tax expenses comprises of current income tax and deferred tax.



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forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 17: Basis of preparation and significant Accounting Policies (Contd.)

Income tax

Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in Profit and Loss Account.

Deferred taxes

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the Profit and Loss Account.

Deferred tax liabilities are recognised for all taxable timing differences. Deferred tax assets are recognised for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Bank has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

The carrying cost of the deferred tax assets are reviewed at each balance sheet date. The Bank writes down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

K. Accounting for provisions, contingent liabilities and contingent assets

A provision is recognised when the Bank has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Provisions for liabilities on the outstanding reward points on credit card are made based on an independent actuarial valuation as at the Balance Sheet date and included in other liabilities and provisions.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises where there is a liability that cannot be recognised because it cannot be measured reliably. The Bank does not recognise a contingent liability but discloses its existence in the financial statements. Contingent assets are neither recognised nor disclosed in the financial statements.

L. Earnings Per Share (EPS)

Basic and diluted earnings per share is computed in accordance with Accounting Standard-20 – Earnings per share.

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forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 17: Basis of preparation and significant Accounting Policies (Contd.)

Basic earnings per share is calculated by dividing the net profit or loss after tax for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the period.

For the purpose of calculating diluted earnings per share, the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

M. Cash and Cash Equivalents

Cash and Cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

N. Fixed Assets

(i) Property, Plant and Equipment (PPE) and software

Property, Plant and Equipment and software are carried at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price and directly attributable cost of bringing the asset to its working condition for the intended use.

Gains or losses arising from derecognition of Property, Plant and Equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Profit and Loss Account when the asset is derecognised.

(ii) Depreciation on Property, Plant and Equipment (PPE) and software:

Leasehold land is amortised on a straight-line basis over the period of lease.

Depreciation on Property, Plant, Equipment and software is charged on a straight-line basis using the rates arrived at, based on the useful lives estimated by the management as given below. The useful lives have been estimated by the management based on technical advice obtained. Determination of useful life of an asset is a matter of judgment and based on various factors such as type and make of an item, its place and pattern of usage, nature of technology, obsolescence factors, availability of spares, etc. and makes a significant impact on the useful life of an asset.

Particulars	Useful Life (years)
Premises own by the bank	60
Furniture and Fixtures	10
Vehicles	8
Software	4-7
Computers, Printers, Servers and other office equipment	3-6
ATMs	10
Safe, Locker and locker gate	15

Addition to lease hold premises are charged off over the remaining period of lease subject to maximum of 10 years.

Items individually costing up to ₹ 5,000 /- are fully depreciated in the year of installation/purchase as the management estimates the useful life of such assets as one year.

Depreciation on assets acquired/sold during the period is recognised on a pro-rata basis to the Profit and Loss Account from/upto the date of acquisition/sale.



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forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 17: Basis of preparation and significant Accounting Policies (Contd.)

Profit on sale of immovable property net of taxes and transfer to statutory reserve, are transferred to capital reserve account.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial period end and adjusted prospectively, if appropriate.

(iii) Impairment of assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

(iv) Capital work-in-progress/ Software under development

Costs incurred towards acquisition of assets, including expenses incurred prior to those assets being put to use and directly attributable to bringing them to their working condition are included under "Capital Work in Progress". Capital Work in Progress including Software under development are stated at the amount incurred up to the date of Balance Sheet.

O. Segment Reporting

Part A: Business segments

Business segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organisation structure, the internal business reporting system and accordance with guidelines issued by RBI vide DBOD.No.BP.BC.81/21.01.018/2006-07 dated April 18, 2007 and in compliance with the Accounting Standard 17 – "Segment Reporting". The Bank operates in the following segments:

(a) Treasury

The treasury segment primarily consists of net interest earnings from the Bank's investment portfolio, money market borrowing and lending and gains or losses on investment operations.

(b) Retail banking

The retail banking segment serves retail customers through a branch network and other delivery channels. This segment raises deposits from customers and provides loans and other services to customers with the help of specialist product groups. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are derived from interest earned on retail loans, fees from services rendered and income from credit card operation etc. expenses of this segment primarily comprise interest expense on deposits, commission paid to retail assets sales agents infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses of specialist product groups, processing units and support groups.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 17: Basis of preparation and significant Accounting Policies (Contd.)

(c) Wholesale banking

The wholesale banking segment provides loans and transaction services to large corporates, emerging corporates, public sector units, government bodies, financial institutions and medium scale enterprises. Revenues of the wholesale banking segment consist of interest earned on loans made to customers etc. The principal expenses of the segment consist of interest expense on funds borrowed from external sources, interest on deposits, personnel costs, other direct overheads and allocated expenses of delivery channels, specialist product groups, processing units and support groups.

(d) Other banking business

This segment includes income from para banking activities such as third party product distribution and the associated costs.

(e) Unallocated

All items which are reckoned at an enterprise level are classified under this segment. This includes unallocable assets and liabilities such as deferred tax, prepaid expenses, etc.

Segment revenue includes earnings from customers. Segment result includes revenue less interest expense less operating expense and provisions, if any, for that segment. Segment-wise income and expenses include certain allocations. Segment capital employed represents the net assets in that segment.

Part B: Geographic segments

The Bank operates in a single geographic segment i.e. domestic.

P. Share Issue Expenses

Share issue expenses are adjusted from Securities Premium Account as permitted by Section 52 of the Companies Act, 2013.

Q. Accounting for Proposed Dividend

Dividend proposed/ declared including dividend distribution tax after the balance sheet date is accrued in the books of the Bank in the year in which the dividend is approved by the shareholders as per revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, dated 30 March 2016.



Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18: Notes forming part of the financial statements for the Year ended March 31, 2023

Amounts in notes forming part of the financial statements for the year ended March 31, 2023 are denominated in rupee crore to conform to extant RBI guidelines.

A. Disclosures as Laid Down by RBI Circulars

1 Regulatory Capital

a) Composition of Regulatory Capital

The Capital adequacy ratio (“CAR”) has been computed as per operating guideline for Small Finance Bank in accordance with RBI Circular No. RBI/2016-17/81DBR. NBD.No.26/16.13.218/2016-17 dated October 6, 2016. The Bank has followed Basel II standardised approach for credit risk in accordance with the Operating Guideline issued by the Reserve Bank of India for Small Finance banks. Further, the RBI vide its circular No. DBR.NBD.No. 4502/16.13.218/2017-18 dated November 8, 2017 has provided an exemption to all small Finance banks whereby no separate capital charge is prescribed for market risk and operational risk.”

The total Capital Adequacy ratio of the Bank as at March 31, 2023 is 23.59% (previous year: 20.99%) against the regulatory requirement of 15.00% as prescribed by RBI.

No Capital Conservation Buffer and Counter - Cyclical Capital Buffer is applicable on Small Finance Bank (SFB) as per operating guidelines issued on SFB by RBI.

The following table set forth, for the year indicated, computation of Capital adequacy:

		(₹ in Crore)	
Sr. No.	Particulars	March 31, 2023	March 31, 2022
(i)	Common Equity Tier 1 capital ratio (net of deductions, if any)	10,568.91	7,171.70
(ii)	Additional Tier 1 capital	-	-
(iii)	Tier 1 capital (i + ii)	10,568.91	7,171.70
(iv)	Tier 2 capital	878.62	472.39
(v)	Total capital (Tier 1+Tier 2)	11,447.53	7,644.09
(vi)	Total Risk Weighted Assets (RWAs)	48,519.30	36,416.69
(vii)	CET 1 Ratio (CET 1 as a percentage of RWAs)	21.78%	19.69%
(viii)	Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	21.78%	19.69%
(ix)	Tier 2 Ratio (Tier 2 capital as a percentage of RWAs)	1.81%	1.30%
(x)	Capital to Risk Weighted Assets Ratio (CRAR) (Total Capital as a percentage of RWAs)	23.59%	20.99%
(xi)	Leverage Ratio	11.10%	9.99%
(xii)	Percentage of the shareholding of Government of India	-	-
(xiii)	Amount of paid-up equity capital raised during the year*	36.75	2.69
(xiv)	Amount of non-equity Tier 1 capital raised during the year, of which:		
	a) Perpetual Non Cumulative Preference Shares (PNCPS)	-	-
	b) Perpetual Debt Instruments (PDI)	-	-
(xv)	Amount of Tier 2 capital raised during the year, of which		
	a) Debt capital instruments	500.00	-
	b) Perpetual Non Cumulative Preference Shares (PNCPS)	-	-
	c) Perpetual Debt Instruments (PDI)	-	-

* During the year ended March 31, 2023, the Bank has issued 3,44,82,758 equity shares of a face value ₹ 10 each at a price of ₹ 580 per equity share including a premium of ₹ 570 per equity share aggregating to ₹ 2,000 crore pursuant to Qualified Institutional Placement (QIP).

During the year ended March 31, 2023, the Bank allotted 22,69,033 equity shares (previous year: 26,86,641 equity shares) aggregating to paid up share capital of ₹ 2.27 crore (previous year: ₹ 2.69 crore). Further the reserves of the Bank have increased by ₹ 67.10 crore (previous year: ₹ 87.79 crore) in respect of stock options exercised.

b) Draw down from reserves

There has been no draw down from reserves during the year ended March 31, 2023 and March 31, 2022 other than those disclosed under Schedule 2.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18: Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

2 Asset Liability Management

a) Maturity pattern of certain items of assets and liabilities

As at March 31, 2023

Particulars	(₹ in Crore)											
	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	Over 2 months and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	1,649.11	2,528.22	1,178.90	1,593.31	3,121.44	2,196.98	5,250.01	12,253.60	38,002.26	1,351.63	239.53	69,364.99
Advances	8.71	269.90	633.59	650.95	1,435.43	1,687.39	3,617.38	7,132.74	24,231.70	9,010.26	9,743.48	58,421.54
Investments	5,943.43	275.86	342.42	1,018.80	1,040.62	695.28	2,308.18	2,003.91	5,940.18	256.11	247.22	20,072.01
Borrowings	0.22	-	60.65	109.50	153.80	184.70	621.23	1,391.67	2,595.66	317.53	863.69	6,298.65
Foreign Currency assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-	-	-	-

As at March 31, 2022

Particulars	(₹ in Crore)											
	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days to 2 months	Over 2 months and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	1,302.90	1,410.34	1,077.29	1,661.97	3,171.66	1,834.18	5,347.72	10,198.98	25,710.90	623.36	245.32	52,584.62
Advances	5.08	277.13	1,182.72	555.22	1,532.40	1,286.11	3,097.81	5,661.52	18,174.19	6,986.15	7,336.93	46,095.26
Investments	3,155.15	176.85	353.67	372.79	763.42	429.92	1,684.10	2,491.81	5,373.93	351.44	153.42	15,306.50
Borrowings	0.39	-	63.34	91.50	134.49	87.30	981.64	1,128.41	2,600.97	744.14	158.60	5,990.78
Foreign Currency assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-	-	-	-

Classification of non-maturing assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors.



Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

b) Liquidity Coverage Ratio (LCR)

i) Quantitative disclosure on Liquidity Coverage Ratio (LCR) for year ended March 31, 2023:

Particular	₹ in Crore			
	Quarter ended March 31, 2023	Quarter ended December 31, 2022	Quarter ended September 30, 2022	Quarter ended June 30, 2022
	Total Unweighted Value (average)*	Total Unweighted Value (average)*	Total Unweighted Value (average)*	Total Unweighted Value (average)*
High Quality Liquid Assets				
1 Total High Quality Liquid Assets (HQLA)	15,352.68	13,862.80	13,674.19	13,850.18
Cash Outflows				
2 Retail deposits and deposits from small business customers, of which:				
(i) Stable deposits	7,038.24	6,601.38	6,077.14	5,418.67
(ii) Less stable deposits	32,084.46	29,137.21	26,983.55	23,590.18
3 Unsecured wholesale funding, of which:				
(i) Operational deposits (all counterparties)	-	-	-	-
(ii) Non operational deposits (all counterparties)	12,176.69	12,188.06	12,367.45	12,997.63
(iii) Unsecured debt	172.24	131.75	235.72	178.87
4 Secured wholesale funding				
5 Additional requirements, of which:				
(i) Outflows related to derivative exposures and other collateral requirements				
(ii) Outflows related to loss of funding on debt products				
(iii) Credit and liquidity facilities				
6 Other contractual funding obligations	1,336.46	1,139.54	1,066.98	1,091.57
7 Other contingent funding obligations	12,875.32	10,697.86	9,566.77	7,898.73
8 Total Cash Outflows	13,595.59	12,725.33	12,235.69	12,164.48
Cash Inflows				
9 Secured lending (e.g. reverse repos)	37.10	10.32	82.39	1,353.35
10 Inflows from fully performing exposures	1,563.57	1,487.59	1,678.42	1,485.24
11 Other cash inflows	882.09	814.53	704.99	695.05
12 Total Cash Inflows	1,554.89	1,451.35	1,623.89	1,400.38
	Total Adjusted Value	Total Adjusted Value	Total Adjusted Value	Total Adjusted Value
13 Total HQLA	15,352.68	13,862.80	13,674.19	13,850.18
14 Total Net Cash Outflows	12,040.70	11,273.97	10,611.80	10,764.10
15 Liquidity Coverage Ratio (%)	127.51%	122.96%	128.86%	128.67%

* The average weighted and unweighted amounts are calculated taking simple average based on daily observation for the respective quarters.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

b) Liquidity Coverage Ratio (LCR)

i) Quantitative disclosure on Liquidity Coverage Ratio (LCR) for year ended March 31, 2022:

Particular	Quarter ended March 31, 2022		Quarter ended December 31, 2021		Quarter ended September 30, 2021		Quarter ended June 30, 2021	
	Total Unweighted Value (average)*	Weighted Value (average)*	Total Unweighted Value (average)*	Weighted Value (average)*	Total Unweighted Value (average)*	Weighted Value (average)*	Total Unweighted Value (average)*	Weighted Value (average)*
(₹ in Crore)								
High Quality Liquid Assets								
1 Total High Quality Liquid Assets (HQLA)	11,888.57		10,699.49		10,996.05		9,396.75	
Cash Outflows								
2 Retail deposits and deposits from small business customers, of which:								
(i) Stable deposits	4,757.80	237.89	4,135.16	206.76	3,580.86	179.04	3,278.33	163.92
(ii) Less stable deposits	20,548.86	2,054.89	18,006.51	1,800.65	15,832.19	1,583.22	13,897.07	1,389.71
3 Unsecured wholesale funding, of which:								
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non operational deposits (all counterparties)	10,980.08	6,761.99	8,592.01	5,727.48	7,318.16	5,259.10	6,896.27	5,042.03
(iii) Unsecured debt	164.82	164.82	211.52	211.52	374.03	374.03	451.70	451.70
4 Secured wholesale funding	-	-	109.24		-		-	
5 Additional requirements, of which:								
(i) Outflows related to derivative exposures and other collateral requirements								
(ii) Outflows related to loss of funding on debt products								
(iii) Credit and liquidity facilities								
6 Other contractual funding obligations	998.52	998.52	900.46	900.46	797.27	797.27	663.04	663.04
7 Other contingent funding obligations	6,430.15	290.78	5,626.34	252.52	4,597.50	206.18	4,531.46	200.83
8 Total Cash Outflows	10,508.89		9,208.63		8,398.84		7,911.23	
Cash Inflows								
9 Secured lending (e.g. reverse repos)	2,609.72	-	2,331.90	-	2,470.72	-	1,328.56	-
10 Inflows from fully performing exposures	1,054.77	695.97	1,079.34	755.45	1,157.21	882.64	1,072.68	784.11
11 Other cash inflows	624.98	312.49	587.63	293.82	501.42	250.71	502.90	251.45
12 Total Cash Inflows	1,008.46		1,049.27		1,133.35		1,035.56	
13 Total HQLA	11,888.57		10,699.49		10,996.05		9,396.75	
14 Total Net Cash Outflows	9,500.43		8,159.36		7,265.49		6,875.67	
15 Liquidity Coverage Ratio (%)	125.14%		131.13%		151.35%		136.67%	

* The average weighted and unweighted amounts are calculated taking simple average based on daily observation for the respective quarters.



Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

ii) Qualitative disclosure on Liquidity Coverage Ratio (LCR):

To assess Bank's resilience in liquidity stress scenario of 30 days with its high-quality liquid assets, Banks is computing Liquidity Coverage Ratio (LCR) as per RBI - Basel III Framework on Liquidity Standards. High Ratio signifies Bank has enough liquid assets which it can use to fulfil its liquidity obligations in acute stress scenario. Ratio to compute as below:

$$\text{LCR} = \frac{\text{Stock of High Quality Liquid Assets (HQLA)}}{\text{Net Cash Outflows over a 30 days period}}$$

Stock of High Quality Liquid Asset is total funds liquid assets could generate in stress scenario. Net Cash outflows is the difference as derived by multiplying the outstanding balances of various categories or types of liabilities by the outflow run-off rates and cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in.

The Minimum LCR Requirement for Small Finance Banks (as per operating guidelines for Small Finance Banks RBI/2016-17/81 DBR.NBD.No.26/16.13.218/2016-17 dated Oct 06, 2016 & RBI circular RBI/2019-20/217 DOR. BP.BC.No.65/21.04.098/2019-20 dated Apr 17,2020) is 100%

The Bank has consistently maintained the LCR percentage well above the regulatory threshold limit. The average LCR for the quarter ended March 31, 2023 was 128% which is above the regulatory limit of 100%. For the quarter ended March 31, 2023 average HQLA stood at ₹ 15,353 Crores.

Asset Liability Committee (ALCO) of the Bank is the primary governing body for Liquidity Risk Management, Treasury is entrusted with the responsibility of liquidity management within the Bank under the guidance of the ALCO. ALM Risk unit independently measures, monitors & report Liquidity Risk as per regulatory & internal guidelines.

In computing the above information, certain estimates and assumptions have been made by the Bank's Management which have been relied upon by the auditors.

c) Net Stable Funding Ratio (NSFR)

i) Quantitative disclosure on Net Stable Funding Ratio (NSFR) as on March 31, 2023:

NSFR Disclosure Template					
(₹ in Crore)	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item					
1 Capital: (2+3)	10,910.67	-	-	1,000.00	11,910.67
2 Regulatory capital	10,792.32	-	-	-	10,792.32
3 Other capital instruments	118.35	-	-	1,000.00	1,118.35
4 Retail deposits and deposits from small business customers: (5+6)	19,911.50	4,460.87	4,344.78	12,057.64	37,105.45
5 Stable deposits	7,261.73	43.82	37.34	69.31	7,041.58
6 Less stable deposits	12,649.77	4,417.05	4,307.44	11,988.33	30,063.86
7 Wholesale funding: (8+9)	6,748.48	10,888.34	9,331.94	6,920.10	14,577.21
8 Operational deposits	-	-	-	-	-
9 Other wholesale funding	6,748.48	10,888.34	9,331.94	6,920.10	14,577.21
10 Other liabilities: (11+12)	3,641.81	-	-	-	-
11 NSFR derivative liabilities	-	-	-	-	-
12 All other liabilities and equity not included in the above categories	3,641.81	-	-	-	-
13 Total ASF (1+4+7+10)					63,593.32
RSF Item					

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

		NSFR Disclosure Template				
(₹ in Crore)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
14	Total NSFR high-quality liquid assets (HQLA)					805.19
15	Deposits held at other financial institutions for operational purposes	184.51	-	-	-	92.25
16	Performing loans and securities: (17+18+19+21+23)	-	14,311.07	5,613.06	47,821.46	46,362.16
17	Performing loans to financial institutions secured by Level 1 HQLA	-	5,369.00	-	-	-
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	754.50	482.82	1,327.89	1,682.48
19	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	-	5,354.51	4,641.23	42,390.62	41,099.92
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	230.42	239.20	405.55	498.42
21	Performing residential mortgages, of which:	-	35.75	38.72	3,433.91	2,365.03
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	32.36	35.07	2,955.14	1,954.56
23	Securities that are not in default and do not qualify as HQLA, including exchange- traded equities	-	2,797.30	450.29	669.04	1,214.73
24	Other assets: (sum of rows 25 to 29)	5,896.07	-	-	286.16	2,626.93
25	Physical traded commodities, including gold	-	-	-	-	-
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	54.73	-	-	-	46.52
27	NSFR derivative assets	-	-	-	-	-
28	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
29	All other assets not included in the above categories	5,841.35	-	-	286.16	2,580.41
30	Off-balance sheet items		15,517.08			714.20
31	Total RSF					50,600.73
32	Net Stable Funding Ratio (%)					125.68%

i) Quantitative disclosure on Net Stable Funding Ratio (NSFR) as on December 31, 2022:

		NSFR Disclosure Template				
(₹ in Crore)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item						
1	Capital: (2+3)	10,540.44	-	-	1,000.00	11,540.44
2	Regulatory capital	9,420.71	-	-	-	9,420.71
3	Other capital instruments	1,119.74	-	-	1,000.00	2,119.74
4	Retail deposits and deposits from small business customers: (5+6)	20,126.79	4,747.22	3,732.31	10,133.26	35,249.80
5	Stable deposits	6,865.01	43.67	35.75	60.32	6,654.52
6	Less stable deposits	13,261.77	4,703.55	3,696.56	10,072.94	28,595.28
7	Wholesale funding: (8+9)	3,344.48	11,914.75	6,832.94	5,460.11	10,678.08



Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

NSFR Disclosure Template						
(₹ in Crore)	Unweighted value by residual maturity				Weighted value	
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr		
8	Operational deposits	-	-	-	-	
9	Other wholesale funding	3,344.48	11,914.75	6,832.94	5,460.11	10,678.08
10	Other liabilities: (11+12)	2,871.05	-	-	-	-
11	NSFR derivative liabilities	-	-	-	-	-
12	All other liabilities and equity not included in the above categories	2,871.05	-	-	-	-
13	Total ASF (1+4+7+10)					57,468.32
RSF Item						
14	Total NSFR high-quality liquid assets (HQLA)					737.80
15	Deposits held at other financial institutions for operational purposes	187.18	-	-	-	93.59
16	Performing loans and securities: (17+18+19+21+23)	-	9,083.15	6,521.53	44,917.54	44,282.04
17	Performing loans to financial institutions secured by Level 1 HQLA	-	520.00	-	-	-
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	707.26	451.84	1,080.44	1,412.45
19	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	-	5,341.51	4,663.57	40,159.34	39,215.08
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	188.64	213.25	467.95	505.11
21	Performing residential mortgages, of which:	-	30.98	33.71	2,972.83	2,039.09
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	28.39	30.92	2,600.80	1,720.18
23	Securities that are not in default and do not qualify as HQLA, including exchange- traded equities	-	2,483.39	1,372.41	704.92	1,615.41
24	Other assets: (sum of rows 25 to 29)	5,010.83	-	-	325.56	2,376.82
25	Physical traded commodities, including gold	-	-	-	-	-
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	54.78	-	-	-	46.56
27	NSFR derivative assets	-	-	-	-	-
28	NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
29	All other assets not included in the above categories	4,956.06	-	-	325.56	2,330.26
30	Off-balance sheet items		12,151.50			552.55
31	Total RSF					48,042.79
32	Net Stable Funding Ratio (%)					119.62%

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

i) Quantitative disclosure on Net Stable Funding Ratio (NSFR) as on September 30, 2022:

NSFR Disclosure Template					
NSFR Item	Weighted value	Unweighted value by residual maturity			
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr
(₹ in Crore)					
ASF Item					
1 Capital: (2+3)	11,114.18	10,114.18	-	-	1,000.00
2 Regulatory capital	9,533.95	9,533.95	-	-	-
3 Other capital instruments	1,580.22	580.22	-	-	1,000.00
4 Retail deposits and deposits from small business customers: (5+6)	32,048.30	19,338.82	3,677.18	4,413.44	7,782.09
5 Stable deposits	6,183.09	6,375.37	44.56	36.95	51.39
6 Less stable deposits	25,865.20	12,963.45	3,632.62	4,376.49	7,730.70
7 Wholesale funding: (8+9)	10,658.86	5,334.58	11,921.48	6,854.33	4,702.10
8 Operational deposits	-	-	-	-	-
9 Other wholesale funding	10,658.86	5,334.58	11,921.48	6,854.33	4,702.10
10 Other liabilities: (11+12)	-	2,733.21	-	-	-
11 NSFR derivative liabilities	-	-	-	-	-
12 All other liabilities and equity not included in the above categories	-	2,733.21	-	-	-
13 Total ASF (1+4+7+10)	53,821.33				
RSF Item					
14 Total NSFR high-quality liquid assets (HQLA)	714.03				
15 Deposits held at other financial institutions for operational purposes	90.99	181.98	-	-	-
16 Performing loans and securities: (17+18+19+21+23)	41,630.03	-	10,191.36	6,518.62	41,757.80
17 Performing loans to financial institutions secured by Level 1 HQLA	-	-	720.00	-	-
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	1,023.63	-	509.25	395.65	749.42
19 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	36,638.03	-	5,207.82	4,472.20	37,301.91
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	535.46	-	190.46	193.46	528.46
21 Performing residential mortgages, of which:	1,904.66	-	30.70	33.11	2,760.28
22 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	1,567.68	-	27.75	29.95	2,367.42
23 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2,063.71	-	3,723.58	1,617.66	946.18
24 Other assets: (sum of rows 25 to 29)	2,338.93	5,018.02	-	-	329.22
25 Physical traded commodities, including gold	-	-	-	-	-
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	46.65	54.89	-	-	-
27 NSFR derivative assets	-	-	-	-	-
28 NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
29 All other assets not included in the above categories	2,292.28	4,963.13	-	-	329.22
30 Off-balance sheet items	475.57		10,397.80		
31 Total RSF	45,249.55				
32 Net Stable Funding Ratio (%)	118.94%				



Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

i) Quantitative disclosure on Net Stable Funding Ratio (NSFR) as on June 30, 2022:

NSFR Disclosure Template					
NSFR Item	Weighted value	Unweighted value by residual maturity			
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr
(₹ in Crore)					
ASF Item					
1 Capital: (2+3)	8,288.85	7,788.85	-	-	500.00
2 Regulatory capital	7,384.11	7,384.11	-	-	-
3 Other capital instruments	904.74	404.74	-	-	500.00
4 Retail deposits and deposits from small business customers: (5+6)	29,182.14	17,409.02	3,078.60	4,623.01	6,958.18
5 Stable deposits	5,567.51	5,732.55	41.81	37.85	48.33
6 Less stable deposits	23,614.63	11,676.47	3,036.78	4,585.17	6,909.86
7 Wholesale funding: (8+9)	12,455.60	3,807.15	9,622.72	8,636.16	6,107.63
8 Operational deposits	-	-	-	-	-
9 Other wholesale funding	12,455.60	3,807.15	9,622.72	8,636.16	6,107.63
10 Other liabilities: (11+12)	-	2,507.54	-	-	-
11 NSFR derivative liabilities	-	-	-	-	-
12 All other liabilities and equity not included in the above categories	-	2,507.54	-	-	-
13 Total ASF (1+4+7+10)	49,926.59				
RSF Item					
14 Total NSFR high-quality liquid assets (HQLA)	647.26				
15 Deposits held at other financial institutions for operational purposes	82.06	164.11	-	-	-
16 Performing loans and securities: (17+18+19+21+23)	39,073.39	-	8,129.46	5,746.31	39,404.89
17 Performing loans to financial institutions secured by Level 1 HQLA	-	-	390.00	-	-
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	1,000.86	-	605.95	395.53	712.20
19 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	34,460.13	-	4,914.59	4,197.92	35,034.81
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	471.00	-	130.10	138.24	518.19
21 Performing residential mortgages, of which:	1,685.53	-	29.94	32.05	2,438.15
22 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	1,385.94	-	26.83	28.76	2,089.45
23 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	1,926.87	-	2,188.98	1,120.81	1,219.73
24 Other assets: (sum of rows 25 to 29)	2,192.67	4,634.45	-	-	315.83
25 Physical traded commodities, including gold	-	-	-	-	-
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	46.88	55.15	-	-	-
27 NSFR derivative assets	-	-	-	-	-
28 NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
29 All other assets not included in the above categories	2,145.79	4,579.30	-	-	315.83
30 Off-balance sheet items	393.38		8751.67		
31 Total RSF	42,388.76				
32 Net Stable Funding Ratio (%)	117.78%				

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

i) Quantitative disclosure on Net Stable Funding Ratio (NSFR) as on March 31, 2022:

NSFR Disclosure Template					
NSFR Item	Weighted value	Unweighted value by residual maturity			
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr
(₹ in Crore)					
ASF Item					
1 Capital: (2+3)	8,014.01	7,514.01	-	-	500.00
2 Regulatory capital	7,381.38	7,381.38	-	-	-
3 Other capital instruments	632.64	132.64	-	-	500.00
4 Retail deposits and deposits from small business customers: (5+6)	25,235.11	14,649.34	3,236.45	3,512.44	6,321.41
5 Stable deposits	5,007.34	5,142.32	43.61	39.62	45.35
6 Less stable deposits	20,227.77	9,507.03	3,192.85	3,472.82	6,276.06
7 Wholesale funding: (8+9)	12,382.18	4,958.95	11,297.60	7,959.85	6,139.35
8 Operational deposits	-	-	-	-	-
9 Other wholesale funding	12,382.18	4,958.95	11,297.60	7,959.85	6,139.35
10 Other liabilities: (11+12)	-	2,988.39	-	-	-
11 NSFR derivative liabilities	-	-	-	-	-
12 All other liabilities and equity not included in the above categories	-	2,988.39	-	-	-
13 Total ASF (1+4+7+10)	45,631.31				
RSF Item					
14 Total NSFR high-quality liquid assets (HQLA)	595.08				
15 Deposits held at other financial institutions for operational purposes	75.85	151.70	-	-	-
16 Performing loans and securities: (17+18+19+21+23)	36,927.06	-	10,428.33	5,531.84	37,124.07
17 Performing loans to financial institutions secured by Level 1 HQLA	-	-	3,285.00	-	-
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	1,143.99	-	1,394.67	365.33	752.13
19 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	31,682.56	-	4,702.69	3,973.45	32,028.96
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	648.30	-	218.31	196.11	678.29
21 Performing residential mortgages, of which:	1,849.82	-	36.56	39.61	2,553.42
22 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	1,189.91	-	23.29	25.20	1,793.34
23 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2,250.68	-	1,009.42	1,153.45	1,789.55
24 Other assets: (sum of rows 25 to 29)	2,063.20	4,268.04	-	-	271.85
25 Physical traded commodities, including gold	-	-	-	-	-
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	46.93	55.21	-	-	-
27 NSFR derivative assets	-	-	-	-	-
28 NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
29 All other assets not included in the above categories	2,016.27	4,212.83	-	-	271.85
30 Off-balance sheet items	355.89		789.53		
31 Total RSF	40,017.07				
32 Net Stable Funding Ratio (%)	114.03%				



Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

i) Quantitative disclosure on Net Stable Funding Ratio (NSFR) as on December 31, 2021:

NSFR Disclosure Template					
NSFR Item	Weighted value	Unweighted value by residual maturity			
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr
(₹ in Crore)					
ASF Item					
1 Capital: (2+3)	7,626.72	7,126.72	-	-	500.00
2 Regulatory capital	6,247.89	6,247.89	-	-	-
3 Other capital instruments	1,378.82	878.82	-	-	500.00
4 Retail deposits and deposits from small business customers: (5+6)	22,229.98	13,133.02	3,227.42	2,757.24	5,315.30
5 Stable deposits	4,337.16	4,446.04	45.33	33.41	40.65
6 Less stable deposits	17,892.82	8,686.98	3,182.08	2,723.83	5,274.65
7 Wholesale funding: (8+9)	8,614.46	4,246.47	10,218.59	5,838.31	3,610.52
8 Operational deposits	-	-	-	-	-
9 Other wholesale funding	8,614.46	4,246.47	10,218.59	5,838.31	3,610.52
10 Other liabilities: (11+12)	-	2,671.79	-	-	-
11 NSFR derivative liabilities	-	-	-	-	-
12 All other liabilities and equity not included in the above categories	-	2,671.79	-	-	-
13 Total ASF (1+4+7+10)	38,471.15				
RSF Item					
14 Total NSFR high-quality liquid assets (HQLA)	518.91				
15 Deposits held at other financial institutions for operational purposes	59.80	119.60	-	-	-
16 Performing loans and securities: (17+18+19+21+23)	32,419.23	-	6,290.18	5,489.63	32,321.01
17 Performing loans to financial institutions secured by Level 1 HQLA	-	-	500.00	-	-
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	1,087.00	-	1,325.31	413.70	681.35
19 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	27,489.91	-	3,904.15	3,436.23	27,853.29
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	480.49	-	80.43	123.47	582.37
21 Performing residential mortgages, of which:	1,456.72	-	29.42	31.89	2,011.54
22 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	941.76	-	18.78	20.38	1,418.73
23 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2,385.60	-	531.30	1,607.81	1,774.82
24 Other assets: (sum of rows 25 to 29)	2,176.46	3,726.68	-	-	520.18
25 Physical traded commodities, including gold	-	-	-	-	-
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	47.29	55.64	-	-	-
27 NSFR derivative assets	-	-	-	-	-
28 NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-
29 All other assets not included in the above categories	2,129.17	3,671.04	-	-	520.18
30 Off-balance sheet items	270.06		6012.64		
31 Total RSF	35,444.46				
32 Net Stable Funding Ratio (%)	108.54%				

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

ii) Qualitative disclosure on Net Stable Funding Ratio (NSFR):

AU Bank, as per the RBI guideline on NSFR dated May 17, 2018, is required to maintain the NSFR on an ongoing basis. The minimum NSFR requirement set out in the RBI guideline effective October 1, 2021, is 100%. The Basel Committee on Banking Supervision (BCBS) had introduced the Net Stable Funding Ratio (NSFR) to ensure resilience over a longer-term time horizon by requiring banks to fund their activities with more stable sources of funding. NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. Available stable funding (ASF) is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of stable funding required ("Required stable funding") (RSF) of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet (OBS) exposures. The NSFR as on March 31, 2023 was at 125.68% (at 114.03% as on March 31, 2022).



Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

3 Investments

a) Composition of Investment Portfolio

As at March 31, 2023

	(₹ in Crore)											
	Investments in India				Investments outside India				Total Investments			
	Government Securities	Other Approved Securities	Shares	Debtures and Bonds	Subsidiaries and/or joint ventures	Others	Total investments in India	Government Securities	Subsidiaries and/or joint ventures	Others	Total Investments outside India	Total Investments
Held to Maturity												
Gross	14,174.81	-	-	-	-	-	14,174.81	-	-	-	-	14,174.81
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Net	14,174.81	-	-	-	-	-	14,174.81	-	-	-	-	14,174.81
Available for Sale												
Gross	1,970.50	-	8.81	1,404.79	-	2,523.08	5,907.18	-	-	-	-	5,907.18
Less: Provision for depreciation and NPI	-	-	-	20.05	-	-	20.05	-	-	-	-	20.05
Net	1,970.50	-	8.81	1,384.74	-	2,523.08	5,887.13	-	-	-	-	5,887.13
Held for Trading												
Gross	10.07	-	-	-	-	-	10.07	-	-	-	-	10.07
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-	-
Net	10.07	-	-	-	-	-	10.07	-	-	-	-	10.07
Total Investments	16,155.38	-	8.81	1,404.79	-	2,523.08	20,092.06	-	-	-	-	20,092.06
Less: Provision for non-performing investments	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	-	-	-	20.05	-	-	20.05	-	-	-	-	20.05
Net	16,155.38	-	8.81	1,384.74	-	2,523.08	20,072.01	-	-	-	-	20,072.01

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

As at March 31, 2022

	(₹ in Crore)											
	Investments in India					Investments outside India						
	Government Securities	Other Approved Securities	Shares	Debentures and Bonds	Subsidiaries and/or joint ventures	Others	Total investments in India	Government Securities	Subsidiaries and/or joint ventures	Others	Total Investments	
Held to Maturity												
Gross	10,250.65	-	-	-	-	-	10,250.65	-	-	-	-	10,250.65
Less: Provision for non-performing investments (NPI)	-	-	-	-	-	-	-	-	-	-	-	-
Net	10,250.65	-	-	-	-	-	10,250.65	-	-	-	-	10,250.65
Available for Sale												
Gross	805.23	-	8.81	2,387.80	-	1,855.58	5,057.42	-	-	-	-	5,057.42
Less: Provision for depreciation and NPI	1.57	-	-	-	-	-	1.57	-	-	-	-	1.57
Net	803.66	-	8.81	2,387.80	-	1,855.58	5,055.85	-	-	-	-	5,055.85
Held for Trading												
Gross	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	-	-	-	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	-	-	-	-	-	-	-	-
Total Investments	11,055.88	-	8.81	2,387.80	-	1,855.58	15,308.07	-	-	-	-	15,308.07
Less: Provision for non-performing investments	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for depreciation and NPI	1.57	-	-	-	-	-	1.57	-	-	-	-	1.57
Net	11,054.31	-	8.81	2,387.80	-	1,855.58	15,306.50	-	-	-	-	15,306.50



Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

b) Movement of Provisions for Depreciation and Investment Fluctuation Reserve

Particulars	(₹ in Crore)	
	March 31, 2023	March 31, 2022
(i) Movement of provisions held towards depreciation on investments		
(i) Opening balance	1.57	30.63
(ii) Add: Provisions made during the year	104.98	6.63
(iii) Less: Write off / write back of excess provisions during the year	86.50	35.69
(iv) Closing balance	20.05	1.57
(ii) Movement of Investment Fluctuation Reserve		
(i) Opening balance	101.15	80.91
(ii) Add: Amount transferred during the year	17.20	20.24
(iii) Less: Drawdown	-	-
(iv) Closing balance	118.35	101.15
(iii) Closing balance in IFR as a percentage of closing balance of investments in AFS and HFT/Current category	2.01%	2.00%

c) Sale and Transfers to / from HTM Category

During the year ended March 31, 2023 and the previous year ended March 31, 2022 the Bank has not sold and transferred securities to or from HTM category exceeding 5% of the book value of investment held in HTM category at the beginning of the year. The 5% threshold referred to above does not include onetime transfer of securities to/from HTM category with the approval of Board of Directors permitted to be undertaken by banks as per extant RBI guidelines, sale of securities under pre-announced Open Market Operation (OMO) auction to the RBI and sale of securities or transfer to AFS / HFT consequent to the reduction of ceiling on SLR securities under HTM, Repurchase of Government Securities by Government of India from banks under buyback / switch operations, Repurchase of State Development Loans by respective state governments under buyback / switch operations and Additional shifting of securities explicitly permitted by the Reserve Bank of India as the case may be.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

d) Non-SLR investment portfolio

i) Non-performing non-SLR investments

The Bank does not have any Non performing Non-SLR investment as on March 31, 2023 and March 31, 2022.

ii) Issuer composition of non-SLR investments

Issuer-wise composition of non-SLR investments as at March 31, 2023:

(₹ in Crore)

Sr. No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities*	Extent of 'Unlisted' Securities**
1	2	3	4	5	6	7
(i)	Public sector undertakings	152.72	-	-	-	-
(ii)	Financial institutions \$	2,273.11	1,139.13	-	-	-
(iii)	Banks	1,107.31	664.42	-	-	-
(iv)	Private corporates	100.00	100.00	-	-	-
(v)	Subsidiaries / Joint Ventures	-	-	-	-	-
(vi)	Others #	303.54	303.54	-	-	-
(vii)	Provision held towards depreciation	20.05	-	-	-	-
	Total	3,916.63	2,207.09	-	-	-

Amounts reported under column 4, 5, 6 and 7 above are not mutually exclusive.

* Excludes investments in equity shares in line with extant RBI guidelines.

** Excludes investments in equity shares, Pass Through Certificates (PTC), Certificate of Deposit (CD), Security Receipts (SR) and Commercial Paper (CP) in line with extant RBI guidelines.

\$ NBFC is included in Financial Institutions.

Others includes PTC, Security Receipts (Net) and Equity Investment.

Issuer-wise composition of non-SLR investments as at March 31, 2022:

(₹ in Crore)

Sr. No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities*	Extent of 'Unlisted' Securities**
1	2	3	4	5	6	7
(i)	Public sector undertakings	431.86	199.77	-	-	-
(ii)	Financial institutions \$	3,000.87	1,761.31	-	-	-
(iii)	Banks	504.42	463.42	-	-	-
(iv)	Private corporates	250.72	200.00	-	-	50.72
(v)	Subsidiaries / Joint Ventures	-	-	-	-	-
(vi)	Others#	64.32	64.33	-	-	-
(vii)	Provision held towards depreciation	-	-	-	-	-
	Total	4,252.19	2,688.83	-	-	50.72

Amounts reported under column 4, 5, 6 and 7 above are not mutually exclusive.

* Excludes investments in equity shares in line with extant RBI guidelines.

** Excludes investments in equity shares, Pass Through Certificates (PTC), Certificate of Deposit (CD), Security Receipts (SR) and Commercial Paper (CP) in line with extant RBI guidelines.

\$ NBFC is included in Financial Institutions.

Others includes PTC, Security Receipts (Net) and Equity Investment.



Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

e) Repo Transactions

Details of repo / reverse repo deals (in face value terms) (Including LAF and TREPS) entered during the year ended March 31, 2023

(₹ in Crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2023
Securities sold under repo:				
i. Government securities				
a. LAF Repo	-	-	-	-
b. Triparty Repo (TREPS)	-	2,798.62	1,136.41	-
ii. Corporate debt securities	-	-	-	-
iii. Any other securities	-	-	-	-
Securities purchased under reverse repo:				
i. Government securities				
a. LAF Repo	-	4,900.00	351.79	-
b. Triparty Repo (TREPS)	-	1,869.72	18.13	-
ii. Corporate debt securities	-	-	-	-
iii. Any other securities	-	-	-	-

Details of repo / reverse repo deals (in face value terms) (Including LAF and TREPS) entered during the year ended March 31, 2022

(₹ in Crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2023
Securities sold under repo:				
i. Government securities				
a. LAF Repo	-	700.00	6.03	-
b. Triparty Repo (TREPS)	-	2,074.80	744.46	-
ii. Corporate debt securities	-	-	-	-
iii. Any other securities	-	-	-	-
Securities purchased under reverse repo:				
i. Government securities				
a. LAF Repo	500.00	4,315.00	2,186.07	3,285.00
b. Triparty Repo (TREPS)	-	99.97	0.82	-
ii. Corporate debt securities	-	-	-	-
iii. Any other securities	-	-	-	-

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

4. Asset quality

a) Classification of advances and provisions held

For the year ended March 31, 2023

(₹ in Crore)

	Standard	Non-Performing			Total Non-Performing Advances	Total*
	Total Standard Advances	Sub-standard	Doubtful	Loss		
Gross Standard Advances and NPAs						
Opening Balance	45,864.41	463.74	458.57	2.07	924.38	46,788.79
Add: Additions during the year					1,239.88	1,239.88
Less: Reductions during the year*					1,182.95	1,182.95
Closing balance	58,176.39	560.14	416.68	4.49	981.31	59,157.70
*Reductions in Gross NPAs due to:						
Upgradation					931.57	931.57
Recoveries (excluding recoveries from upgraded accounts)					60.89	60.89
Technical/ Prudential Write-offs					100.99	100.99
Write-offs other than those under (iii) above					89.50	89.50
Provisions (excluding Floating Provisions)						
Opening balance of provisions held	277.27	191.89	458.57	2.07	652.53	929.80
Add: Fresh provisions made during the year					683.33	683.33
Less: Excess provision reversed/ Write-off loans					640.71	640.71
Closing balance of provisions held	270.96	274.01	416.65	4.49	695.15	966.11
Net NPAs						
Opening Balance		271.85	-	-	271.85	
Add: Fresh additions during the year					556.55	
Less: Reductions during the year					542.24	
Closing Balance		286.13	0.03	-	286.16	
Floating Provisions						
Opening Balance						41.00
Add: Additional provisions made during the year						-
Less: Amount drawn down during the year						-
Closing balance of floating provisions						41.00
Technical write-offs and the recoveries made thereon						
Opening balance of Technical/ Prudential written-off accounts						62.94
Add: Technical/ Prudential write-offs during the year						100.99
Less: Recoveries made from previously technical/ prudential written-off accounts during the year						14.82
Closing balance						149.11

* Total column does not contain movement of standard advances and provision thereof



Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

For the year ended March 31, 2022

	Standard		Non-Performing			Total*
	Total Standard Advances	Sub-standard	Doubtful	Loss	Total Non-Performing Advances	
(₹ in Crore)						
Gross Standard Advances and NPAs						
Opening Balance	33,853.46	1,248.62	232.14	22.07	1,502.83	35,356.29
Add: Additions during the year					1,442.12	1,442.12
Less: Reductions during the year*					2,020.57	2,020.57
Closing balance	45,864.41	463.74	458.57	2.07	924.38	46,788.79
*Reductions in Gross NPAs due to:						
Upgradation					1,723.23	1,723.23
Recoveries (excluding recoveries from upgraded accounts)					109.73	109.73
Technical/ Prudential Write-offs					62.12	62.12
Write-offs other than those under (iii) above					125.49	125.49
Provisions (excluding Floating Provisions)						
Opening balance of provisions held	188.13	496.83	228.47	22.07	747.37	935.50
Add: Fresh provisions made during the year					612.01	612.01
Less: Excess provision reversed/ Write-off loans					706.85	706.85
Closing balance of provisions held	277.27	191.89	458.57	2.07	652.53	929.80
Net NPAs						
Opening Balance		751.79	3.67	-	755.46	
Add: Fresh additions during the year					830.11	
Less: Reductions during the year					1,313.72	
Closing Balance		271.85	-	-	271.85	
Floating Provisions						
Opening Balance						-
Add: Additional provisions made during the year						41.00
Less: Amount drawn down during the year						-
Closing balance of floating provisions						41.00
Technical write-offs and the recoveries made thereon						
Opening balance of Technical/ Prudential written-off accounts						2.41
Add: Technical/ Prudential write-offs during the year						62.12
Less: Recoveries made from previously technical/ prudential written-off accounts during the year						1.59
Closing balance						62.94

* Total column does not contain movement of standard advances and provision thereof

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

Ratios

Particulars	March 31, 2023	March 31, 2022
Gross NPA to Gross Advances	1.66%	1.98%
Net NPA to Net Advances	0.42%	0.50%
Provision coverage ratio	78.31%	76.62%

b) Sector-wise advances and Gross NPAs

(₹ in Crore)

Sr. No.	Sector	March 31, 2023		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
A	Priority Sector*			
1	Agriculture and allied activities	8,635.86	172.56	2.00%
2	Advances to industries sector eligible as priority sector lending	3,935.30	53.85	1.37%
	All Engineering	680.53	14.24	2.09%
	Gems and Jewellery	556.35	7.20	1.29%
3	Services	20,438.46	271.45	1.33%
	Transport Operators	2,165.34	25.84	1.19%
	Trade	9,247.63	141.96	1.54%
4	Personal loans	2,048.24	7.26	0.35%
	Housing Loan	2,048.20	7.26	0.35%
	Sub total (A)	35,057.86	505.12	1.44%
B	Non Priority Sector			
1	Agriculture and allied activities	-	-	0.00%
2	Industry	818.26	25.33	3.10%
	All Engineering	134.16	5.01	3.73%
	Gems and Jewellery	119.20	2.30	1.93%
3	Services	11,590.27	350.15	3.02%
	Transport Operators	1,822.70	103.62	5.69%
	Trade	3,519.50	163.51	4.65%
4	Personal loans	11,691.31	100.71	0.86%
	Housing Loan	1,573.47	2.88	0.18%
	Vehicle Loans	5,299.50	53.57	1.01%
	Credit Card	1,468.26	19.68	1.34%
	Advances against Fixed Deposits	1,589.85	-	0.00%
	Sub-total (B)	24,099.84	476.19	1.98%
	Total (A+B)	59,157.70	981.31	1.66%

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

(₹ in Crore)

Sr. No.	Sector	March 31, 2022		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
A	Priority Sector*			
1	Agriculture and allied activities	8,787.07	142.42	1.62%
2	Advances to industries sector eligible as priority sector lending	3,780.95	64.10	1.70%
	Wood and Wood Products	370.07	5.98	1.62%
	Engineering	642.61	14.22	2.21%
	Gems and Jewellery	593.94	8.68	1.46%
	Infrastructure	397.34	11.37	2.86%
3	Services	19,182.90	561.71	2.93%
	Transport Operators	2,812.67	137.95	4.90%
	Trade	8,932.82	251.45	2.81%
4	Personal loans	1,541.14	5.96	0.39%
	Housing Loan	1,541.07	5.96	0.39%
	Sub total (A)	33,292.06	774.19	2.33%
B	Non Priority Sector			
1	Agriculture and allied activities	-	-	-
2	Industry	380.90	3.18	0.83%
	Wood and Wood Products	43.41	0.39	0.90%
	Engineering	65.23	0.89	1.36%
	Gems and Jewellery	37.13	0.34	0.92%
	Infrastructure	3.33	-	0.00%
3	Services	7,848.07	82.89	1.06%
	Transport Operators	1,019.45	24.44	2.40%
	Trade	1,811.77	24.83	1.37%
4	Personal loans	5,267.76	64.12	1.22%
	Housing Loan	666.02	3.20	0.48%
	Vehicle Loans	2,353.67	44.22	1.88%
	Advances against Fixed Deposits	936.34	-	0.00%
	Sub-total (B)	13,496.73	150.19	1.11%
	Total (A+B)	46,788.79	924.38	1.98%

*Priority sector outstanding total advances includes ₹ 19,604.00 crore (previous year: ₹ 18,000.00 crore), in respect of which the Bank has sold Priority Sector Lending Certificates (PSLC).

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system/reports which has been relied upon by the auditors.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

c) Overseas Assets, NPAs and Revenue

The Bank does not have any overseas branches and hence the disclosure regarding overseas assets, NPAs and revenue is not applicable (Previous Year: Nil).

d) Resolution of Stressed Assets - Revised Framework

The Bank is having Nil loan account for resolution of stressed Assets (Revised framework) as on March 31, 2023 (Previous year: Nil) as per RBI Circular RBI/2017-18/131DBR.No.BP.BC.101/21.04.048/2017-18 and RBI/2018-19/203 DBR.No.BP.BC.45/21.04.048/2018-19 as amended.

e) Divergence in the Asset classification and provisioning

RBI vide its Master Direction Ref. RBI/DOR/2021-22/83 DOR.ACC.REC.No.45/21.04.018/2021-22 dated August 30, 2021 and various amendments thereto (latest updated on February 20, 2023), has directed banks to make suitable disclosures, if either or both of the following conditions are satisfied:-

- the additional provisioning for NPAs assessed by RBI as part of its supervisory process, exceeds 10% of the reported profit before provisions and contingencies for the reference period, and
- the additional Gross NPAs identified by RBI as part of its supervisory process, exceed 10% of the reported incremental Gross NPAs for the reference period.

The Bank has not been subjected to any Annual Financial Inspection (AFI) by the RBI during the financial year 2021-22 and financial year 2022-23 in respect of financial year 2020-21 & 2021-22.

f) Disclosure of Transfer of Loan Exposures

- Loans not in default:** The bank has not transferred or acquired loans not in default during the Current and Previous year.
- Stressed loans transferred or acquired:** The Bank has not transferred stressed Loans during the Current and Previous year.

The Credit Rating assigned to SR is NR3 - (75% - 100%) which is similar to previous rating.

Details of loans acquired: The Bank has not acquired any stressed loan during the year (Previous year: NIL)

g) Provision Pertaining to Fraud Accounts

Particulars	(₹ in crore except number of accounts)	
	March 31, 2023	March 31, 2022
Number of frauds reported during the year	74	54
Amount involved in fraud	6.33	1.88
Amount of provision made for such frauds	2.99	1.42
Amount of unamortised provision debited from "other reserves" as at the end of the year	-	-

Amount involved in fraud net of recoveries / write-off at the end of the current year is ₹ 2.99 crore (previous year: ₹ 1.42 crore).



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Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

h) Disclosures under Resolution Framework for COVID-19-related Stress

Details of resolution plan implemented under the Resolution Framework for COVID-19-related Stress as per RBI circular dated August 6, 2020 (Resolution Framework 1.0) and May 05, 2021 (Resolution Framework 2.0) as at Mar 31, 2023 are given below.

(₹ in crore except number of accounts)

Type of Borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year i.e. September 30, 2022 (A)	Of (A), aggregate debt that slipped into NPA during the half-year ended March 31, 2023	Of (A), amount written off during the half year ended March 31, 2023#	Of (A) amount paid by the borrowers during the half-year ended March 31, 2023*	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year i.e. March 31, 2023
Personal Loans	93.25	6.56	2.63	28.41	58.28
Corporate persons	-	-	-	-	-
Of which MSMEs	-	-	-	-	-
Others	294.81	10.03	3.83	66.88	217.91
Total	388.06	16.59	6.46	95.29	276.19

*Amount paid by the borrower during the half year is net of additions in the borrower amount including additions due to interest capitalisation and includes cases which have been upgraded from Restructuring as on March 31, 2023.

#Represents debt that slipped into NPA and was subsequently written off during the half year ended March 31, 2023

5 Exposures

a) Exposure to Real Estate Sector

(₹ in Crore)

Category	March 31, 2023	March 31, 2022
(a) Direct exposure		
(i) Residential Mortgages-	4,915.69	2,981.95
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Includes Individual housing loans eligible for inclusion in priority sector advances as at March 31, 2023 ₹ 2,188.41 crore and as at March 31, 2022 ₹ 1,541.07 crore)		
(ii) Commercial Real Estate-	2,666.91	1,847.53
Lending secured by mortgages on commercial real estate (office buildings, retail space, multi purpose commercial premises, multi family residential buildings, multi tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non fund based (NFB) limits		
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures-		
(a) Residential	-	-
(b) Commercial Real Estate	-	-
Total (A)	7,582.60	4,829.48
(b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	912.72	1,084.35
Total (B)	912.72	1,084.35
Total Exposure to Real Estate Sector (A+B)	8,495.32	5,913.83

Out of the total loans given against the mortgage of any real estate, only those loans have been classified as an exposure to commercial real estate, the prospects for repayment in respect of which depend primarily on the cash flows generated by such mortgaged asset.

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system/reports has been relied upon by the auditors.

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forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

b) Exposure to Capital Market

Particulars	(₹ in Crore)	
	March 31, 2023	March 31, 2022
(i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt.	8.81	8.81
(ii) Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity oriented mutual funds.	-	-
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security.	-	-
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances.	-	-
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers.	345.95	260.47
(vi) Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources.	-	-
(vii) Bridge loans to companies against expected equity flows / issues.	-	-
(viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds.	-	-
(ix) Financing to stockbrokers for margin trading.	-	-
(x) All exposures to Venture Capital Funds (both registered and unregistered).	-	-
Total Exposure to Capital Market	354.76	269.28

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system/reports has been relied upon by the auditors.

c) Details of Risk Category Wise Country Exposure

The Bank does not have any country risk exposure other than "home country exposures" and accordingly, no provision is maintained with regard to country risk exposure (previous year Nil).

d) Unsecured Advances

Particulars	(₹ in Crore)	
	March 31, 2023	March 31, 2022
Total unsecured advances of the bank	4,739.16	3,377.63
Out of the above, amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. have been taken	-	-
Estimated value of such intangible securities	-	-

e) Details of Factoring Exposure

The factoring exposure of the Bank as at March 31, 2023 is NIL.(Previous year: ₹ 243.73 crore)

f) Intra-group Exposure

The Bank does not have any exposure (advances/investments) within the group. (Previous year: Nil)



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Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

g) Unhedged Foreign Currency Exposure

The RBI, through its master direction dated October 11, 2022, had advised banks to create incremental provision on standard loans and advances to entities with unhedged foreign currency exposure (UFCE). The Bank assesses the UFCEs of the borrowers through its credit appraisal and internal ratings process. The Bank also undertakes reviews of such exposures through thematic reviews evaluating the impact of exchange rate fluctuations on the Bank's portfolio on a yearly basis.

Incremental provisioning (over and above provision applicable for standard assets) is made in Bank's Profit and Loss Account, on borrower counter parties having UFCE, depending on the likely loss / EBID ratio, in line with stipulations by RBI. Incremental capital is maintained in respect of borrower counter parties in the highest risk category, in line with stipulations by RBI. These requirements are given below:

Likely Loss / EBID ratio	Incremental Provisioning Requirement (computed on the total credit exposures reckoned for standard asset provisioning)	Incremental Capital Requirement
Up to 15%	Nil	Nil
More than 15% to 30%	20 bps	Nil
More than 30% to 50%	40 bps	Nil
More than 50% to 75%	60 bps	Nil
More than 75% (Most risky)	80 bps	25% increase in the risk weight

The Bank held provision amounting to ₹ 1.97 crore on advances to entities with UFCE on March 31, 2023 (previous year: Nil). The Bank considered incremental risk weighted assets of ₹ 40.18 crore for the purpose of CRAR calculation in respect of borrower with UFCE as on March 31, 2023, (previous year Nil).

6 Concentration of deposits, advances, exposures and NPAs

a) Concentration of Deposits

Particulars	(₹ in Crore)	
	March 31, 2023	March 31, 2022
Total Deposits of twenty largest depositors*	10,036.66	8,831.15
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	14.47%	16.79%

*Includes certificate of deposits

b) Concentration of Advances

Particulars	(₹ in Crore)	
	March 31, 2023	March 31, 2022
Total Advances to twenty largest borrowers	1,669.94	2,146.78
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	2.32%	4.07%

Advances comprise of credit exposure (funded and non-funded credit limits) excluding other exposure of security placed with CCIL on account of limit for TREPS transaction of ₹ 53 crores (Previous year: ₹ 53 crores).

c) Concentration of Exposures

Particulars	(₹ in Crore)	
	March 31, 2023	March 31, 2022
Total Exposure to twenty largest borrowers / customers	3,084.09	3,545.09
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the bank on borrowers / customers	4.07%	6.21%

Exposures comprise of credit exposure (funded and non-funded credit limits) and investment exposure excluding other exposure of security placed with CCIL on account of limit for TREPS transaction of ₹ 53 crores (Previous year: ₹ 53 crores).

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forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

d) Concentration of NPAs

Particulars	(₹ in Crore)	
	March 31, 2023	March 31, 2022
Total Exposure to top 20 NPA accounts	36.82	52.48
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs	3.75%	5.68%

7 Derivatives

a) Forward Rate Agreement/ Interest Rate Swap

The bank has not entered into any Forward Rate Agreement or Interest rate swaps during the year ended March 31, 2023 and March 31, 2022.

b) Exchange Traded Interest Rate Derivatives

The bank has not entered into any exchange traded interest rate derivatives during the year ended March 31, 2023 and March 31, 2022.

c) Disclosures on Risk Exposure in Derivatives

The bank has not entered into any derivative instruments for trading / speculative purposes either in Foreign Exchange or domestic treasury operations during the year ended March 31, 2023 (Previous year: Nil).

d) Credit Default Swaps

The bank has not transacted in credit default swaps during the year ended March 31, 2023. (Previous year: Nil)

8 Disclosures relating to Securitisation

Disclosure as per RBI guidelines for securitisation transactions:

Particulars	(₹ in Crore except numbers)	
	As at March 31, 2023	As at March 31, 2022
No. of SPEs holding assets for securitisation transactions originated by the bank	12	8
Total amount of securitised assets as per books of the SPEs (outstanding as on balance sheet date)	4,858.13	885.22
Total amount of exposures retained by the Bank to comply with minimum retention requirement (MRR) as on the date of balance sheet		
a) Off-balance sheet exposures		
First Loss	143.94	113.28
Others	-	-
b) On balance sheet exposures		
First Loss	117.27	21.76
Others	295.84	55.91
Amount of exposures to securitisation transaction other than MRR		
a) Off balance sheet exposures		
l) Exposure to own securitisations		
First Loss	-	-
Others (Guarantees provided by banks on behalf of the Bank)	213.19	237.43



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forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

		(₹ in Crore except numbers)			
Particulars		As at March 31, 2023		As at March 31, 2022	
II) Exposure to Third party securitisations					
First Loss		-		-	
Others		-		-	
b) On balance sheet exposures					
I) Exposure to own securitisations					
First Loss		-		-	
Others (Cash collateral placed in lieu of bank guarantee)		105.37		-	
II) Exposure to Third party securitisations					
First Loss		-		-	
Others		-		-	
Sale consideration received for the securitised assets and gain/loss on sale on account of securitisation		4943.31		NIL	
		NIL		NIL	
Form and quantum (outstanding value) of services provided by way of liquidity support, post securitisation asset servicing etc.					
Services Provided	Form of facility	No of Transaction	Value of Facility*	No of Transaction	Value of Facility*
Liquidity Support	Fixed Deposits	2	1.17	2	0.87
	Bank Guarantees	9	46.96	6	5.03
Services Provided	Type of service	No of Transaction	Outstanding Value	No of Transaction	Outstanding Value
Post Securitisation Assets Servicing	Servicing Agent	12	4858.13	8	885.22
Performance of facility provided viz. Credit enhancement, liquidity support, servicing agent etc.					
		Credit Enhancement	Liquidity Support	Credit Enhancement	Liquidity Support
(a) Schedule Amount		372.47	38.25	381.75	39.37
(b) Opening Balance		372.47(100%)	5.9(15.44%)	381.52(99.94%)	1.11(2.83%)
(c) Cumulative Amount paid During the year		0.07(0.02%)	3.38(8.84%)	3.52(0.92%)	5.38(13.67%)
(d) Cumulative Repayment received during the year		0.07(0.02%)	9.84(25.74%)	3.75(0.98%)	11.3(28.69%)
(e) Amount increase due to new Pool		392.68(105.43%)	44.6(116.62%)		
(f) Amount reduce due to pool Maturity		185.37(49.77%)	8.84(23.11%)	9.29(2.43%)	1.13(2.86%)
(g) Outstanding amount		579.77(155.66%)	48.13(125.84%)	372.47(97.57%)	5.9(15%)
Average default rate of portfolios observed in the past**					
Wheels		2.26%		2.64%	
SBL		2.82%		2.98%	
Others		2.78%		2.83%	
		1.00%		1.35%	
Amount and number of additional/top up loan given on same underlying asset.					
		No. of Loans	Amount	No. of Loans	Amount
Wheels		10485	159.64	908	13.05
SBL		294	42.07	12	1.31
Others		598	0.99	329	0.61
Investor complaints					
(a) Directly/Indirectly received and;		Nil		Nil	
(b) Complaints outstanding					

* Value of facility is outstanding amount of the facility on the reporting date.

** Default rate % is calculated on the basis of reporting date NPA on Gross advance.

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Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

9 Off Balance Sheet SPVs sponsored

There are no Off-Balance Sheet SPVs sponsored by the Bank, which need to be consolidated as per accounting norms.

10 Transfers to Depositor Education and Awareness Fund (DEAF)

During the year ended March 31, 2023 and March 31, 2022 the Bank was not required to transfer any amount to Depositor Education and Awareness Fund.

11 Disclosure for Customer Complaints

a) Complaints received by the bank from its customers

(i) Customer complaints other than ATM transaction disputes:

S. No.	Particulars	March 31, 2023	March 31, 2022
1	No. of complaints pending at the beginning of the year	404	255
2	No. of complaints received during the year	24,332	19,713
3	No. of complaints disposed during the year	23,388	19,564
3.1	No. of complaints rejected by the bank (out of point 3)	406	6,834
4	No. of complaints pending at the end of the year	1,348	404

(ii) ATM transaction disputes relating to the Bank's customers on bank's ATMs:

S. No.	Particulars	March 31, 2023	March 31, 2022
1	No. of complaints pending at the beginning of the year	19	29
2	No. of complaints received during the year	5,063	5,395
3	No. of complaints disposed during the year	5,048	5,405
3.1	No. of complaints rejected by the bank (out of point 3)	271	527
4	No. of complaints pending at the end of the year	34	19

(iii) ATM transaction disputes relating to the Bank's customers on other bank's ATMs:

S. No.	Particulars	March 31, 2023	March 31, 2022
1	No. of complaints pending at the beginning of the year	62	99
2	No. of complaints received during the year	5,927	10,389
3	No. of complaints disposed during the year	5,880	10,426
3.1	No. of complaints rejected by the bank (out of point 3)	-	2,107
4	No. of complaints pending at the end of the year	109	62

(iv) Total customer complaints and ATM transaction disputes [total of tables (i), (ii) and (iii) above]:

S. No.	Particulars	March 31, 2023	March 31, 2022
1	No. of complaints pending at the beginning of the year	485	383
2	No. of complaints received during the year	35,322	35,497
3	No. of complaints disposed during the year	34,316	35,395
3.1	No. of complaints rejected by the bank (out of point 3)	677	9,468
4	No. of complaints pending at the end of the year	1,491	485

Includes complaints received from RBI Ombudsman and out of 1491 (previous year: 485) pending complaints, all redressed before Board meeting except 201 (previous year: 48) complaints.



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Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

b) Maintainable complaints received by the Bank from OBOs under Integrated Ombudsman Scheme, 2021

S. No.	Particulars	March 31, 2023	March 31, 2022
1	Number of maintainable complaints received by the bank from Office of Ombudsman	671	307
1.1	Of 1 above, number of complaints resolved in favour of the bank by Office of Ombudsman	366	296
1.2	Of 1 above, number of complaints resolved through conciliation/mediation/ advisories issued by Office of Ombudsman	305	11
1.3	Of 1 above, number of complaints resolved after passing of Awards by Office of Ombudsman against the bank	Nil	Nil
2	Number of Awards unimplemented within the stipulated time (other than those appealed)	Nil	Nil

c) Top five grounds of complaints received by the bank from customers

For the year ended March 31, 2023

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
ATM/Debit Cards	150	13,680	(41%)	244	3
Internet/Mobile/Electronic Banking	7	1,320	(21%)	26	-
Account opening/difficulty in operation of accounts	20	1,805	36%	29	-
Credit Cards	162	8,472	662%	678	133
Staff behaviour	9	592	67%	5	-
Others	137	9,453	19%	509	46
Total	485	35,322	0%	1,491	182

For the year ended March 31, 2022

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
ATM/Debit Cards	318	23,089	21%	150	2
Internet /Mobile / Electronic Banking	-	1,681	570%	7	-
Account opening /difficulty in operation of accounts	3	1,330	2730%	20	-
Credit Cards	-	1,112	-	162	20
Staff behaviour	-	354	480%	9	-
Others	62	7,931	302%	137	2
Total	383	35,497	59%	485	24

The above details are as furnished by the Management and relied upon by the Auditors.

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Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

12 Penalties imposed by the RBI

During the year ended March 31, 2023 in terms of the provisions contained in the RBI circular Ref. DCM (RMMT) No.S153/11.01.01/2021-22 dated August 10, 2021 on “Monitoring of Availability of Cash in ATMs” and the subsequent addendum thereto, RBI has imposed penalties of ₹ 0.048 crore on the Bank on account of Cash out in an ATM for more than 10 hours in a month (previous year: ₹ 0.001 crore).

13 Disclosures on remuneration

Qualitative Disclosures:

(a) Information relating to the composition and mandate of the Nomination and Remuneration Committee:

In compliance of Companies Act 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Banking Regulation Act 1949 and other guidelines as applicable, the Board of Directors has constituted Nomination and Remuneration Committee (NRC) to oversee the framing, review, and implementation of the Compensation Policy of the Bank. This Committee works in coordination with Risk Management Committee & Audit Committee of the Board, for achieving effective alignment between risk and remuneration.

As on March 31, 2023, the Nomination and Remuneration Committee consist of Non-Executive (Independent) Directors and the said composition is in line with the applicable guidelines.

The Composition of NRC committee is as follows:

- Mr. M S Sriram - Independent Director (Chairman)
- Mr. Pushpinder Singh - Independent Director
- Mr. H.R. Khan - Independent Director
- Ms. Malini Thadani - Independent Director

The roles and responsibilities of the Nomination and Remuneration Committee (NRC) are as under:

- (i) Assist the Board in formulation and implementation of compensation policy and lay down the criteria for remuneration of Directors, Key Management Personnel (KMPs) and Senior Management Personnel (SMPs), Material Risk Takers (MRTs), Control Function Staff and other employees.
- (ii) Take inputs from the Risk Management Committee of the Board to ensure balance between remuneration and risks as required. The Committee shall ensure that the mix of Fixed and Variable forms of compensation is consistent with risk alignment and objectives of the Bank.
- (iii) Lay down the comprehensive criteria for assessment in terms of qualifications, positive attributes, independence, professional experience, track record, integrity and considering other parameters for appointment of Directors, KMPs and SMPs.
- (iv) Develop policies and lay down criteria for appointment/removal/reappointment of the Directors on the Board capturing the statutory and regulatory requirements.
- (v) Assist in defining the performance evaluation criteria for Directors and other KMPs and ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks.



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Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

- (vi) Ensure that the compensation policy formulated for remuneration of Directors, KMPs and SMPs is reasonable and sufficient to attract, retain and motivate quality talent required to run the Bank.
- (vii) Ensure that the compensation for Directors, KMPs, SMPs is a mix of fixed and variable pay and such compensation reflects short and long-term performance objectives appropriate to the working and the goals of the Bank.
- (viii) Ensure that appropriate procedures are in place to assess Board effectiveness and also provide the suggestions on governance to the Board of Directors.
- (ix) Review and oversee the Employee Benefits programme of the Bank including deferred benefits and retirement plans.

(b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy:

The Bank has formulated a Compensation Policy in alignment with the RBI guidelines, covering all components of compensation including fixed pay, perquisites, performance bonus, guaranteed bonus (joining / sign-on bonus), share-linked instruments such as Employee Stock Option Plan (ESOPs), retirement benefits such as Provident Fund and Gratuity, and below are the key features and objectives of the policy:

- Establish standards on compensation/ remuneration including fixed and variable pay covering share-linked instruments, which are in alignment with the applicable rules and regulations and is based on the trends and practices of remuneration prevailing in the industry.
- Retain, motivate, and promote talent and to ensure long term sustainability of talented Director, KMP, SMP, MRT, Control Function Staff and other employees as applicable.
- Define internal guidelines for payment of other reimbursement to the Directors and KMPs.
- Institutionalise a mechanism for the appointment/ removal/ resignation/evaluation of performance of Directors.
- Perform such functions as are required to be performed by the Nomination and Remuneration committee under the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, including the following:
 - (a) administering the ESOP plans;
 - (b) determining the eligibility of employees to participate under the ESOP plans;
 - (c) granting options to eligible employees and determining the date of grant;
 - (d) determining the number of options to be granted to an employee;
 - (e) determining the exercise price under the ESOP plans and
- Ensure compliance with applicable laws, rules, and regulations as well as 'Fit and Proper criteria' of directors before their appointment.

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Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

- (c) **Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks:**

The Key parameters taken into account for the structuring of remuneration covering fixed pay and variable pay are mentioned below:

- (i) Risk factors that are significant to the Banking operations of the Bank are taken into consideration in devising the remuneration structure and it is symmetric to the risk outcomes.
- (ii) Compensation payout is scheduled in manner where sensitivity to time horizon of risks is taken into consideration in the review process.
- (iii) Individual performance is reviewed on the basis of Key Responsibility Areas (KRAs) and the review is carried out under the Annual Performance Review (APR) of the Bank.
- (iv) Industry Benchmarking, inflation and increase of cost of living.

In addition, it includes a 'malus' and 'clawback' option to take care of any disciplinary issue or future drop in performance of individual/ business/ Bank.

- (d) **Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration:**

Individual performances are assessed in line with business/ individual delivery of the Key responsibility Areas (KRAs), top priorities of business, budgets, and overall contribution to the organisation etc. The goal sheet is in place in Human Capital Management (HCM) Software and the evaluation of annual performance is carried out in the same.

In linking the performance and level of remuneration, the job roles, levels, business budgets, risk factors, achievement of individual KRAs are taken into consideration for taking decision in this regard.

- (e) **A discussion of the Bank's policy on deferral and vesting of variable remuneration and a discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting:**

In compliance of RBI Guidelines on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff dated November 04, 2019 Bank has formulated Compensation Policy that covers all aspects of the compensation structure such as Fixed pay, Variable Pay and deferral pay.

The Variable Pay of senior executives, including WTDs, and other employees who are MRTs shall be deferred over the period so that compensation is adjusted for all types of risks that organisation may be exposed to.

The deferral period shall be a minimum of three years. This would be applicable for both the cash and non-cash components of the variable pay:

- a) A minimum of 60% of the total variable pay must invariably be under deferral arrangements.
- b) If cash component is part of variable pay, at least 50% of the cash bonus shall also be deferred and where the cash component of variable pay is under ₹ 25 lakh in a year, deferral requirements shall not be applicable.
- c) Deferred remuneration should either vest fully at the end of the deferral period or be spread out over the course of the deferral period. The first such vesting should be not before one year from the commencement of the deferral period and shall not take place more frequently than on a yearly basis.



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forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

- d) The vesting should be no faster than on a pro rata basis.

The adjustment of Variable Pay before and after the vesting shall be considered in the event of subdued or negative financial performance of the bank and/or the relevant line of business in any year and the malus/clawback arrangements shall be invoked subject to due assessment.

(f) Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilises and the rationale for using these different forms:

The Variable pay consist of Cash, Share linked Instrument and same is decided considering risk factors, job profile, level of performance and industry norms to ensure that employee morale is high and to promote consistency in performance over the time horizon.

The breakup of variable remuneration is the follows:

Variable Pay: Variable pay compensation is paid depending upon the performance of the Employees against set key responsibility areas (KRAs) and it is ensured that there is a proper balance between fixed pay and variable pay while devising the remuneration structure.

- (a) A substantial proportion of compensation i.e., at least 50%, should be variable and paid on the basis of individual, business performance & other parameters and this shall not be applicable on risk control function staff.
- (b) In case variable pay is:
- Up to 200% of the fixed pay, a minimum of 50% of the variable pay should be via non-cash instruments.
 - Above 200%, a minimum of 67% of the variable pay should be via non-cash instruments.
 - shall be limited to a maximum of 300% of the fixed pay; (for the relative performance measurement period).
- (c) In the event that an executive is barred by statute or regulation from grant of share-linked instruments, his/her variable pay will be capped at 150% of the fixed pay but shall not be less than 50% of the fixed pay.
- (d) The deterioration in the financial performance of the Bank shall generally lead to a contraction in the total amount of variable compensation, which can even be reduced to zero and the proportion of variable pay shall be higher depending on the higher responsibility at higher level.

Share-linked Instruments: Share-linked Instruments consisting of ESOPs or other linked instruments which shall be forming part of variable pay.

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forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

Quantitative Disclosures:

Sr. No.	Subject	March 31, 2023	March 31, 2022
(g)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members	Number of meetings: 11 Remuneration paid: Sitting fee of ₹ 40,000 for each meeting attended.	Number of meetings: 14 Remuneration paid: Sitting fee of ₹ 30,000 for each meeting attended till December 27, 2021, and ₹ 40,000 thereafter for each meeting till March 31, 2022.
(h)	Number of employees having received a variable remuneration award during the financial year	12 Employees	14 Employees*
	Number and total amount of sign-on/joining bonus made during the financial year	Nil	Nil
	Details of severance pay, in addition to accrued benefits, if any	Nil	Nil
(i)	Total amount of outstanding deferred remuneration, split into cash, types of share-linked instruments and other forms	<p>Cash:</p> <ul style="list-style-type: none"> Variable Pay (Performance bonus) of ₹ 0.85 crore for FY 2020-21 & ₹ 0.94 crore for FY 2021-22 for Mr. Sanjay Agarwal, MD & CEO has been approved by RBI on April 08, 2022 & November 18, 2022, respectively and out of which 50% is deferred in next 3 years in equal installments i.e. ₹ 0.89 crore. Variable Pay (Performance bonus) of ₹ 0.40 crore for FY 2020-21 & ₹ 0.37 crore for FY 2021-22 for Mr. Uttam Tibrewal, WTD has been approved by RBI on April 08, 2022 & November 18, 2022, respectively and out of which 50% is deferred in next 3 years in equal installments i.e. ₹ 0.38 crore. Variable Pay (Performance bonus) of other MRTs of ₹ 1.04 crore & ₹ 1.90 crore pertaining to FY 2020-21 & FY 2021-22 is deferred and shall be payable in next 3 years in equal installments. <p>ESOP: Outstanding ESOPs (Unvested): 15,11,753 ESOPs</p>	<p>* includes Mr. Deepak Jain, Chief Risk Officer (Control Function) who was elevated from the role of Chief Operating Officer (MRT) with effect from September 01, 2021.</p> <p>Cash:</p> <ul style="list-style-type: none"> Variable Pay (Performance bonus) of ₹ 0.85 crore for FY 2020-21 for Mr. Sanjay Agarwal, MD & CEO has been approved by RBI on April 08, 2022 and out of which 50% is deferred in next 3 years in equal installments. Variable Pay (Performance bonus) of ₹ 0.40 crore for FY 2020-21 for Mr. Uttam Tibrewal, WTD has been approved by RBI on April 08, 2022 and out of which 50% is deferred in next 3 years in equal installments. Variable Pay (performance bonus) of other employees of ₹ 1.02 crore pertaining to FY 2020-21 is deferred and shall be payable in next 3 years in equal installments. <p>ESOP: Outstanding ESOPs: 12,14,558* ESOPs</p>
	Total amount of deferred remuneration paid out in the financial year	<p>Cash: Deferred variable pay of MRTs of ₹ 0.35 crore was paid.</p> <p>ESOP: Number of stock options exercised during the year: 7,17,854 Number of stock options vested during the year: 9,02,128</p>	<p>Cash: Mr. Sanjay Agarwal, MD & CEO was paid Variable Pay (performance bonus) of ₹ 0.42 Crore pertaining to his performance for FY 2019-20 which was approved by RBI on July 20, 2021.</p> <p>Mr. Uttam Tibrewal WTD was paid Variable Pay (performance bonus) of ₹ 0.37 Crore pertaining to his performance for FY 2019-20 which was approved by RBI on July 20, 2021.</p> <p>ESOP: ESOPs exercised: 17,48,623 ESOPs** Number of stock options vested during the year: 4,73,033#</p>



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forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

Quantitative Disclosure (Contd.)

Sr. No. Subject	March 31, 2023	March 31, 2022
(J) Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	<p>Total fixed salary:</p> <ul style="list-style-type: none"> ₹ 17.97 crore (represents total cost to the Bank) <p>Deferred Variable Pay:</p> <p>Cash:</p> <ul style="list-style-type: none"> Variable Pay (Performance bonus) of ₹ 0.94 crore for FY 2021-22 for Mr. Sanjay Agarwal, MD & CEO has been approved by RBI on November 18, 2022 and out of which 50% is deferred in next 3 years in equal installments. Variable Pay (Performance bonus) of ₹ 0.37 crore for FY 2021-22 for Mr. Uttam Tibrewal, WTD has been approved by RBI on November 18, 2022 and out of which 50% is deferred in next 3 years in equal installments. The Variable Pay (performance bonus) of other MRTs of ₹ 1.90 crore pertaining to FY 2021-22 is deferred and shall be payable in next 3 years in equal installments. <p>Non Cash:</p> <ul style="list-style-type: none"> ESOPs granted during the financial year: 3,61,953 ESOPs amounting to ₹ 11.95 crore inclusive of 27,296 ESOPs (Post Bonus) amounting to ₹ 0.95 crore and 40,488 ESOPs amounting to ₹ 1.11 crore granted to Mr. Uttam Tibrewal for performance of FY 2020-21 and FY 2021-22 approved by RBI on April 08, 2022 and November 18, 2022. <p>Non - Deferred Variable Pay:</p> <ul style="list-style-type: none"> Remuneration award of Mr. Sanjay Agarwal, MD & CEO of ₹ 0.47 crore paid during FY 2022-23 related to performance of FY 2021-22. Remuneration award of Mr. Uttam Tibrewal, WTD of ₹ 0.19 crore paid during FY 2022-23 related to performance of FY 2021-22. Remuneration award of other MRTs of ₹ 2.29 crore paid during FY 2022-23 related to performance of FY 2021-22. <p>Note: The Variable pay of MRTs pertaining to FY 2022-23 is yet to be considered and approved by the NRC.</p>	<p>* Above ESOP number is inclusive of outstanding 2,12,483 ESOPs of Mr. Deeepak Jain, Chief Risk Officer.</p> <p>** Above ESOP number is inclusive of 1,60,000 ESOP exercised by Mr. Deeepak Jain, Chief Risk Officer.</p> <p># Above ESOP number is inclusive of 1,60,140 ESOP vested to Mr. Deeepak Jain, Chief Risk Officer.</p> <p>Total fixed salary:</p> <ul style="list-style-type: none"> ₹ 15.10 crore (represents total cost to the Bank) <p>Deferred Variable Pay:</p> <p>Cash:</p> <ul style="list-style-type: none"> Variable Pay (Performance bonus) of ₹ 0.85 crore for FY 2020-21 for Mr. Sanjay Agarwal, MD & CEO has been approved by RBI on April 08, 2022 and out of which 50% is deferred in next 3 years in equal installments. Variable Pay (Performance bonus) of ₹ 0.40 crore for FY 2020-21 for Mr. Uttam Tibrewal, WTD has been approved by RBI on April 08, 2022 and out of which 50% is deferred in next 3 years in equal installments. The Variable Pay (performance bonus) of other employees of ₹ 1.02 crore pertaining to FY 2020-21 is deferred and shall be payable in next 3 years in equal installments. <p>Non Cash:</p> <ul style="list-style-type: none"> ESOPs granted during the financial year: 1,74,038 ESOPs amounting to ₹ 6.62 crore (inclusive of 8,585 ESOPs amounting to ₹ 0.52 crore granted to Mr. Uttam Tibrewal for performance of FY 2019-20 approved by RBI on July 20, 2021) <p>Non - Deferred Variable Pay:</p> <ul style="list-style-type: none"> Remuneration award of ₹ 2.08 crore paid during FY 2021-22 related to performance of FY 2020-21 (excluding Mr. Sanjay Agarwal, MD & CEO and Mr. Uttam Tibrewal, WTD) <p>Note: The Variable pay of Mr. Sanjay Agarwal - MD & CEO and Mr. Uttam Tibrewal pertaining to FY 2021-22 is yet to be reviewed and approved by the NRC.</p>

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forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

Quantitative Disclosure (Contd.)

Sr. No.	Subject	March 31, 2023	March 31, 2022
(k)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.	Nil	Nil
	Total amount of reductions during the financial year due to ex- post explicit adjustments.	Nil	Nil
	Total amount of reductions during the financial year due to ex- post implicit adjustments.	Nil	Nil
(l)	Number of MRTs identified	14 Employees	14* Employees * includes Mr. Deepak Jain, Chief Risk Officer (Control Function) who was elevated from the role of Chief Operating Officer (MRT) with effect from September 01, 2021.
(m)	Number of cases where malus has been exercised.	NIL	Nil
	Number of cases where clawback has been exercised.	NIL	Nil
	Number of cases where both malus and clawback have been exercised.	NIL	Nil

General Quantitative Disclosures:

Sr. No.	Subject	March 31, 2023	March 31, 2022
(n)	The mean pay for the bank as a whole (excluding sub-staff) and the deviation of the pay of each of its WTDs from the mean pay.	<ul style="list-style-type: none"> Total Mean pay of the Bank as a whole (Excluding Sub-Staff) is: ₹ 0.054 crore calculated on annualised basis. Deviation in the fixed Pay for Mr. Sanjay Agarwal, MD & CEO and Mr. Uttam Tibrewal, WTD from the mean pay is 43 and 37 times respectively for FY 2022-23. 	<ul style="list-style-type: none"> Total Mean pay of the Bank as a whole (Excluding Sub-Staff) is: ₹ 0.045 crore calculated on annualised basis. Deviation in the fixed Pay for Mr. Sanjay Agarwal, MD & CEO and Mr. Uttam Tibrewal, WTD from the mean pay is 42 and 38 times respectively for FY 2021-22.

14 Disclosure on remuneration to Non-Executive Directors

Particulars	March 31, 2023	March 31, 2022
Remuneration by way of sitting fees to the Non-Executive Directors for attending meetings of the Board and its committees	2.05	1.54
Compensation to all Non-Executive Directors (inclusive of ₹ 0.20 Cr annual compensation of Chairperson PY's: ₹ 0.20 Cr)	1.41	1.08

(₹ in Crore)



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forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

15 Other Disclosures

a) Business Ratios

Particulars	March 31, 2023	March 31, 2022
i. Interest Income as a percentage to Working Funds	10.66%	10.76%
ii. Non interest income as a percentage to Working Funds	1.34%	1.81%
iii. Cost of Deposits	5.93%	5.80%
iv. Net Interest Margin	5.93%	5.70%
v. Operating Profit as a percentage to Working Funds	2.62%	3.30%
vi. Return on Assets	1.79%	1.87%
vii. "Business" (deposits plus advances) per employee (₹ in crore)	3.68	2.96
viii. Profit per employee (₹ in crore)	0.05	0.05

Definitions of certain items in Business ratios / information:

- Working funds to be reckoned as monthly average of total assets (excluding accumulated losses, if any) as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949.
- Operating profit = (Interest Income + Other Income - Interest expenses - Operating expenses).
- Return on Assets has been calculated on yearly average of total assets.
- "Business" is the total of monthly average of net advances and deposits (net of inter-bank deposits).
- Productivity ratios (Business per employee and Profit per employee) are based on monthly average of employees count.
- Net Interest Margin is Net Interest Income/ Average Earning Assets. Net Interest Income= Interest Income - Interest Expense and Average Earning Assets is yearly average of total of net advances, investments, balance with banks and money at call and short notice and Balances with Reserve Bank of India in Other Account.
- Cost of Deposit is calculated based on weighted average interest rate of deposits.

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system/reports and has been relied upon by the auditors.

b) Bancassurance Business

Commission, Exchange and Brokerage in Schedule 14 include the following fees earned on Bancassurance business:

Nature of Income	(₹ in Crore)	
	March 31, 2023	March 31, 2022
Towards selling of life insurance policies	49.27	27.78
Towards selling of non life insurance policies	26.62	16.35
Towards selling of mutual fund and other products*	4.60	3.83

*Includes income earned from Atal Pension yojana (APY) of ₹ 0.35 crore (Previous Year: ₹ 0.19 crore) and National pension scheme (NPS) of ₹ 0.01 crore (Previous Year: ₹ 0.0022 crore).

c) Marketing and distribution

The Bank does not received any fees/remuneration in respect of Marketing and Distribution function (excluding bancassurance business) during the year ended March 31, 2023 (Previous year: Nil).

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forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

d) Details of Priority Sector Lending Certificates (PSLCs)

(₹ in Crore)

Type of PSLCs	For the year ended March 31, 2023		For the year ended March 31, 2022	
	PSLC bought during the year	PSLC sold during the year	PSLC bought during the year	PSLC sold during the year
Agriculture	-	900.00	-	4,400.00
Small and Marginal farmers	-	1,350.00	-	2,920.00
Micro Enterprises	-	17,354.00	-	10,680.00
General	-	-	-	-
Total	-	19,604.00	-	18,000.00

e) Breakup of "Provisions and Contingencies" recognised in the Profit and Loss Account comprise:

(₹ in Crore)

S. No. Particulars	March 31, 2023	March 31, 2022
(i) Provisions for Non performing investment	-	-
(ii) Provision for Non performing assets	249.72	117.57
(iii) Floating Provision	-	41.00
(iv) Provision for Income Tax	387.37	365.82
(v) Provision for Deferred Tax	49.35	(41.58)
(vi) Provision for Standard assets	(6.30)	89.14
(vii) Other Provision and Contingencies	(88.59)	113.26
Total Provisions and Contingencies	591.55	685.21

f) Implementation of IFRS converged Indian Accounting Standards (Ind AS)

As per the RBI circular RBI/2015-16/315 DBR.BP.BC. No.76/21.07.001/2015-16 dated February 11, 2016 Implementation of Indian Accounting Standards (Ind AS), The banks are advised to follow the Indian Accounting Standards as notified under the Companies (Indian Accounting Standards) Rules, 2015, subject to any guideline or direction issued by the the Reserve Bank in this regard. The Banks in India currently prepare their financial statements as per the guidelines issued by the RBI, the Accounting Standards notified under section 133 of the Companies Act, 2013 and generally accepted accounting principles in India (Indian GAAP). In January 2016, the Ministry of Corporate Affairs issued the roadmap for implementation of new Indian Accounting Standards (Ind AS), which were based on convergence with the International Financial Reporting Standards (IFRS), for scheduled commercial banks, insurance companies and non-banking financial companies (NBFCs). In March 2019, RBI deferred the implementation of Ind AS for banks till further notice as the recommended legislative amendments were under consideration of Government of India. The Bank had undertaken preliminary diagnostic analysis of the GAAP differences between Indian GAAP vis-a-vis Ind AS and shall proceed for ensuring the compliance as per applicable requirements and directions in this regard.

g) Payment of DICGC insurance premium

(₹ in Crore)

S. No. Particulars	March 31, 2023	March 31, 2022
i) Payment of DICGC Insurance Premium	70.46	45.91
ii) Arrears in payment of DICGC Premium	-	-



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forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

B. Other Disclosures

1 Disclosure of Letters of Comfort (LoC) issued by the Bank

The Bank has not issued any Letter of Comfort during the year ended March 31, 2023 and March 31, 2022.

2 Provisions on Standard Assets

Particulars	(₹ in Crore)	
	March 31, 2023	March 31, 2022
Provision towards Standard Assets*	270.96	277.27

*Excludes an additional contingency provision of ₹ 125.73 crores as at March 31, 2023 (previous year: 211.17 crore), of which the additional provision for the accounts restructured under RBI Resolution framework is at ₹ 35.71 crore as at March 31, 2023 (previous year: 53.62 crore).

3 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the bank

During the year ended March 31, 2023 and March 31, 2022, the Bank has not exceeded the prudential credit exposure limit as prescribed by the Reserve Bank of India in respect of Single Borrower and Group Borrowers.

4 Provision for credit card and debit card reward points

The following table sets forth, for the period indicated, movement in provision for credit cards and debit cards rewards points:

Particulars	(₹ in Crore)	
	March 31, 2023	March 31, 2022
Opening provision for reward points	3.48	0.08
Provision for reward points made during the year	33.45	5.69
Utilisation/write off of provision for reward points	21.07	2.29
Closing provision for reward points	15.86	3.48

5 Description of contingent liabilities

Sr. No.	Contingent liability*	Brief description
1	Claims against the Bank not acknowledged as debts	The Bank is a party to various legal and tax proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.
2	Guarantees on behalf of constituents	As a part of its Banking activities, the Bank issues guarantees on behalf of its customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of customer failing to fulfill its financial or performance obligations.
3	Acceptances, endorsements and other obligations	These includes: Documentary credit such as letters of obligations to enhance the credit standing of the customers of the Bank. Bill rediscounted by the Bank and cash collateral provided by the Bank on assets which have been securitised.
4	Other items for which the Bank is contingently liable	These includes: a) Credit enhancements in respect of securitised-out loans b) Contractual payments for Capital commitments c) Other Guarantees

*Also refer Schedule 12 - Contingent Liabilities

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

6 Corporate Social Responsibility

Particulars	(₹ in Crore)	
	March 31, 2023	March 31, 2022
(a) Gross amount required to be spent by the Bank during the year (including deficit of previous year)	29.132*	18.22
(b) Amount spent during the year		
(i) Construction/acquisition of any asset		
(ii) Other Projects	20.88**	9.70
Total	20.88	9.70
(c) Shortfall at year end	8.256***	8.52
(d) Previous year shortfall	-	0.30
(e) Reasons for shortfall	Pertains to ongoing projects	Pertains to ongoing projects
(f) Nature of CSR activities		
(i) Skills Development (COE)		
(ii) AU Sports Initiative Bano Champion (Sports)		
(iii) Women Empowerment (AU Udyogini)		
(iv) Making available safe drinking water (AU Jal Bank)		
(v) Environment, Education, & Healthcare among others.		

* Gross amount required to be spent by the Bank during the year includes unspent for the financial years ended March 31, 2022, of ₹ 8.52 Crores that includes Unspent CSR amount of ₹ 0.30 Crores for FY2020-21 & Unspent CSR Amount of ₹ 8.22 Crores for FY2021-22.

** Amount spent during the year includes ₹ 8.52 Crores related to the financial year ended March 31, 2022 (Unspent CSR amount of ₹ 0.30 Cr. for FY2020-21 & ₹ 8.22 Crores for FY2021-22).

***Pursuant to Section 135 (5) & (6) of Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules, 2014 (Amended), Bank will transfer ₹ 8.256 crores in "Unspent CSR Account FY2022-23" within period of 30 days from the end of the financial year for the CSR Ongoing projects for spending over the following 3 years period on ongoing CSR sub Committee projects.

7 Small and Micro industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

8 Proposed Dividend

The Board of Directors at their meeting held on April 25, 2023, proposed a dividend of ₹ 1 per share at 10% for the year ended March 31, 2023 (previous year: ₹ 1 per share at 10% (pre-bonus issue) or ₹ 0.50 per share at 5% (post-bonus issue)) subject to the approval of the shareholders at the ensuing Annual General Meeting. The effect of the proposed dividend has been considered in determination of capital adequacy ratio.

9 Bonus Shares

The Bank has allotted 31,50,93,233 fully paid up equity shares of face value ₹ 10/- each, in ratio of one equity share for every equity share held, during the year ended March 31, 2023, pursuant to a bonus issue approved by the shareholders vide Postal Ballot on May 29, 2022, by capitalisation of share premium.

10 As part of the normal banking business, the Bank grants loans and advances to its borrowers with permission to lend/invest or provide guarantee/security in other entities identified by such borrowers or on the basis



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forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

of the basis of security/guarantee provided by the co-borrower. Similarly, the Bank may accept funds from its customers, who may instruct the Bank to lend/invest/provide guarantee or security or the like against such deposit in other entities identified by such customers. These transactions are part of Bank's normal banking business, which is conducted after exercising proper due diligence including adherence to "Know Your Customer" guidelines.

Other than the nature of transactions described above:

- No funds have been advanced or loaned or invested by the Bank to or in any other person(s) or entity(ies) ("Intermediaries") with the understanding that the Intermediary shall lend or invest in party identified by or on behalf of the Bank (Ultimate Beneficiaries).
- The Bank has not received any fund from any party(s) (Funding Party) with the understanding that the Bank shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

11 The Bank continues to monitor the developments / impact including those arising from COVID-19 pandemic. As at March 31, 2023, the Bank carries a floating provision of ₹ 41.00 crore and additional contingency provision of ₹ 125.73 crore which includes the additional provision for the accounts restructured under RBI COVID Resolution framework. The Bank holds an aggregate provision of ₹ 861.88 crore against advances (Other than standard assets provision of ₹ 270.96 crore).

12 Micro, Small and Medium Enterprises (MSME) sector - Restructuring of Advances

The Bank has restructured the account as per RBI Circular DBR.No.BP.BC.100/21.04.048/2017-18 dated February 07, 2018, DBR.No.BP.BC.108/21.04.048/2017-18 dated June 06, 2018, DBR.No.BP.BC.18/21.04.048/2018-19 dated January 01, 2019, DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020 and DOR.No.BP.BC/4/21.04.048/2020-21 dated August 06, 2020.

(₹ in Crore except numbers)

Particulars	March 31, 2023	March 31, 2022
No. of Account Restructured	4,607	7,828
Amount	423.87	641.54

13 Disclosures on Change in Ownership of Projects Under Implementation:

The Bank does not have any account which are currently under the scheme of Change in Ownership of Projects Under Implementation as on March 31, 2023 (Previous year: Nil).

14 Inter-bank Participation with risk sharing:

During the year the Bank has not entered into any inter-bank participation with risk sharing (Previous year: Nil).

15 Investor education and protection fund

There is no amount required to be transferred to Investor Education and Protection Fund by the Bank. (Previous year: Nil)

16 Miscellaneous income comprises recoveries from loans written off, income from dealing in Priority Sector Lending Certificates (PSLC) etc.

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forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

17 Details of payments of Audit Fees

Particulars	(₹ in Crore)	
	March 31, 2023	March 31, 2022
Statutory Audit fees and other related services*	1.91	2.01
Other Matters*#	1.98	-
Total	3.89	2.01

* Includes out of pocket expenses.

towards professional fees pursuant to Qualified Institutional Placement (QIP) paid to joint statutory auditor and previous statutory auditors of ₹ 1.98 crore.

18 The Code on Social Security, 2020

The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified and the final rules/interpretation have not yet been issued. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

19 Fixed Assets (as disclosed under schedule 10) which relates to purchase of software and system development expenditure which are as follows:

Particulars	(₹ in Crore)	
	March 31, 2023	March 31, 2022
Gross Block		
At cost on 31 st March of the preceding year	248.50	178.45
Additions during the year	85.92	70.05
Deductions during the year	-	-
Total (a)	334.42	248.50
Depreciation / Amortisation		
As at 31 st March of the preceding year	116.28	77.58
Charge for the year	53.72	38.70
Deductions during the year	-	-
Total (b)	170.00	116.28
Net Value (a-b)	164.42	132.22

20 Segment reporting

Part A: Business segments:

Segment reporting for the year ended March 31, 2023 and March 31, 2022 is given below:

S. No. Particulars	(₹ in Crore)	
	March 31, 2023	March 31, 2022
1 Segment revenue		
(a) Treasury	1,208.60	1,015.96
(b) Retail banking	7,234.12	5,454.29
(c) Wholesale banking	717.57	396.71
(d) Other banking operations	79.58	48.46
(e) Unallocated	-	-
Income from operations	9,239.87	6,915.42



Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

		(₹ in Crore)	
S. No.	Particulars	March 31, 2023	March 31, 2022
2	Segment results		
(a)	Treasury	60.70	167.88
(b)	Retail banking	1,559.76	1,127.56
(c)	Wholesale banking	187.34	125.72
(d)	Other banking operations	56.84	32.91
	Total Segment results	1,864.64	1,454.07
	Less: Unallocated expenses	-	-
	Total Profit Before Tax	1,864.64	1,454.07
	Provision for Tax (Including deferred tax)	436.71	324.24
	Total Profit After Tax	1,427.93	1,129.83
3	Segment Assets		
(a)	Treasury	25,839.55	19,631.79
(b)	Retail banking	52,604.23	41,752.41
(c)	Wholesale banking	8,610.17	5,508.66
(d)	Other banking operations	14.96	10.26
(e)	Unallocated	3,147.21	2,174.68
	Total Assets	90,216.12	69,077.80
4	Segment Liabilities		
(a)	Treasury	2,543.19	3,384.59
(b)	Retail banking	40,439.78	29,602.89
(c)	Wholesale banking	36,153.95	28,537.53
(d)	Other banking operations	4.22	3.96
(e)	Unallocated	97.64	34.82
	Capital and Other Reserves	10,977.34	7,514.01
	Total Liabilities including Capital and Other Reserves	90,216.12	69,077.80

Part B: Geographic segments

The business of the Bank is in India only. Accordingly, geographical segment is not applicable.

Business Segments have been identified and reported taking into account the target customer profile, the nature of products and services, the differing risks and returns, the organisation structure, the internal business reporting system and guidelines prescribed by the RBI and in compliance with the Accounting Standard 17 – “Segment Reporting”. The RBI vide its circular dated April 7, 2022 on establishment of Digital Banking Units (DBUs), has prescribed reporting of Digital Banking Segment as a sub-segment of Retail Banking Segment. The Bank is in the process of setting up DBUs and hence no Digital Banking Segment disclosure have been made. The business operations of the Bank are in India and for the purpose of segment reporting as per Accounting Standard-17 (Segment reporting) the bank is considered to operate only in domestic segment.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

21 Related Party Disclosures:

A. Related Parties:

Key management personnel (KMP)	Mr. Sanjay Agarwal, Managing Director and CEO
	Mr. Uttam Tibrewal, Whole Time Director
	Mr. Deepak Jain, Chief Operating Officer (upto August 31, 2021) (elevated as Chief Risk Officer w.e.f September 01,2021)
	Mr. Vimal Jain, Chief Financial Officer
	Mr. Manmohan Parnami, Company Secretary
Enterprises over which KMP / relatives of KMP have control / significant influence	Abhiyan Bharat Foundation
	AU Bank Employees Group Gratuity Trust
	AU Small Finance Bank Employees Welfare Trust
	AU Foundation
	BIFCO Private Limited (upto November 30,2021)
	Deepak Tarachand HUF (Upto August 31,2021)
	DS Speciality Product LLP
	Durga Automation & Control Private Limited
	Durga Mechatronics Private Limited (Formerly Known as- Durga Bearings (Mumbai) Private Limited)
	Jyoti Sanjay Family Trust
	Kalinga Agencies
	Kalinga Mercantile Private Limited
	Kalinga Extrusions India Private Limited
	Khushi Buildhome Private Limited (Upto August 31,2021)
	Manmohan Parnami HUF
	MYS Holdings Private Limited
	Namokar Mining Industries LLP (Upto August 31,2021)
	Pradeep Kumar Jain HUF
	Sanjay And Jyoti Agarwal Foundation
	Shivgyan Mines and Minerals Private Limited
	Shree Dham Mining Industries LLP
	Speciality Stones Private Limited (upto 04 th July 2022)
	Universal Quartz & Natural Stone Private Limited
	Universal Galaxy Granite LLP
	Universal Rocks India LLP
	Universal Gold Granite LLP
	Universal Black Granite LLP
	Universal Granimarmo Pvt. Ltd.
VS and Sons HUF	



Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

21 Related Party Disclosures: (Contd.)

Relatives of KMP

Ms. Jyoti Agarwal
Late Chirinjee Lal Agarwal
Ms. Shakuntala Agarwal
Mr. Yuvraj Agarwal
Ms. Mallika Agarwal
Mr. Ajay Agarwal
Ms. Pinki Agarwal
Ms. Pooja Tibrewal
Mr. Devi Prasad Tibrewal
Ms. Geeta Devi Tibrewal
Mr. Vaibhav Tibrewal
Mr. Subhash Tibrewal
Ms. Manju Agarwal
Ms. Uma Bagaria
Ms. Suman Sultania
Ms. Bhawna Parnami
Ms. Rajkumari Sukhija
Ms. Asmita Parnami
Ms. Jaisvi Parnami
Mr. Mahinder Parnami
Ms. Kavita Sukhija
Ms. Shikha Taneja
Ms. Ladh Devi Jain
Ms. Sinku Jain
Mr. Dhairya Jain
Mr. Pradeep Kumar Jain
Mr. Dilip Kumar Jain
Ms. Suman Lata Jain
Ms. Renu Kataria
Ms. Rekha Jain
Ms. Shweta Jain (upto August 31, 2021)
Ms. Santosh Jain (upto August 31, 2021)
Mr. Devansh Jain (upto August 31, 2021)
Ms. Khushi Jain (upto August 31, 2021)
Ms. Kavita Goyal (upto August 31, 2021)
Ms. Sunita Agrawal (upto August 31, 2021)
Ms. Anita Agarwal (upto August 31, 2021)

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

21 Related Party Disclosures: (Contd.)

B. The Bank's related parties balances and transactions for the year ended are summarised as follows:

1. Deposits

(₹ in Crore)

Particular	As at March 31, 2023		As at March 31, 2022	
	Closing balance	Highest balance during the year	Closing balance	Highest balance during the year
Key Management Personnel (KMP)	9.98	37.14	27.90	90.23
Relatives of KMP	71.34	473.92	43.18	143.93
Enterprise over which KMP/Relative of KMP have control / significant influence	136.63	322.39	2.06	38.23

2. Interest Paid on Deposits

(₹ in Crore)

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
Key Management Personnel (KMP)	1.11	2.59
Relatives of KMP	4.41	4.48
Enterprise over which KMP/Relative of KMP have control / significant influence	3.84	0.07

3. Remuneration

(₹ in Crore)

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
Mr. Sanjay Agarwal, Managing Director and CEO	3.09	2.28
Mr. Uttam Tibrewal, Executive Director	2.37	2.05
Mr. Deepak Jain, Chief Operating Officer (KMP upto August 31, 2021)	-	0.71
Mr. Vimal Jain, Chief Financial Officer	1.14	0.83
Mr. Manmohan Parnami, Company Secretary	0.82	0.59
Total	7.42	6.46

1. Remuneration paid excludes value of employee stock options exercised during the year.

2. The remuneration to the key managerial personnel does not include the provisions made for gratuity and leave benefits, as they are determined on an actuarial basis for the Bank as a whole.

4. Advances

(₹ in Crore)

Particular	As at March 31, 2023		As at March 31, 2022	
	Closing balance	Highest balance during the year	Closing balance	Highest balance during the year
Key Management Personnel (KMP)	0.48	0.75	0.11	0.73
Relatives of KMP	20.15	20.66	0.06	0.22
Enterprise over which KMP/Relative of KMP have control / significant influence	0.31	0.93	0.93	0.95

Related to credit card facility and ODFD Facility.

Interest earned for year ended March 31, 2023 is ₹ 0.17Cr (Previous year: ₹ 0.007 Cr.)



Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

21 Related Party Disclosures: (Contd.)

5. Other transaction

		(₹ in Crore)	
Name of related party	Nature of transactions	Year ended March 31, 2023	Year ended March 31, 2022
Mr. Uttam Tibrewal	Issue of Equity Shares of the Bank pursuant to exercise of ESOP	20.11	30.00
Mr. Vimal Jain	Issue of Equity Shares of the Bank pursuant to exercise of ESOP	-	0.10
Mr. Manmohan Parnami	Issue of Equity Shares of the Bank pursuant to exercise of ESOP	-	0.09
AU Bank Employees Group Gratuity Trust	Contribution to Fund	9.55	13.25
AU Foundation	Donation	8.59	1.60

6. Other income

		(₹ in Crore)	
Particulars		Year ended March 31, 2023	Year ended March 31, 2022
Key Management Personnel (KMP)		0.03	0.02
Relatives of KMP		0.01	0.00
Enterprise over which KMP/Relative of KMP have control / significant influence		0.00	0.00

7. Dividend Paid

		(₹ in Crore)	
Particulars		Year ended March 31, 2023	
Key Management Personnel (KMP)		6.33	
Relatives of KMP		2.55	
Enterprise over which KMP/Relative of KMP have control / significant influence		0.69	

22 Leases

The Bank has taken various premises and other office equipments under operating lease. The future minimum lease payments are given below:

		(₹ in Crore)	
Particulars		March 31, 2023	March 31, 2022
Not later than one year		151.42	119.32
Later than one year and not later than five years		456.93	409.61
Later than five years		159.38	150.79
Total		767.73	679.72
The total of minimum lease payments recognised in the Profit and Loss Account for the year		155.40	112.26
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases		-	-
Sub-lease amounts recognised in the Profit and Loss Account for the year		-	-
Contingent (usage based) lease payments recognised in the Profit and Loss Account for the year		-	-

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

23 Earnings per equity share (AS 20)

Particulars	₹ in Crore except numbers)	
	March 31, 2023	March 31, 2022
Profit/ (loss) after tax (A)	1,427.93	1,129.83
Less: Exceptional item	-	-
Net profit excluding exceptional item (B)	1,427.93	1,129.83
Weighted average number of equity shares in calculating basic EPS (C)	653,175,247	626,572,999
Add: Effect of dilution - Stock option granted to employees	3,733,764	6,549,609
Weighted average number of equity shares in calculating diluted EPS (D)	656,909,011	633,122,608
Earning per share including exceptional item		
Basic (In ₹) (A / C)	21.86	18.03
Diluted (In ₹) (A / D)	21.74	17.85
Nominal value per share (In ₹)	10.00	10.00
Earning per share excluding exceptional item		
Basic (In ₹) (B / C)	21.86	18.03
Diluted (In ₹) (B / D)	21.74	17.85
Nominal value per share (In ₹)	10.00	10.00

The dilutive impact is due to stock options granted to employees.

The Bank has allotted 31,50,93,233 fully paid up equity shares of face value ₹ 10/- each, in ratio of one equity share for every equity share held, during the year ended March 31, 2023, pursuant to a bonus issue approved by the shareholders vide Postal Ballot on May 29, 2022, by capitalisation of share premium. Consequently, the earnings per share have been adjusted for previous periods / year presented in accordance with Accounting Standard 20 - Earnings per share.

24 Deferred taxes

Other assets include deferred tax asset (net). The break-up of the same is as follows:

Particulars of Asset/ (Liability)	₹ in Crore)	
	March 31, 2023	March 31, 2022
Provision for NPA, floating provision, contingency and general provision, standard assets and other assets provision	189.04	210.54
Expenditure charged to the profit and loss account in the current year but allowed for tax purpose on payment basis	2.24	8.67
Depreciation	(3.41)	(5.87)
Deduction u/s. 36(1)(viii) of the Income Tax Act, 1961	(103.78)	(77.91)
Others	8.72	6.73
Net Deferred Tax Asset	92.81	142.16

The current year's tax provision includes current year tax, deferred tax and net impact of ₹ 22.48 crore of earlier years.



Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

25 Accounting for employee share based payments

Stock Options

The Bank has provided various share-based payment schemes to its Directors and Employees. The plans in operation are Plan (A) - 2015(A), Plan (B) - 2015(B), Plan (C) - 2016, Plan (D) - 2018 and Plan (E) - 2020. The numerical A3, B7-B11, C4-C14, D1-D12 and E1-E16 represents different grants made under these plans. During the year ended March 31, 2023, the following series were in operation:

Particulars	Plan A1 to A3	Plan B1 to B11	Plan C1 to C14	Plan D1 to D12	Plan E1 to E16 [^]
Date of grant	Aug 31, 2015 to Oct 27, 2017	Aug 31, 2015 to Aug 25, 2022	Nov 11, 2016 to Aug 25, 2022	Aug 30, 2018 to Aug 25, 2022	Jan 27, 2021 to Feb 16, 2023
Date of Board / Compensation Committee approval	Aug 31, 2015 to Oct 27, 2017	Aug 31, 2015 to Aug 25, 2022	Nov 11, 2016 to Aug 25, 2022	Aug 30, 2018 to Aug 25, 2022	Jan 27, 2021 to Feb 16, 2023
Number of Options granted	4,156,632	5,110,914	3,024,043	5,776,085	6,820,613
Method of settlement	Equity	Equity	Equity	Equity	Equity
Graded vesting period:					
1 st vesting on the date of initial public offer (July 10, 2017) of Bank's equity shares (If grant date is before date of IPO) or 1 st vesting "12 months from the date of grant (If grant date is after date of IPO)"	20%	20%	NA	NA	NA
1 st vesting "12 months from the date of grant"	NA	NA	20%	20%	20%
2 nd vesting "On expiry of one year from the 1 st vesting date"	30%	30%	20%	20%	20%
3 rd vesting "On expiry of two years from the 1 st vesting date"	50%	50%	30%	30%	30%
4 th vesting "On expiry of 3 years from the 1 st vesting date"	NA	NA	30%	30%	30%
Exercise period	4 years from the 1 st vesting date	4 years from the 1 st vesting date	6 years from the 1 st vesting date	6 years from the 1 st vesting date	6 years from the 1 st vesting date
Vesting conditions	Continuous service	Continuous service	Continuous service	Continuous service	Continuous service
Weighted average remaining contractual life (years)	-	0 - 4.41	1.28 - 6.41	2.42 - 6.41	4.83 - 6.89
Weighted average exercise price per option (₹)	10.11	16.69	70 - 626	294.50 - 635	395.50 - 634

* denotes actual options granted

[^]54,136 ESOP granted with vesting over next 3 years in 3 equal instalments of 33.33% each.

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

25 Accounting for employee share based payments (Contd.)

The Bank has allotted 31,50,93,233 fully paid up equity shares of face value ₹ 10/- each, in ratio of one equity share for every equity share held, during the year ended March 31, 2023, pursuant to a bonus issue approved by the shareholders vide Postal Ballot on May 29, 2022, by capitalisation of share premium. Consequently, exercise price and number of options are adjusted.

Particulars	March 31, 2023				
	Plan A3	Plan B7 to B11	Plan C4 to C14	Plan D1 to D12	Plan E1 to E16
Options outstanding at the beginning of the year	118,000	22,000	1,101,744	2,877,893	1,622,533
Granted during the year	-	41,000	37,468	611,828	5,098,223
Adjustment for Bonus issue	-	22,000	1,054,575	2,835,939	1,622,925
Forfeited during the year	-	-	-	-	-
Exercised during the year	(118,000)	-	(300,397)	(1,784,285)	(66,351)
Expired/Lapsed during the year	-	-	(41,638)	(138,899)	(469,735)
Outstanding at the end of the year	-	85,000	1,851,752	4,402,476	7,807,595
Exercisable at the end of the year	-	16,000	617,020	1,956,556	576,857

Particulars	March 31, 2022				
	Plan A1 to A3	Plan B1 to B8	Plan C1 to C13	Plan D1 to D9	Plan E1 to E10
Options outstanding at the beginning of the year	166,036	1,126,727	1,437,230	4,230,807	117,177
Granted during the year	-	10,000	81,750	-	1,605,213
Forfeited during the year	-	-	-	-	-
Exercised during the year	(48,036)	(1,114,727)	(330,259)	(1,192,319)	(1,300)
Expired/Lapsed during the year	-	-	(86,977)	(160,595)	(98,557)
Outstanding at the end of the year	118,000	22,000	1,101,744	2,877,893	1,622,533
Exercisable at the end of the year	118,000	2,400	273,052	574,231	18,134

Details of stock options granted during the year:

Plan B, C D and E: The weighted average fair value of stock options granted during the year was ₹ 581.16 (Plan B9), ₹ 556.32 (Plan B10), ₹ 636.96 (plan B11), ₹ 337.04 (plan C14), ₹ 292.85 (plan D10), ₹ 272.44 (plan D11) and ₹ 337.04 (plan D12), ₹ 358.05 (plan E11), ₹ 331.59 (plan E12), ₹ 337.04 (plan E13), ₹ 255.27 (plan E14), ₹ 274.15 (plan E15) and ₹ 294.52 (plan E16).

Particulars	Plan B9	Plan B10	Plan B11	Plan C14
	Tranche vesting in FY 2023-24 to 2025-26	Tranche vesting in FY 2023-24 to 2025-26	Tranche vesting in FY 2023-24 to 2025-26	Tranche vesting in FY 2023-24 to 2026-27
Share price on the date of grant (₹)	596.05	571.15	651.65	651.65
Exercise price (₹)	16.69	16.69	16.69	626.00
Expected volatility (%)	48.62%	48.50%	48.10%	48.10%
Life of the options granted (years)	3 - 4	3 - 4	3 - 4	4 - 5.50
Risk-free interest rate (%)	7.45%	7.38%	7.29%	7.29%
Expected dividend rate (%)	0.10%	0.10%	0.08%	0.08%
Fair value of the option (₹)	580.92 to 581.28	556.07 to 556.45	636.68 to 637.10	308.39 to 357.89



Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

25 Accounting for employee share based payments (Contd.)

Particulars	Plan D10	Plan D11	Plan D12	Plan E11
	Tranche vesting in FY 2023-24 to 2026-27	Tranche vesting in FY 2023-24 to 2026-27	Tranche vesting in FY 2023-24 to 2026-27	Tranche vesting in FY 2023-24 to 2026-27
Share price on the date of grant (₹)	596.05	571.15	651.65	694.50
Exercise price (₹)	635.00	635.00	626.00	603.50
Expected volatility (%)	48.62%	48.50%	48.10%	42.95%
Life of the options granted (years)	4 - 5.50	4 - 5.50	4 - 5.50	4 - 5.50
Risk-free interest rate (%)	7.45%	7.38%	7.29%	7.12%
Expected dividend rate (%)	0.10%	0.10%	0.08%	0.10%
Fair value of the option (₹)	265.09 to 313.05	245.37 to 292.16	308.39 to 357.89	330.16 to 378.42

Particulars	Plan E11	Plan E12	Plan E13	Plan E14
	Tranche vesting in FY 2023-24 to 2026-27	Tranche vesting in FY 2023-24 to 2026-27	Tranche vesting in FY 2023-24 to 2025-26	Tranche vesting in FY 2023-24 to 2026-27
Share price on the date of grant (₹)	694.50	644.35	651.65	574.10
Exercise price (₹)	603.50	626.00	626.00	621.00
Expected volatility (%)	42.95%	48.23%	48.10%	42.11%
Life of the options granted (years)	4 - 5.50	4 - 5.50	4 - 5.50	4 - 5.50
Risk-free interest rate (%)	7.12%	7.29%	7.29%	7.42%
Expected dividend rate (%)	0.10%	0.08%	0.08%	0.09%
Fair value of the option (₹)	330.16 to 378.42	303.07 to 353.35	308.39 to 357.89	229.02 to 274.47

Particulars	Plan E15	Plan E16
	Tranche vesting in FY 2023-24 to 2025-26	Tranche vesting in FY 2023-24 to 2026-27
Share price on the date of grant (₹)	612.20	633.95
Exercise price (₹)	617.00	634.00
Expected volatility (%)	42.02%	41.37%
Life of the options granted (years)	4 - 5	4 - 5.50
Risk-free interest rate (%)	7.31%	7.34%
Expected dividend rate (%)	0.10%	0.09%
Fair value of the option (₹)	257.95 to 289.99	266.80 to 314.80

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

25 Accounting for employee share based payments (Contd.)

Had the Bank used the fair value model to determine compensation, its profit after tax and earnings per share as reported would have changed to the amounts indicated below:

Particulars	(₹ in Crore)	
	Year ended March 31, 2023	Year ended March 31, 2022
Profit after tax as reported	1,427.93	1,129.83
Add: ESOP expense already booked (net of tax)	15.53	13.76
Less: ESOP cost using fair value method (net of tax)	77.62	48.53
Profit after tax (adjusted)	1,365.84	1,095.06
Earnings Per Share		
Basic		
- As reported	21.86	18.03
- Adjusted for ESOP cost using fair value method	20.91	17.48
Diluted		
- As reported	21.74	17.85
- Adjusted for ESOP cost using fair value method	20.79	17.30

Particulars	(₹ in Crore)	
	As at March 31, 2023	As at March 31, 2022
Stock options outstanding (gross)	229.16	203.94
Deferred compensation cost outstanding	30.67	26.16
Stock options outstanding (net)	198.49	177.78

26 Employee benefits

(a) Defined benefit plans

Gratuity

The gratuity plan provides a lumpsum payment to vested employees at retirement or on termination of employment based on respective employee's salary and years of employment with the Bank considering the ceiling of gratuity amount of ₹ 0.20 crore.



Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

26 Employee benefits (Contd.)

Reconciliation of opening and closing balance of present value of defined benefit obligation for gratuity benefits as per AS-15 “Employee Benefits” is given below.

Particulars	(₹ in Crore)	
	March 31, 2023	March 31, 2022
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Liability at the beginning of the year	56.88	46.99
Interest cost	4.09	3.15
Current service cost	19.78	18.45
Benefits paid during the year	(4.28)	(1.88)
Actuarial (gain) / loss on obligation		
Experience adjustment	0.17	(4.75)
Assumption change	(15.30)	(5.08)
Liability at the end of the year	61.34	56.88
Reconciliation of opening and closing balance of the fair value of the plan assets		
Fair value of plan assets at the beginning of the year	47.34	33.74
Expected return on plan assets	3.41	2.25
Contributions	9.54	13.25
Benefits paid	(4.28)	(1.88)
Actuarial gain / (loss) on plan assets		
Experience adjustment	(0.36)	(0.02)
Assumption change	-	-
Fair value of plan assets at the end of the year	55.65	47.34
Amount recognised in Balance Sheet		
Fair value of plan assets at the end of the year	55.65	47.34
Liability at the end of the year	(61.34)	(56.88)
Net Asset (included under Schedule 11.VI) / (Liability) (included under Schedule 5.V)	(5.69)	(9.54)
Expenses recognised in Profit and Loss Account		
Interest cost	4.10	3.15
Current service cost	19.78	18.45
Expected return on plan assets	(3.41)	(2.25)
Net actuarial (gain) / loss recognised in the year	(14.78)	(9.79)
Net cost	5.69	9.54
Actual return on plan assets	3.05	2.23
Estimated contribution for the next year	5.69	9.54
Assumptions		
Discount rate	7.30% per annum	7.20% per annum
Expected return on plan assets	7.30% per annum	7.20% per annum
Salary escalation rate	7.50% per annum	7.50% per annum

Schedules

forming part of the Financial Statements for the Year Ended March 31, 2023

Schedule 18 - Notes forming part of the financial statements for the Year ended March 31, 2023 (Contd.)

26 Employee benefits (Contd.)

Experience adjustment

Particulars	Years ended March 31,				
	2023 (YTD)	2022	2021	2020	2019
Plan assets	55.65	47.34	33.74	15.87	11.86
Defined benefit obligation	61.34	56.88	46.99	33.07	15.15
Surplus / (deficit)	(5.69)	(9.54)	(13.25)	(17.20)	(3.29)
Experience adjustment gain / (loss) on plan assets	(0.36)	(0.02)	1.09	0.93	-
Experience adjustment (gain) / loss on plan liabilities	(15.13)	(9.82)	(2.07)	5.96	(2.68)

(b) Defined contribution plans

Provident fund

The Bank makes Provident Fund contributions to a defined contribution retirement benefit plans for qualifying employees. Under the schemes, the bank is required to contribute a specified percentage of the payroll costs to the Provident Fund Commissioner to fund the benefits.

The Bank recognised ₹ 68.09 Crore (previous year ₹ 51.27 Crore) for provident fund contributions in the Profit and Loss Account. The contributions payable to these plans by the Bank are at rates specified in the rules of the schemes.

(c) Compensated absences

The Bank has provided for compensatory leaves which can be availed and not encashed as per policy of the Bank as present value obligation of the benefit at related current service cost measured using the Projected Unit Credit Method on the basis of an actuarial valuation. The Bank has accordingly reversed ₹ 21.71 Crore (previous year booked ₹ 12.83 Crore) in the books of accounts for the year.

27 Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

As per our attached Report of even date.

For **Deloitte Haskins & Sells**
Chartered Accountants
ICAI Firm Registration No.: 117365W

G. K. Subramaniam
Partner
Membership No. 109839
Place: Jaipur

For **G.M. Kapadia & Co.**
Chartered Accountants
ICAI Firm Registration No.: 104767W

Atul Shah
Partner
Membership No. 039569
Place: Jaipur

Date: April 25, 2023

For and on behalf of the Board of Directors
AU Small Finance Bank Limited

Raj Vikash Verma
(Non-Executive Independent
Part Time Chairman)
DIN: 03546341
Place: Jaipur

Uttam Tibrewal
(Whole Time Director)
DIN: 01024940
Place: Jaipur

Manmohan Parnami
(Company Secretary)
Membership No. F9999
Place: Jaipur

Date: April 25, 2023

Sanjay Agarwal
(Managing Director and CEO)

DIN: 00009526
Place: Jaipur

Vimal Jain
(Chief Financial Officer)

Place: Jaipur



Basel II (Pillar 3) Disclosures

As at 31st March 2023

RBI circular DBR.No.BP.BC.4/21.06.001/2015-16 dated 1st July, 2015 on 'Prudential guideline on Capital Adequacy and Market Discipline – New Capital Adequacy Framework (NCAF)' requires banks to make applicable Pillar 3 disclosures. These disclosures have not been subjected to audit or limited review. These disclosures are available on the Bank's website at: <https://www.aubank.in/reports/regulatory-disclosures>



AU SMALL FINANCE BANK LIMITED

CIN: L36911RJ1996PLC011381

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

Corporate Office: 5th Floor, E-Wing, Kanakia Zillion, Junction of CST Road and LBS Road,
Kurla (West), Mumbai – 400070, Maharashtra, India

Tel: +91-141 4110060 | E-mail: investorrelations@aubank.in | Website: www.aubank.in

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE TWENTY EIGHTH (28TH) ANNUAL GENERAL MEETING (“AGM”) OF THE MEMBERS OF AU SMALL FINANCE BANK LIMITED (“BANK”) WILL BE HELD ON THURSDAY, AUGUST 10, 2023 AT 4:00 P.M. (IST) THROUGH VIDEO CONFERENCING (“VC”) OR OTHER AUDIO-VISUAL MEANS (“OAVM”) TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS

Item No. 1:

To adopt the Audited Financial Statements of the Bank for the Financial Year ended on March 31, 2023 and the reports of the Board of Directors and the Auditors thereon.

Item No. 2:

To declare Dividend of ₹ 1.00 per equity share of ₹ 10 each for the Financial Year 2022-23.

Item No. 3:

To appoint a Director in place of Mr. Uttam Tibrewal (DIN: 01024940) who retires by rotation and being eligible, has offered himself for re-appointment.

SPECIAL BUSINESS

Item No. 4:

To approve the remuneration of Mr. Sanjay Agarwal (DIN: 00009526), Managing Director & CEO of the Bank for the FY 2023-24.

To consider and, if thought fit, to pass the following Resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Sections 197, 198 and 203, read with Schedule V and other applicable provisions, if any, of the Companies Act, 2013, (the **“Act”**) and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**“Listing Regulations”**) and provisions of Section 35B and other applicable provisions, if any, of the Banking Regulation Act, 1949 and the rules, guidelines and circulars issued by the Reserve Bank of India (the **“RBI”**) in this regard, from time to time, and any other applicable Laws, Rules and Acts [including any statutory amendment(s), modification(s), variation(s) or re-enactment(s) thereof, for the time being in force] and subject to all other requisite approvals, permissions and sanctions as may be required and subject to such conditions as may be prescribed by any statutory authority while granting such approvals and in consonance with the provisions of Articles of Association of the Bank and pursuant to the recommendation of the Nomination and Remuneration Committee (**“NRC”**) and Board of Directors of the Bank (**“hereinafter referred to as the “Board”** which term shall be deemed to include any committees constituted / to be constituted by the Board to exercise its powers including the powers conferred by this resolution”), approval of members of the Bank be and is hereby accorded for payment of remuneration to Mr. Sanjay Agarwal (DIN:00009526), Managing Director & CEO, as detailed below with effect from April 01, 2023 and the same shall continue till any further revision, on the terms and conditions as may be approved by RBI:



Fixed Pay w.e.f. April 01, 2023:

Particulars	Amount in ₹
Salary	89,28,024
Allowance	1,33,92,027
Total Salary & Allowances (A)	2,23,20,051
Retiral/Superannuation benefits	
(a) Provident Fund	23,400
(b) Gratuity	4,29,432
Total Retiral/Superannuation benefits (B)	4,52,832
Perquisites and other benefits	28,57,124
Total Perquisites (C)	28,57,124
Total Fixed Pay (A+B+C)	2,56,30,007

MD & CEO is entitled for free use of Company's two cars for conveyance / tour-travel.

Variable Pay - Up to 55% of total Fixed pay subject to review of his performance basis target achievement for the financial year by NRC, Board of Directors, and approval of RBI.

RESOLVED FURTHER THAT pursuant to the Guidelines issued by the RBI vide Circular no. RBI/2019-20/89 DOR. Appt.BC.No.23/29.67.001/2019-20 dated November 04, 2019 on "Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function Staff", the Board be and is hereby authorised to make suitable adjustments, if any, between Fixed Pay & Variable Pay including its components while keeping the overall remuneration within limits given hereinabove in compliance of RBI circular and in compliance of changes that the RBI may instruct in this regard.

RESOLVED FURTHER THAT in case the Bank has no profit, or its profits are inadequate, the remuneration including the perquisites as aforesaid will be paid to Mr. Sanjay Agarwal, Managing Director & CEO in accordance with the Schedule V and applicable provisions of the Act.

RESOLVED FURTHER THAT to give effect to this resolution, the Board be and is hereby authorised to do all deeds, matters, things, acts, and to execute any agreements, documents and writings, as may be deemed necessary, including but not limited to making correspondences with RBI or any other regulatory authority and/or to settle all questions, difficulties or doubts that may arise in this regard, and to delegate all or any of its powers herein conferred to any Committee/Director(s)/Officer(s) of the Bank."

Item No. 5:

To approve the remuneration of Mr. Uttam Tibrewal (DIN: 01024940), Whole Time Director of the Bank for the FY 2023-24.

To consider and, if thought fit, to pass the following Resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 197, 198 and 203, read with Schedule V and other applicable provisions, if any, of the Companies Act, 2013, (the **"Act"**) and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**"Listing Regulations"**) and provisions of Section 35B and other applicable provisions, if any, of the Banking Regulation Act, 1949 and the rules, guidelines and circulars issued by the Reserve Bank of India (the **"RBI"**) in this regard, from time to time, and any other applicable Laws, Rules and Acts [including any statutory amendment(s), modification(s), variation(s) or re-enactment(s) thereof, for the time being in force] and subject to all other requisite approvals, permissions and sanctions as may be required and subject to such conditions as may be prescribed by any statutory authority while granting such approvals and in consonance with the provisions of Articles of Association of the Bank and pursuant to the recommendation of the Nomination and Remuneration Committee (**"NRC"**) and Board of Directors of the Bank ("hereinafter referred to as the **"Board"** which term shall be deemed to include any committees constituted / to be constituted by the Board to exercise its powers including the powers conferred by this resolution"), approval of members of the Bank be and is hereby accorded for payment of remuneration to Mr. Uttam Tibrewal (DIN:01024940), Whole Time Director, as detailed below with effect from April 01, 2023 and the same shall continue till any further revision, on the terms and conditions as may be approved by RBI:

Fixed Pay w.e.f. April 01, 2023:

Particulars	Amount in ₹
Salary	80,86,212
Allowance	1,21,29,324
Total Salary & Allowances (A)	2,02,15,536
Retiral/Superannuation benefits	
(a) Provident Fund	23,400
(b) Gratuity	3,88,944
Total Retiral/Superannuation benefits (B)	4,12,344
Perquisites and other benefits	15,92,124
Total Perquisites (C)	15,92,124
Total Fixed Pay (A+B+C)	2,22,20,004

WTD is entitled for free use of Company's one car for conveyance / tour-travel.

Variable Pay - Up to 90% of total Fixed pay subject to review of his performance basis target achievement for the financial year by NRC, Board of Directors, and approval of RBI.

RESOLVED FURTHER THAT pursuant to the Guidelines issued by the RBI vide Circular no. RBI/2019-20/89 DOR. Appt.BC.No.23/29.67.001/2019-20 dated November 04, 2019 on "Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff", the Board be and is hereby authorised to make suitable adjustments, if any, between Fixed Pay & Variable Pay including its components while keeping the overall remuneration within limits given hereinabove in compliance of RBI circular and in compliance of changes that the RBI may instruct in this regard.

RESOLVED FURTHER THAT in case the Bank has no profit, or its profits are inadequate, the remuneration including the perquisites as aforesaid will be paid to Mr. Uttam Tibrewal, Whole Time Director, in accordance with Schedule V and applicable provisions of the Act.

RESOLVED FURTHER THAT to give effect to this resolution, the Board be and is hereby authorised to do all deeds, matters, things, acts, and to execute any agreements, documents and writings, as may be deemed necessary, including but not limited to making correspondences with RBI or any other regulatory authority and/or to settle all questions, difficulties or doubts that may arise in this regard, and to delegate all or any of its powers herein conferred to any Committee/Director(s)/Officer(s) of the Bank."

Item no. 6:

To issue Non-convertible debt securities/bonds/other permissible instruments, in one or more tranches.

To consider and if thought fit, to pass the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 42, 71, 180 and other applicable provisions, if any, of the Companies Act, 2013, read with rules made thereunder (the **"Act"**), applicable regulations of the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (**"SEBI ILNCS Regulations"**) and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**"Listing Regulations"**) and other applicable rules, regulations, guidelines and directions issued by the Securities and Exchange Board of India (**"SEBI"**), the Banking Regulation Act, 1949, the Reserve Bank of India Act, 1934, Foreign Exchange Management Act, 1999, the rules, regulations, circulars, directions and guidelines issued by the Reserve Bank of India (**"RBI"**) from time to time and all other relevant provisions of applicable law(s) [including any statutory amendment(s), modification(s), variation(s) or re-enactment(s) thereof, for the time being in force] and pursuant to the Memorandum and Articles of Association of the Bank and subject to such other approval(s), consent(s), permission(s) and sanction(s) as may be necessary from the concerned statutory or regulatory authority(ies) and subject to such conditions as may be prescribed by any of the concerned authorities (if any) while granting such approval(s), consent(s), permission(s) and sanction(s) as may be applicable, the approval of the Members of the Bank be and is hereby accorded to the Board of Directors ("hereinafter referred to as the **"Board"**", which term shall be deemed to include any Committee thereof, which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution and with the power to delegate such authority to any person or persons") for borrowing/raising funds denominated in Indian



rupees or any other permitted foreign currency by issue of non-convertible debt securities, including but not limited to long-term bonds, perpetual debt instruments, Tier I/Tier II Capital Bonds or such other debt securities as may be permitted under RBI guidelines from time to time, on a private placement basis and/ or for making offers and/or invitations thereof and/or issue(s)/issuances thereof, for a period of one year from the date hereof, in one or more tranches and/or series and under one or more shelf disclosure documents and/ or one or more letters of offer or such other documents or amendments/revisions thereof and on such terms and conditions for each series/tranche, including the price, coupon, premium, discount, tenor etc. as deemed fit by the Board, as per the structure and within the limits permitted by RBI, as applicable of an amount not exceeding ₹ 6,000 crores (Rupees Six Thousand Crores Only) over and above the outstanding debt securities issued by the Bank in domestic and/or overseas market within the overall borrowing limits of the Bank and on such terms and conditions as may be approved by the Board, from time to time.

RESOLVED FURTHER THAT the Board be and is hereby authorised to execute all such agreements, documents, instruments and writings as deemed necessary, file requisite forms or applications with statutory/regulatory authorities, with the power to settle all questions, difficulties or doubts that may arise, in this regard and do all such acts, deeds and things as may be considered necessary or desirable in connection with or incidental thereto to give effect to the above resolution, including but not limited to disclosures with stock exchanges and to comply with all other requirements in this regard.”

Item no. 7:

To raise funds through issue of equity shares and/or any other instruments or securities representing either equity shares and/or convertible securities linked to equity shares including through Qualified Institutions Placement or such other permissible mode or combinations thereof:

To consider, and if thought fit to, pass the following Resolution, as a **Special Resolution**:

“RESOLVED THAT pursuant to the provisions of Sections 23, 41, 42 and 62(1)(c) and other applicable provisions, if any, of the Companies Act, 2013 read with the applicable Rules made thereunder, including the Companies (Prospectus and Allotment of Securities) Rules, 2014 (the **“Act”**), the relevant provisions of the Banking Regulation Act, 1949, and the rules, guidelines and circulars issued by the Reserve Bank of India (the **“RBI”**) in this regard from time to time [including any statutory amendment(s), modification(s), variation(s) or re-enactment(s) thereof, for the time being in force], the provisions of the Foreign Exchange Management Act, 1999 and rules and regulations framed thereunder, as amended, from time to time (the **“FEMA”**), the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, as amended, the current Consolidated FDI Policy issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India (the **“GOI”**) as amended, from time to time, the Master Direction – Reserve Bank of India (Acquisition and Holding of Shares or Voting Rights in Banking Companies) Directions, 2023, the rules, the regulations, guidelines, notifications and circulars, if any, prescribed by the GOI, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (the **“SEBI ICDR Regulations”**), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, (the **“Listing Regulations”**), as amended, from time to time and subject to such other applicable rules, regulations, circulars, notifications, clarifications and guidelines issued thereon, from time to time, by the GOI, the Ministry of Corporate Affairs (the **“MCA”**), the Securities and Exchange Board of India (the **“SEBI”**) and the Stock Exchanges where the Equity Shares of the Bank are listed and the enabling provisions of the Memorandum of Association and Articles of Association of the Bank and subject to the receipt of requisite approvals, consents, permissions and/or sanctions, if any, from any other appropriate statutory / regulatory authorities and subject to such other conditions and modifications as may be prescribed, stipulated or imposed by any of the said statutory / regulatory authorities, while granting such approvals, consents, permissions, and/or sanctions, which may be agreed to by the Board of Directors of the Bank (“hereinafter referred to as the **“Board”**, which term shall be deemed to include any Committee thereof, which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution and with the power to delegate such authority to any person or persons”), the approval of the Members of the Bank be and is hereby accorded to the Board to create, offer, issue and allot (including with provisions for reservation on firm and/ or on competitive basis, of such part of issue and for such categories of persons as may be permitted), such number of Equity Shares, and/or Equity Shares through depository receipts, and/or securities convertible into Equity Shares at the option of the Bank and/ or the holders of such securities, and / or securities linked to Equity Shares, and / or any other instrument or

securities representing Equity Shares and / or convertible securities linked to Equity Shares (all of which are hereinafter collectively referred to as **“Securities”**) or any combination of Securities, in one or more tranches, in the course of international and/ or domestic offering(s) in one or more foreign markets and/or domestic market, of private offerings and/ or preferential allotment and/or qualified institutions placement or any combination thereof, through issue of placement document or other permissible/requisite offer document to any eligible person, including Qualified Institutional Buyers, in accordance with Chapter VI of the SEBI ICDR Regulations, foreign/resident investors (whether institutions, incorporated bodies, mutual funds, individuals or otherwise), venture capital funds (foreign or Indian), alternate investment funds, foreign portfolio investors, qualified foreign investors, Indian and/or multilateral financial institutions, mutual funds, non-resident Indians, pension funds and/ or any other categories of investors, whether they be holders of Equity Shares of the Bank or not (collectively called the **“Investors”**) as may be decided by the Board, in its sole and absolute discretion and permitted under applicable laws and regulations, in one or more tranches for an aggregate amount not exceeding ₹5,000 crores (Rupees Five Thousand Crores Only) or an equivalent amount thereof (inclusive of such premium as may be fixed on such Securities) (the **“Offering”**) by offering the Securities at such time or times, at such price or prices permitted under applicable laws in such manner and on such terms and conditions including security, rate of interest etc. as may be deemed appropriate by the Board in its sole and absolute discretion including the discretion, to determine the categories of Investors to whom the offer, issue and allotment shall be made to the exclusion of other categories of Investors at the time of such offer, issue and allotment of Equity Shares of ₹ 10 each of the Bank considering the prevailing market conditions and other relevant factors and wherever necessary in consultation with lead manager(s) and/ or underwriter(s) and/or other advisor(s) as the Board in its sole and absolute discretion may deem fit and appropriate.

RESOLVED FURTHER THAT in case of issuance of Securities by way of a Qualified Institutions Placements (**“QIP”**), under Chapter VI of the SEBI ICDR Regulations (the **“Eligible Securities”**):

- a. the price of the Eligible Securities shall not be less than the price as may be determined, in accordance with the pricing formula prescribed under Chapter VI of the SEBI ICDR Regulations.
- b. the Board may at its sole and absolute discretion, issue Eligible Securities at a discount of not more than five percent (5%) or such other discount as may be permitted to the ‘floor price’ as may be determined in accordance with the pricing formula prescribed under Chapter VI of the SEBI ICDR Regulations.
- c. the Relevant Date for determination of the price of the Equity Shares shall be the date of the meeting at which the Board decides to open the proposed QIP in terms of the provisions of the Act, the SEBI ICDR Regulations and other applicable laws, rules, regulations.
- d. in case convertible securities are issued to Qualified Institutional Buyers (**“QIB”**) under Chapter VI of the SEBI ICDR Regulations, the Relevant Date for the purpose of pricing of such securities shall be either the date of the meeting at which the Board decides to open the proposed QIP of such convertible securities or the date on which the holders of such convertible securities become entitled to apply for the equity shares, in terms of the provisions of the Act, the SEBI ICDR Regulations and other applicable laws, rules, regulations.
- e. the allotment of Equity Shares to each QIB in the proposed QIP issue shall not exceed five per cent (5%) of the post issued and paid-up capital of the Bank or such other limit(s) as may be prescribed under applicable laws or as approved by Reserve Bank of India.
- f. the allotment of Eligible Securities or any combination of Eligible Securities as may be decided by the Board to the each QIBs shall be fully paid-up and the allotment of such Eligible Securities shall be completed within a period of 365 days, from the date of passing of this Special Resolution by the Members of the Bank and that all such Equity Shares shall rank pari-passu inter se and with the then existing Equity Shares of the Bank, in all respects, including dividend and shall be subject to the provisions of the Memorandum of Association and Articles of Association of the Bank.
- g. The eligible securities shall not be sold for a period of one (1) year from the date of its allotment, except on the floor of recognised Stock Exchange(s).

RESOLVED FURTHER THAT without prejudice to the generality of the above, subject to applicable laws and receipt of requisite approvals, consents, permissions and / or sanctions, if any, from any other appropriate statutory / regulatory authorities and subject to such other conditions and modifications as may be prescribed, stipulated



or imposed by any of the said statutory / regulatory authorities in granting such approvals or permissions, the aforesaid issue of Securities may have all or any terms or combination of terms, in accordance with prevalent market practices or as the Board may in its sole and absolute discretion deem fit, including but not limited to the terms and conditions, relating to premium on redemption at the option of the Bank and/or holders of any securities, or variation of the price or period of conversion of Securities into equity shares or issue of equity shares during the period of the Securities or terms pertaining to voting rights or option(s) for early redemption of Securities.

RESOLVED FURTHER THAT for the purpose of giving effect to the resolutions described above the Board or a duly authorised Committee thereof be and is hereby authorised for and on behalf of the Bank to do all such acts, deeds, matters and things including but not limited to finalisation and approval of the relevant offering documents, determining the form and manner of the issue, the nature and number of Securities to be allotted, timing of the issuance /Offering, determination of person(s) to whom the Securities will be offered and allotted, in accordance with applicable law, issue price, face value, discounts permitted under applicable law (now or hereafter), premium amount on issue / conversion of the Securities, if any, rate of interest, execution of various agreements, deeds, instruments and other documents, as it may in its sole and absolute discretion deem fit, necessary, proper or appropriate, and to give instructions or directions and to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of Securities (including in relation to issue of such Securities in one or more tranches from time to time) and utilisation of the issue proceeds and to accept and to give effect to such modifications, changes, variations, alterations, deletions, additions as regards the terms and conditions as may be required by the SEBI, the Registrar of Companies, the book running lead manager(s), or other authorities or agencies involved in or concerned with the issue of Securities and as the Board may in its sole and absolute discretion deem fit and appropriate in the best interest of the Bank, without being required to seek any further consent or approval of the Members or otherwise, and that all or any of the powers conferred on the Bank and the Board pursuant to this resolution may be exercised by the Board to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this Special Resolution, and all actions taken by the Board, to exercise its powers, in connection with any matter(s) referred to or contemplated in any of the foregoing resolutions be and are hereby approved, ratified and confirmed, in all respects.

RESOLVED FURTHER THAT the Board be and is hereby authorised to engage/ appoint Book Running Lead Managers, Underwriters, Depositories, Custodians, Registrars, Stabilising Agents, Trustees, Bankers, Lawyers, Advisors and all such agencies as may be involved or concerned in such offerings of Securities and to remunerate them by way of commission, brokerage, fees or the like and also to reimburse them out of pocket expenses and also to enter into and execute all such arrangements, agreements, memoranda, documents etc. with such agencies and to seek the listing of the Securities on the Stock Exchanges.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions, the Board be and is hereby authorised for and on behalf of the Bank to negotiate, modify, sign, execute, register, deliver including sign any declarations or notice required in connection with the private placement offer letter, information memorandum, the draft offer document, offer letter, offer document, offer circular or placement document for issue of the Securities, term sheet, issue agreement, registrar agreement, escrow agreement, underwriting agreement, placement agreement, consortium agreement, trustee agreement, trust deed, subscription agreement, purchase agreement, agency agreement, agreements with the depositories, security documents, and other necessary agreements, memorandum of understanding, deeds, general undertaking / indemnity, certificates, consents, communications, affidavits, applications (including those to be filed with the Regulatory Authorities, if any) (the **“Transaction Documents”**) (whether before or after execution of the Transaction Documents) together with all other documents, agreements, instruments, letters and writings required in connection with, or ancillary to, the Transaction Documents (the **“Ancillary Documents”**) as may be necessary or required for the aforesaid purpose including to sign and/or dispatch all forms, filings, documents and notices to be signed, submitted and/or dispatched by it under or in connection with the documents to which it is a party as well as to accept and execute any amendments to the Transaction Documents and the Ancillary Documents and further to do all such other acts, deeds, matters and things, mentioned herein as they may deem necessary in connection with the issue of the Securities in one or more tranches from time to time and matters connected therewith.

RESOLVED FURTHER THAT in respect of the Offering, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its sole and absolute discretion consider necessary, desirable or appropriate,

including submitting the relevant application to the Stock Exchange(s) for obtaining in-principle approval for listing of Equity Shares, filing of requisite documents/ making declarations with the MCA, RBI, SEBI and any other Statutory / Regulatory Authority(ies), including filing of form FC-GPR, and any other deed(s), document(s), declaration(s) as may be required under the applicable laws.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of the Board, inter alia, the power to determine the form, terms and timing of the issue(s)/ offering(s), issue price (including discount, if any), the quantum of Securities to be issued, including selection of Investors to whom Securities are proposed to be offered, issued and allotted and matters related thereto, as it may, in its sole and absolute discretion, deem fit and appropriate.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Director(s) or Officer(s) of the Bank and to generally do all such acts, deeds, matters and things as may be required in connection with the aforesaid resolutions, including making necessary filings with the Stock Exchange(s) and Statutory / Regulatory Authorities and execution of any deeds and documents for and on behalf of the Bank and to represent the Bank before any Governmental Authorities, to give effect to this resolution.”

Item No. 8:

To approve the Alteration of Article of Association of the Bank.

To consider and, if thought fit, to pass the following Resolution as a **Special Resolution**:

“**RESOLVED THAT** pursuant to the provisions of Section 5, 14 and other applicable provisions, if any, of the Companies Act, 2013, read with the rules made thereunder, Regulation 23 of the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 read with Regulation 15(1)(e) of the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993, the relevant provisions of the Banking Regulation Act, 1949, and the rules, guidelines and circulars issued by the Reserve Bank of India (the “**RBI**”) from time to time [including any statutory amendment(s), modification(s), variation(s) or re-enactment(s) thereof, for the time being in force], enabling provisions of the Memorandum & Articles of Association of the Bank, subject to the RBI approval and requisite approvals, consents, permissions and/or sanctions, if any, from any other appropriate statutory / regulatory authorities and such other conditions and modifications as may be prescribed, stipulated or imposed by RBI or any of the said statutory / regulatory authorities, while granting such approvals, consents, permissions, and/or sanctions, approval of the members of the Bank be and is hereby accorded to the alteration to the Articles of Association of the Bank in the manner specified in Annexure-1.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Director(s) or Officer(s) of the Bank and to generally do all such acts, deeds, matters and things as may be required in connection with the aforesaid resolutions, including but not limited to making necessary filings / correspondences with the Ministry of Corporate Affairs, Stock Exchange(s), RBI and other Statutory / Regulatory Authorities as may be required or considered necessary or incidental thereto, for giving effect to this resolution.

Place: Jaipur
Date: June 29, 2023

**By Order of the Board of Directors
For AU Small Finance Bank Limited**

Registered Office:
19-A, Dhuleshwar Garden,
Ajmer Road, Jaipur - 302001, Rajasthan
Website: www.aubank.in
Tel: +91 141 4110060
E-mail: investorrelations@aubank.in

Sd/-
Manmohan Parnami
Company Secretary
Membership No: F9999

Notes:

1. The Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 (the “**Act**”) read with the rules made thereunder, setting out all the material facts relating to the Special Businesses as set out in item no. 4 to 8 of this Notice is annexed herewith.



2. In view of the continuing applicability of directions issued by the Ministry of Corporate Affairs (“MCA”) vide its Circular nos. 14/2020 dated April 08, 2020, 17/2020 dated April 13, 2020 respectively, in relation to “Clarification on passing of ordinary and special resolutions by companies under the Companies Act, 2013 and the rules made thereunder on account of the threat posed by Covid -19”, 20/2020 dated May 05, 2020, 02/2021 dated January 13, 2021, 19/2021 dated December 08, 2021, 21/2021 dated December 14, 2021, 02/2022 dated May 05, 2022 and 10/2022 dated December 28, 2022 respectively in relation to “Clarification on holding of Annual General Meeting (AGM) through Video Conferencing (VC) or Other Audio Visual Means (OAVM)” (these circulars collectively to be referred as “MCA Circulars”) and Securities and Exchange Board of India (“SEBI”) vide its Circular nos. SEBI/HO/CFD/CMD1/CIR/P/2020/79 dated May 12, 2020, SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated January 15, 2021, SEBI/HO/CFD/CMD2/CIR/P/2022/62 dated May 13, 2022 and SEBI/HO/CFD/PoD-2/P/CIR/2023/4 dated January 5, 2023 (these circulars collectively to be referred as “SEBI Circulars”) and all other relevant circulars issued from time to time, has permitted the holding of the AGM through VC/OAVM, without the physical presence of the Members at a common venue. In compliance with the aforesaid MCA & SEBI Circulars, the AGM of the Bank will be held through VC and physical attendance of the Members to the AGM venue is not required. The registered office of the Bank shall be deemed to be the venue for the AGM.
3. Pursuant to the provisions of the Act, a member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a Member of the Company. Since the AGM will be held through VC in accordance with the MCA & SEBI Circulars, the requirement of physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxy by the member will not be applicable and hence the Proxy Form, Attendance Slips and Route map are not annexed to this Notice. However, the Institutional / Corporate Shareholders (i.e., other than individuals / HUF, NRI, etc.) are entitled to appoint authorised representatives to attend the AGM through VC/ OAVM and participate there at and cast their votes through e-voting.
4. The Bank has provided two-way facility of video conferencing (VC) / other audio-visual means (OAVM) and live webcast of the proceedings of the AGM shall be available on Thursday, August 10, 2023 from 4:00 P.M. (IST) onwards at the weblink <https://www.evoting.nsdl.com>. Members are requested to join the 28th AGM from 3:30 P.M. (IST) i.e., 30 minutes before the time scheduled to start the AGM and the Bank may close the window for joining the VC Facility, 30 minutes after the scheduled time to start the AGM. Attendance of members will be counted as the members who have successfully logged in through VC or OAVM and shall be counted for the purpose of reckoning of the quorum under Section 103 of the Act. Please refer the detailed instructions for attending the AGM through VC covered under this Notice.
5. In line with the MCA Circulars, the Annual Report for the Financial Year 2022-23 and AGM Notice has been uploaded on the website of the Bank at www.aubank.in. The same can also be accessed on the website of the Stock Exchanges i.e. BSE Limited and National Stock Exchange of India Ltd. at www.bseindia.com and www.nseindia.com respectively and on the website of National Securities Depository Limited (“NSDL”) (agency for providing the facility of conducting AGM through VC and Remote e-Voting facility) i.e. www.evoting.nsdl.com.
6. The physical copies of all the documents referred to in this Notice and the Statement setting out the material facts in respect of Item nos. 4 to 8 thereof and the Statutory Registers will be made available at the Bank’s registered office for inspection during the normal business hours between 10:00 AM (IST) to 5:00 PM (IST) on working days up to the date of the AGM. Members having any queries, may please write to Company Secretary at investorrelations@aubank.in mentioning their name, Folio no./ Client ID and DP ID. The same will be replied by the Bank suitably. Further, during the 28th AGM, members may access the required documents upon Log-in to NSDL e-Voting system at www.evoting.nsdl.com.
7. In case of joint holders attending the Meeting, only such joint holder whose name appears as the first holder in the order of names as per the Register of Members of the Bank will be entitled to vote, provided the votes are not already cast by remote e-voting by the first holder.
8. As per the provisions of Section 72 of the Act and SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/37 dated March 16, 2023, the facility for making nomination is available for the Members in respect of the shares held by them. Members who have not yet registered their nomination are requested to register the same by submitting Form No. SH-13. If a member desires to opt out or cancel the earlier nomination

and record a fresh nomination, he/she may submit the same in Form ISR-3 or SH-14 as the case may be. The said forms can be downloaded from the Bank's website <https://www.aubank.in/investors/investor-services>. Members are requested to submit the said details to their DP in case the shares are held by them in dematerialised form and to the Bank in case the shares are held in physical form.

9. Members can submit questions in advance with regards to the financial statements or any other matter to be placed at the 28th AGM, from their registered email address, mentioning their name, DP ID and Client ID and mobile number, to reach the Bank's email address at investorrelations@aubank.in from Thursday, August, 3, 2023 to Saturday, August 5, 2023. Such questions by the Members shall be taken up during the meeting and replied by the Bank suitably.

Further, Members who would like to ask questions during the AGM with regards to the financial statements or any other matter to be placed at the AGM, need to register themselves as a speaker by sending their request from their registered email address mentioning their name, DP ID and Client ID and mobile number, to reach the Bank's email address at investorrelations@aubank.in from Thursday, August, 3, 2023 to Saturday, August 5, 2023.

Those Members who have registered themselves as a speaker shall only be allowed to speak/ask questions during the AGM, depending upon the availability of time.

10. In terms of the MCA & SEBI Circulars, the Annual report and AGM notice are being electronically sent to all the members of the Bank, whose name appear on the Register of Members/List of Beneficial Owners, as received from NSDL/Central Depository Services (India) Limited ("**CDSL**") on Friday, July 14, 2023 and who have registered their e-mail addresses with the Depositories/ Depository Participants unless any member has requested for a physical copy of the same. It is however, clarified that all the persons who are members of the Bank as on Thursday, August 3, 2023 (including those members who may not have received this Notice due to non- registration of their e-mail IDs) shall be entitled to vote in relation to the resolutions specified in this Notice.
11. Members are requested to address all correspondence, including dividend-related matters, to Registrar and Transfer Agent ("**RTA**") of the Bank i.e. Link Intime India Pvt. Ltd., at their email ID rnt.helpdesk@linkintime.co.in or at their address C-101, 1st Floor, 247 Park, L.B.S. Marg Vikhroli (West) Mumbai 400083 Maharashtra.
12. Members wishing to claim unclaimed dividends are requested to correspond with the RTA of the Bank as mentioned above or the Company Secretary of the Bank. The Bank has uploaded the details of unclaimed dividend amounts lying with the Bank on the website of the Bank at <https://www.aubank.in/investors/investor-services>.
13. Members are requested to note that dividends, which are not claimed within seven years from the date of transfer to the Bank's Unpaid Dividend Account, will as per the provisions of Section 124 of the Act read with the rules made thereunder, be transferred to the Investor Education and Protection Fund. Further, pursuant to the provisions of Section 124(6) of the Act read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended ("**IEPF Rules**"), all shares in respect of which dividend has not been claimed for seven consecutive years shall also be transferred to the demat account of the Investor Education and Protection Fund authority (IEPF Authority). In view of this, Members are requested to claim their dividends from the Bank, within the stipulated timeline.
14. The Board at its meeting held on April 25, 2023 has recommended dividend of ₹ 1 per equity share of face value of ₹ 10 each for the financial year ended March 31, 2023, subject to approval of shareholders at the ensuing AGM.
15. The Bank has fixed Friday, July 14, 2023 as the "**Record Date**" for determining entitlement of Members to final dividend for the financial year ended March 31, 2023, if approved at the AGM.
16. The final dividend once approved at the AGM, will be paid on or before September 9, 2023, by way of electronic mode to members who have updated their bank account details. In case of members who have not updated their bank account details, the Bank shall dispatch the dividend warrant to such shareholder by post at their registered addresses. To avoid delay in receiving dividend, we request members to update their KYC details including address with pin code, e-mail address, mandates, nominations, power of attorney, bank



details covering name of the bank and branch details, bank account number, MICR code, IFSC code, etc. with their depository participants (where shares are held in dematerialised form) and with the Bank's RTA (where shares are held in physical mode).

Below process shall be followed to update the email ID and bank account details to receive dividend directly into the Bank account on payout date:

Type of holding	Process to be followed*	
Physical	For availing the following investor services, send a written request in the prescribed forms to the RTA of the Bank.	
	<ul style="list-style-type: none"> Form for availing investor services to register PAN, email address, bank details and other KYC details or changes / update thereof for securities held in physical mode 	Form ISR-1
	<ul style="list-style-type: none"> Update of signature of securities holder 	Form ISR-1 / ISR-2 (As applicable)
	<ul style="list-style-type: none"> Form for requesting issue of Duplicate Certificate and other service requests for shares / debentures / bonds, etc., held in physical form 	Form ISR-4
	<ul style="list-style-type: none"> Form for Transmission request 	Form ISR-5
	The forms for updating the above details are available at https://www.aubank.in/investors/investor-services	
Demat	By contacting Depository Participant ("DP") and registering e-mail ID and bank account details in demat account, as per the process advised by the DP.	

* Please refer SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/37 dated March 16, 2023

- SEBI vide its notification dated January 24, 2022 has mandated that all requests for transfer of securities including transmission and transposition requests shall be processed only in dematerialised form. In view of the same and to eliminate all risks associated with physical shares and avail various benefits of dematerialisation, Members are advised to dematerialise the shares held by them in physical form. For this purpose, Members can contact the Bank for assistance in this regard.
- The SEBI has mandated the submission of PAN, KYC details and nomination by holders of physical securities by September 30, 2023, vide its circular dated March 16, 2023. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts and members holding shares in physical form can submit the aforesaid details to the Bank's RTA at rnt.helpdesk@linkintime.co.in.
- In case a holder of physical securities fails to furnish these details or link their PAN with Aadhaar before the due date i.e., September 30, 2023, our registrars are obligated to freeze such folios. The security holder(s) whose folio(s) have been frozen shall be eligible to lodge grievances or avail any service request from the RTA only after furnishing the complete documents/details and shall also be eligible for any payment including dividend, interest, or redemption payment in respect of such frozen folios, only through electronic mode with effect from April 01, 2024. If the securities continue to remain frozen as on December 31, 2025, the registrar / the Bank shall refer such securities to the administering authority under the Benami Transactions (Prohibitions) Act, 1988, and/or the Prevention of Money Laundering Act, 2002.
- Pursuant to the Finance Act, 2020, dividend income will be taxable in the hands of shareholders w.e.f. April 01, 2020 and the Bank is required to deduct tax at source from dividend paid to shareholders at the prescribed rates. For the prescribed rates for various categories, please refer to the Finance Act, 2020 and the amendments thereof.

For Resident Individual shareholder: A Resident individual shareholder with PAN and who is not liable to pay income tax can submit a yearly declaration in Form No. 15G/15H, to avail the benefit of non-deduction of tax at source by e-mail to Bank at investorrelations@aubank.in. Shareholders are requested to note that in case their PAN is not registered or having invalid PAN or unlinked PAN-Aadhaar or Specified Person as defined under section 206AB of the Income-tax Act ("the Act"), the tax will be deducted at a higher rate prescribed under section 206AA or 206AB of the Act, as applicable. Resident shareholders may also submit any other document as prescribed under the IT Act to claim a lower / nil withholding of tax.

For Non-Resident shareholder: Non-resident shareholders [including Foreign Institutional Investors (FIIs)/ Foreign Portfolio Investors (FPIs)] can avail beneficial rates under tax treaty between India and their country of tax residence, subject to providing necessary documents i.e. No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate, Form 10F, any other document which may be required to avail the tax treaty benefits. For this purpose, the shareholder may submit the above documents (PDF/JPG Format) by e-mail to Bank at investorrelations@aubank.in.

The aforesaid declarations and documents need to be submitted by the shareholders by 11:59 P.M. IST by or before Thursday, July 27, 2023.

21. Non-Resident Indian Members are requested to contact their respective Depository Participants/RTA (in case of physical shares) for any change in their residential status on return to India for permanent settlement, particulars of their bank account maintained in India with complete name, branch account type, account number and address of Bank with pin code number, if not furnished earlier.
22. Brief profile and other additional information pursuant to Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standards on General Meetings (SS-2) issued by the Institute of Company Secretaries of India, in respect of the Directors seeking appointment and re-appointment and the directors for whom the remuneration shall be fixed at the AGM, is furnished as an **Annexure-2** to the Notice.

DETAILS OF E-VOTING AND JOINING AGM THROUGH VC:

Pursuant to the provisions of Section 108 of the Act read with Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (as amended), and the MCA Circulars & SEBI Circulars, the Bank is providing facility of remote e-Voting to its Members in respect of the business to be transacted at the AGM.

For this purpose, the Bank has entered into an agreement with NSDL for facilitating voting through electronic means, as the authorised agency. The facility of casting votes by a member using remote e-Voting system as well as e-voting on the date of the AGM will be provided by NSDL.

The remote e-voting period begins on Sunday, August 6, 2023, at 9:00 A.M. (IST) and ends on Wednesday, August 9, 2023 at 5:00 P.M. (IST) The remote e-voting module shall be disabled by NSDL for voting thereafter. The Members, whose names appear in the Register of Members / Beneficial Owners, as received from NSDL / CDSL, as on the cut-off date i.e., Thursday, August 3, 2023 may cast their vote electronically.

The voting right of members shall be in proportion to their share in the paid-up equity share capital of the Bank as on the cut-off date, being Thursday, August 3, 2023.

A person who is not a member as on the cut-off date should treat this notice for information purpose only.

As the E-voting does not require a person to attend to a meeting physically, the Members are strongly advised to use the E-voting procedure by themselves and not through any other person except Institutional / Corporate Shareholders who may cast their votes through their authorised representatives.

The Board of Directors have appointed CS Manoj Maheshwari Practicing Company Secretary (Membership No. FCS: 3355) as Scrutiniser and failing him CS Priyanka Agarwal (Membership No. FCS: 11138), Practicing Company Secretary as the Alternate Scrutiniser to scrutinise the polling/e-voting at the AGM and remote e-Voting process in a fair and transparent manner.

The details of the process and manner for remote e-Voting and joining AGM through VC are as under:

The way to vote electronically on NSDL e-voting system consists of below mentioned “2 steps”:





Step 1: Access to NSDL e-Voting system

A) Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode

In terms of SEBI circular dated December 09, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat

account maintained with Depositories and Depository Participants. Shareholders are advised to update their mobile number and email Id in their demat accounts in order to access e-Voting facility.

Login method for Individual shareholders holding securities in demat mode is given below:

Type of shareholders	Login Method
Individual Shareholders holding securities in demat mode with NSDL.	<ol style="list-style-type: none"> Existing IDeAS user can visit the e-Services website of NSDL Viz. https://eservices.nsdl.com either on a Personal Computer or on a mobile. On the e-Services home page click on the “Beneficial Owner” icon under “Login” which is available under ‘IDeAS’ section , this will prompt you to enter your existing User ID and Password. After successful authentication, you will be able to see e-Voting services under Value added services. Click on “Access to e-Voting” under e-Voting services and you will be able to see e-Voting page. Click on company name or e-Voting service provider i.e. NSDL and you will be re-directed to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. If you are not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com. Select “Register Online for IDeAS Portal” or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon “Login” which is available under ‘Shareholder/Member’ section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number held with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or e-Voting service provider i.e. NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. Shareholders/Members can also download NSDL Mobile App “NSDL Speede” facility by scanning the QR code mentioned below for seamless voting experience.
<p data-bbox="512 1038 890 1058">NSDL Mobile App is available on</p> <div data-bbox="512 1073 890 1224">   <div style="display: flex; justify-content: space-around; margin-top: 10px;">   </div> </div>	<ol style="list-style-type: none"> Users who have opted for CDSL Easi / Easiest facility, can login through their existing user id and password. Option will be made available to reach e-Voting page without any further authentication. The users to login Easi /Easiest are requested to visit CDSL website www.cdslindia.com and click on login icon & New System Myeasi Tab and then use your existing my easi username & password. After successful login the Easi / Easiest user will be able to see the e-Voting option for eligible companies where the evoting is in progress as per the information provided by company. On clicking the evoting option, the user will be able to see e-Voting page of the e-Voting service provider for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. Additionally, there are also links provided to access the system of all e-Voting Service Providers, so that the user can visit the e-Voting service providers’ website directly. If the user is not registered for Easi/Easiest, option to register is available at CDSL website www.cdslindia.com and click on login & New System Myeasi Tab and then click on registration option. Alternatively, the user can directly access e-Voting page by providing Demat Account Number and PAN No. from a e-Voting link available on www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the Demat Account. After successful authentication, user will be able to see the e-Voting option where the evoting is in progress and also able to directly access the system of all e-Voting Service Providers.

Type of shareholders	Login Method
Individual Shareholders (holding securities in demat mode) login through their depository participants	<ol style="list-style-type: none"> You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. Upon logging in, you will be able to see e-Voting option. Click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on company name or e-Voting service provider i.e. NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.

Important note: Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL.

Login type	Process to be followed
Individual Shareholders holding securities in demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at 022 - 4886 7000 and 022 - 2499 7000
Individual Shareholders holding securities in demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at toll free no. 1800 22 55 33

B) Login Method for e-Voting and joining virtual meeting for shareholders other than Individual shareholders holding securities in demat mode and shareholders holding securities in physical mode.

How to Log-in to NSDL e-Voting website?

- Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a Personal Computer or on a mobile.
- Once the home page of e-Voting system is launched, click on the icon “Login” which is available under ‘Shareholder/Member’ section.
- A new screen will open. You will have to enter your User ID, your Password/OTP and a Verification Code as shown on the screen.

Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.

4. Your User ID details are given below:

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****.
b) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12***** then your user ID is 12*****
c) For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***

5. Password details for shareholders other than Individual shareholders are given below:
 - If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.



- b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
- c) How to retrieve your 'initial password'?
 - (i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
 - (ii) If your email ID is not registered, please follow steps mentioned below in **process for those shareholders whose email ids are not registered**.
6. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:
 - a) Click on "Forgot User Details/Password?" (If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.
 - b) "Physical User Reset Password?" (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.
 - c) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name, and your registered address etc.
 - d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.
7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.
8. Now, you will have to click on "Login" button.
9. After you click on the "Login" button, Home page of e-Voting will open.

Step 2: Cast your vote electronically and join General Meeting on NSDL e-Voting system.

1. After successful login at Step 1, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle and General Meeting is in active status.
2. Select **EVEN 124576** of company for which you wish to cast your vote during the remote e-Voting period and casting your vote during the General Meeting. For joining virtual meeting, you need to click on "VC/OAVM" link placed under "Join Meeting".
3. Now you are ready for e-Voting as the Voting page opens.
4. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.
5. Upon confirmation, the message "Vote cast successfully" will be displayed.
6. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
7. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

General Guidelines for Shareholders

1. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorised signatory(ies) who are authorised to vote, to the Scrutiniser by e-mail to cs.vmanda@gmail.com with a copy marked to evoting@nsdl.co.in. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) can also upload their Board Resolution / Power of Attorney / Authority Letter etc. by clicking on "Upload Board Resolution / Authority Letter" displayed under "e-Voting" tab in their login.

2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the “Forgot User Details/Password?” or “Physical User Reset Password?” option available on www.evoting.nsdl.com to reset the password.
3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of www.evoting.nsdl.com or call on 022 - 4886 7000 and 022 - 2499 7000 or send a request to Ms. Pallavi Mhatre-Senior Manager, National Securities Depository Limited, Trade World, ‘A’ Wing, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013 or at evoting@nsdl.co.in.

Process for those shareholders whose email ids are not registered with the depositories for procuring user id and password and registration of e mail ids for e-voting for the resolutions set out in this notice:

1. In case shares are held in physical mode, please provide Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to investorrelations@aubank.in.
2. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16 digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) to investorrelations@aubank.in. If you are an Individual shareholders holding securities in demat mode, you are requested to refer to the login method explained at **step 1 (A) i.e. Login method for e-Voting and joining virtual meeting for Individual shareholders holding securities in demat mode.**
3. Alternatively, shareholder/members may send a request to evoting@nsdl.co.in for procuring user id and password for e-voting by providing above mentioned documents.
4. In terms of SEBI circular dated December 09, 2020 on e-Voting facility provided by Listed Companies, Individual shareholders holding securities in demat mode are allowed to vote through their demat account maintained with Depositories and Depository Participants. Shareholders are required to update their mobile number and email ID correctly in their demat account in order to access e-Voting facility.

THE INSTRUCTIONS FOR MEMBERS FOR E-VOTING ON THE DAY OF THE AGM ARE AS UNDER:

1. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.
2. Only those Members/ shareholders, who will be present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the AGM.
3. Members who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.
4. The details of the person who may be contacted for any grievances connected with the facility for e-Voting on the day of the AGM shall be the same person mentioned for Remote e-voting.

INSTRUCTIONS FOR MEMBERS FOR ATTENDING THE AGM THROUGH VC/OAVM ARE AS UNDER:

1. Member will be provided with a facility to attend the AGM through VC/OAVM through the NSDL e-Voting system. Members may access by following the steps mentioned above for **Access to NSDL e-Voting system**. After successful login, you can see link of “VC/OAVM link” placed under “**Join meeting**” menu against company name. You are requested to click on VC/OAVM link placed under Join Meeting menu. The link for VC/OAVM will be available in Shareholder/Member login where the EVEN of Company will be displayed. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice to avoid last minute rush.
2. Members are encouraged to join the Meeting through Laptops for better experience.



3. Further Members will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
 4. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
 5. Shareholders who would like to express their views/have questions may send their questions in advance mentioning their name, demat account number/folio number, email id, mobile number at investorrelations@aubank.in. The same will be replied by the Bank suitably.
23. Any person, who acquires shares of the Bank and becomes member of the Bank after dispatch of the notice and holding shares as on the cut-off i.e., Thursday, August 3, 2023 may obtain the login ID and password by sending a request at evoting@nsdl.co.in or contact Bank's RTA.
24. The Scrutiniser shall after the conclusion of voting at the AGM, will submit consolidated scrutiniser's report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by him in writing, who shall countersign the same and declare results (consolidated) within two working days from the conclusion of the meeting.
25. The results of voting will be declared and the same along with the Scrutiniser's Report will be published on the website of the Bank (www.aubank.in) and the website of NSDL (www.evoting.nsdl.com) immediately after the declaration of result by the Chairman and the same will also be communicated to BSE Limited and the National Stock Exchange of India Ltd. within two working days from the conclusion of the AGM.

Place: Jaipur

Date: June 29, 2023

By Order of the Board of Directors
For AU Small Finance Bank Limited

Registered Office:

19-A, Dhuleshwar Garden,
Ajmer Road, Jaipur - 302001, Rajasthan
Website: www.aubank.in
Tel: +91 141 4110060
E-mail: investorrelations@aubank.in

Sd/-
Manmohan Parnami
Company Secretary
Membership No: F9999

Explanatory Statement pursuant to the provisions of Section 102(1) of Companies Act, 2013

The following Statement sets out all material facts relating to the Special Businesses as set out in Item no(s). 4 to 8 mentioned in the above Notice:

Item no. 4:

Mr. Sanjay Agarwal is associated as promoter of the Bank since its inception in 1996 and was appointed as Director in 2003. He holds the designation of Managing Director & CEO (“MD & CEO”) of the Bank. He is a commerce graduate and all-India Rank Holder Chartered Accountant having 28 years of strategic executive experience in the areas of Retail Finance, Treasury, Accountancy, Agriculture & Rural Economy, Banking, Human Resource Management, Economics, Small Scale Industry, Risk and Business Management. Under his exceptional leadership, the Bank is following highest standards of corporate governance with enhanced disclosures and high level engagement with key stakeholders.

He is responsible for overall operations of the Bank and is directly supervising various departments viz. Commercial Banking, Credit Card, Merchant Solution, Information Technology, Digital & Tech Strategic initiatives, Collection, Financial & Digital Inclusion, Finance, Business Planning & Budgeting. His dynamic vision, strategic focus, and entrepreneurial skills continue to guide the balanced growth of the Bank’s business across markets.

Last 6 years posed different challenges for Economy and Banking sector viz., Demonetisation, GST implementation, COVID-19 pandemic, inflation etc. where economic slowdown impacted businesses and unprecedented challenges were being faced. His visionary stewardship, unwavering commitment to excellence, execution-oriented approach helped to visualise and convert crisis into opportunities and Bank took several initiatives to make Banking more convenient and simpler for its customers. Bank stabilised and became resilient under his tenure as MD & CEO and delivered on all key parameters and progressed well on areas of critical parameters and foundation is well laid to scale Banking operations and achieve sustainable growth in coming years.

The performance of MD & CEO covering both Quantitative Parameters inter-alia, (Balance Sheet Growth, Deposit Book Growth, Asset Quality, and Profitability etc.) and Qualitative Parameters (Sustainable Business Model, Business Strategy, Digital Outlook, Automation, Business Expansion & Development, Statutory & Regulatory Compliances and Corporate Governance, Cyber Security Resilience, Customer Focus, Financial Inclusion, and Leadership Development etc.) has been appreciable.

Under his leadership, the Bank has achieved sustainable and inclusive growth over the past 6 years. Despite the challenging macro conditions continuing in FY 2022-23, like tight liquidity and high interest rate aided by inflationary pressures, the Bank achieved consistent growth and some of the key highlights of the FY 2022-23 is presented herein below:

Particulars	March 31, 2022	March 31, 2023
Assets (₹ in crores)	69,078	90,216
Deposits (₹ in crores)	52,585	69,365
Net Worth (₹ in crores)	7,514	10,977
Unique Customers (in lakhs)	27.5	38.6
Touchpoints (Nos.)	919	1,027
Employees (Nos.)	27,817	28,320

- Profitability: Net Profit After Tax increased to ₹ 1,428 crores for FY 2022-23 vis-à-vis ₹ 1,130 crores for FY 2021-22 registering YoY growth of 26% with stable RoA at 1.8% and RoE at 15.4% for FY23.
- Balance Sheet: Balance Sheet size grew to ₹ 90,216 crores as on March 31, 2023 vis-à-vis ₹ 69,078 crores as on March 31, 2022 registering YoY growth of 31%.
- Bank Asset quality continued to improve during the year, backed by strict underwriting norms, and focus on secured lending with Gross NPA and Net NPA ratio declining to 1.66% and 0.42% as on March 31, 2023 vis-à-vis 1.98% and 0.50% as on March 31, 2022, respectively.
- Deposits grew by 32% YoY to ₹ 69,365 crores and CASA ratio improved to 38.4% as on March 31, 2023 against 37.3% as on March 31, 2022.



- Overall, in FY 2022-23, the Bank delivered a consistent and strong performance across parameters while continuing to progress on the journey of building a standardised, scalable, and sustainable banking franchise in deposits, assets, and digital banking.
- India Ratings upgraded Bank's credit rating to "AA/Stable" during the year and Bank is rated "AA/Stable" by all 3 rating agencies - namely CRISIL, CARE and India Ratings.
- The Bank continues to aim and build a healthy Retail focused and sustainable liabilities franchise with strong emphasis on CASA and granular deposits, especially the current account deposits grew by 43%.
- The Bank has made significant strides in its journey towards becoming a tech led Bank and has launched several industry first initiatives to strengthen its digital proposition viz., SwipeUp programme in Credit Cards, Digital Current Account proposition with video KYC, BBPS bill payments over Video Banking, QR based motor insurance and wellness products and activation of Video Banking Service Channel for NR segment.
- Despite challenging business environment, Bank successfully raised total of ₹ 2,500 crores in capital, including ₹ 2,000 crores as Tier - I capital and ₹ 500 crores as Tier - II Bonds which further fortified Bank's Balance Sheet and Capital adequacy position well over and above the regulatory requirements.
- Strong ESG practices of the Bank have been recognised, with an 'AA' rating from MSCI and a medium rating in ESG Risk from Sustainalytics. To further drive our sustainability initiatives, Bank have established a Board-level committee chaired by an Independent Director and released its first sustainability report for FY22 which was externally assured under GRI Framework.
- Bank received several accolades under his leadership including Silver Shield award from ICAI for Excellence in Financial Reporting, 2021-22, Best Small Finance Bank at MSME Banking Excellence Awards 2021 by CIMSME and 'Technology Innovator of The Year' Award at 3rd Annual BFSI Technology Excellence Awards 2022 and Certificate of Recognition for Excellence in Corporate Governance at 22nd ICSI National Awards for Excellence in Corporate Governance.
- Awarded with Best Technology Bank Best Digital Engagement at 18th Annual Banking Technology Conference, Expo and Awards 2022 by Indian Banks Association (IBA) under Payment and SFB category.
- Bank received AD - I License from RBI under his leadership which will further empower Bank to offer complete range of product suite to our MSMEs, Exim and other customer segments.

RBI has approved the re-appointment of Mr. Sanjay Agarwal as MD & CEO of the Bank for further period of 3 years w.e.f. April 19, 2023 till April 18, 2026.

Basis evaluation of performance, considering key achievements and on the recommendation of the NRC, the Board at its meeting held on June 29, 2023 reviewed the remuneration paid to Mr. Sanjay Agarwal, MD & CEO of the Bank and approved the revision in his remuneration by way of salary, allowance, and perquisites payable to him w.e.f. April 01, 2023 subject to the approval of the RBI and the members of the Bank.

The Bank has further put in place the provisions with respect to Malus and/or Clawback in respect of remuneration of MD & CEO as per the applicable guidelines stipulated by the RBI.

Except for Mr. Sanjay Agarwal, MD & CEO & his relatives, none of the other Directors / Key Managerial Personnel of the Bank / their relatives are in any way concerned or interested, financially or otherwise, in the resolution set out at Item No. 4 of the Notice.

The Board of Directors recommends the passing of Ordinary Resolution set out at Item No. 4 of the Notice for approval by the members of the Bank.

Brief profile of Mr. Sanjay Agarwal and other additional information pursuant to Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of India is furnished as **Annexure-2** to the Notice.

Item no. 5:

Mr. Uttam Tibrewal is Whole Time Director (WTD) of the Bank. He has over 27 years of rich experience in the various areas of Financial Service sector viz. Accountancy, Agriculture & Rural Economy, Banking, Economics, Finance, Small Scale Industry, and Risk and Business Management. His deep operational knowledge and broad strategic insights helped the Bank in building and scaling the Retail & Banking Business. As an Executive Director, he is responsible for the execution on the vision of the Bank.

Mr. Uttam Tibrewal among others leads the Branch Banking, Wheels, Home Loan, Unsecured Loan and Digital Banking verticals of the Bank and his visionary approach enabled the multifold growth of Bank's businesses across markets and industry on Banking platform in a short period of 6 years.

Mr. Uttam Tibrewal took leadership role for Business development since beginning and expanded business in Rajasthan then gradually in other states. His dedication, commitment, team building & motivational skills, leadership, and passion towards institutional building led to sustainable growth of the Bank. He worked with detailing on leadership hirings, expansion of management bandwidth at Mumbai for making institution future ready and long lasting.

Further, in India's dynamic Banking landscape, Mr. Tibrewal took several first-time initiatives in Banking sector which further enhanced brand visibility, credibility, and all-around trust in the Bank.

Mr. Tibrewal is a firm believer of "Customer First" and always look forward to drive customer service initiatives through all front-end channels, i.e. Branch Banking, Customer Care and Digital Properties etc. Under his leadership Bank focused on Business Development covering increase in Deposit Base, reduction in Cost of Funds, Asset Book Growth, Stronger and Granular Portfolio, Sound Asset Quality, Building Brand Identity & Enhanced Visibility, and Financial Inclusion among others to drive the Sustainable growth for the Bank.

The performance of WTD covering both Quantitative Parameters inter-alia, (Bank's Deposit Book Growth, Cost of Deposits, CASA Ratio, Loans & Advances growth, and Asset Quality etc.) and Qualitative Parameters (Sustainable Business Model, Business Strategy, Statutory & Regulatory Compliance and Corporate Governance, Financial Inclusion, Customer Service, Diversity & Inclusivity (D&I) including Leadership Development etc.) has been appreciable.

As a seasoned banker, his delivery has remained exceptional and under his leadership, the Bank has achieved sustainable and inclusive growth over the past 6 years despite macro and operational challenges. Despite the challenging macro conditions continuing in FY 2022-23, like tight liquidity and high interest rate aided by inflationary pressures, the Bank delivered an all-round growth and some of the key highlights of the FY 2022-23 is presented herein below:

- Calibrated growth in Gross Advances (26% YoY) and Deposits (32% YoY) with focus on operational efficiency.
- The Bank continued to aim and build a healthy Retail focused and sustainable liabilities under the leadership of Mr. Tibrewal with strong emphasis on CASA and granular deposits, especially on current account proposition. The Current Account deposits of the Bank grew by 43% maintaining the CASA ratio at 38.4% and CASA plus retail Term Deposit base has increased to 69% compared to 67% for FY 2021-22.
- Bank maintained excellent Asset quality, backed by strict underwriting norms and secured lending discipline and reduced its gross NPA to 1.66% and net NPA to 0.42% as on March 31, 2023 from 1.98% and 0.50% respectively, as on March 31, 2022.
- Expanded its geographic footprint by adding 108 new touchpoints in the Financial year, taking total touchpoints to 1,027, thereby further enhancing penetration and presence in the market. During the year, the Bank also entered into newer states of Andhra Pradesh, Assam, Jharkhand and Kerala.
- Customer base of the Bank increased by 40% during the previous fiscal year, affirming the effectiveness of customer-centric business model.
- The Bank has made significant strides in its journey towards becoming a tech led Bank and has launched several industry first initiatives to strengthen Bank's digital proposition viz. Digital Current Account proposition with video KYC, BBPS bill payments over Video Banking, QR based motor insurance and wellness products and activation of Video Banking Service Channel for NR segment.



- The Bank has successfully established strong partnerships with HDFC life and ICICI Lombard, resulting in a thriving business in Life and General Insurance sectors with these partners.
- Bank received AD - I License from RBI under his leadership which will further empower Bank to offer complete range of product suite to our MSMEs, Exim and other customer segments.

RBI has approved the re-appointment of Mr. Uttam Tibrewal as WTD of the Bank for further period of 3 years w.e.f. April 19, 2023 till April 18, 2026.

Further, basis the evaluation of performance, considering key achievements and on the recommendation of the NRC, the Board at its meeting held on June 29, 2023 reviewed the remuneration paid to Mr. Tibrewal, WTD of the Bank and approved the revision in his remuneration by way of salary, allowance, and perquisites payable to him w.e.f. April 01, 2023 subject to the approval of the RBI and the members of the Bank.

The Bank has further put in place the provisions with respect to Malus and/or Clawback in respect of remuneration of WTD as per the applicable guidelines stipulated by the RBI.

Except for Mr. Uttam Tibrewal, WTD & his relatives, none of the other Directors / Key Managerial Personnel of the Bank / their relatives are in any way concerned or interested, financially or otherwise, in the resolution set out at Item No. 5 of the Notice.

The Board of Directors recommends the passing of Ordinary Resolution set out at Item No. 5 of the Notice for approval by the members of the Bank.

Brief profile of Mr. Uttam Tibrewal and other additional information pursuant to Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of India is furnished as **Annexure-2** to the Notice.

Item no. 6:

Pursuant to the provisions of Section 42 of the Act read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, the Bank can issue securities including Non-Convertible Debentures ("**NCDs**")/Bonds on a private placement basis subject to the condition that the proposed offer of securities or invitation to subscribe to the securities has been previously approved by the members of the Bank, by means of a special resolution, for each of the offers or invitations. In case of an offer or invitation for NCDs, it shall be sufficient if the Bank passes a special resolution only once in a year for all the offer(s) or invitation(s) to subscribe to such NCDs on a private placement basis, during a period of one year from the date of passing of the special resolution even if the amount to be borrowed/ raised exceeds/will exceed the limit as specified in Section 180(1)(c) of the Act.

In view of the above requirement, the members of the Bank at the last AGM held on August 23, 2022 had approved the borrowing/raising of funds by issue of non-convertible debt securities on private placement basis in pursuance of the relevant provisions of the applicable laws and circulars or guidelines issued by the RBI, upto an amount not exceeding ₹ 6,000 crores (Rupees Six Thousand Crores Only), during a period of one year from the date of passing of the special resolution in one or more tranches.

Further, considering the consistent growth in business & operations and existing and future fund requirements of the Bank and to facilitate the Bank to evaluate a potential fund raising at an appropriate time in one or more tranches in Indian as well as overseas market by issue of non-convertible debt securities, the Board of Directors of the Bank at its meeting held on June 29, 2023 has proposed to obtain the consent of the members of the Bank for borrowing/raising funds in Indian currency/ foreign currency by issue of non-convertible debt securities including but not limited to long-term bonds, perpetual debt instruments, Tier I/Tier II Capital Bonds or such other debt securities as may be permitted under RBI guidelines from time to time) in domestic and/ or overseas market, in one or more tranches and/or series as per the structure and within the limits permitted by the RBI and other regulatory authorities to eligible investors of an amount not exceeding ₹ 6,000 crores (Rupees Six Thousand Crores Only) on a private placement basis during a period of one year from the date of passing of this special resolution.

The said non-convertible debt securities would be issued by the Bank in accordance with the applicable statutory guidelines, for cash either at par or premium to face value depending upon the prevailing market conditions and the pricing of such securities depends upon various factors which may include prevailing risk-free rates, competitor

rates of similar rating and prevailing regulations. Furthermore, the offer shall be made to such persons as identified under Section 42(2) of the Act on such terms and conditions including the price, coupon, par/ premium/ discount, tenor etc., as may be determined by the Board (includes a duly authorised Committee), in the prevailing market conditions as permitted by the relevant applicable regulations.

None of the Director/Key Managerial Personnel of the Bank or their relatives are, in any way concerned or interested, financially or otherwise, in the Resolution set out at Item No. 6 of the Notice.

The Board of Directors recommends the passing of Special Resolution set out at Item No. 6 of the Notice for approval by the members of the Bank.

Item no. 7:

The Bank has been growing steadily over the last 6 years at banking platform despite the macro headwinds, COVID-19 pandemic, and inflation etc.

Despite FY 2022-23 being challenging year for business planning with uncertainty around inflation, liquidity, and interest rates; the complex macro-environment was balanced by strong credit demand and robust asset quality. The Bank has been working on a calibrated strategy to build a very sustainable business model, which can provide consistent performance over the long-term, while continuing to build capacity for the future. Further, the Bank always remained optimistic with a cautious approach and demonstrated a stabilised and well-rounded performance in terms of good asset quality, well capitalised & consistent profitability growth, growing customer base, product innovation, branch expansion, digital initiatives, progress in financial & digital inclusion, HR Initiatives and expansion of the Board etc.

The last capital raise by the Bank was undertaken in the first week of August 2022 under the AGM approval received on August 17, 2021 when the Bank raised equity capital of ₹ 2,000 crores (Rupees Two Thousand Crores Only) from marquee institutional investors. This capital raise helped position the Bank as a growing franchise which has the ability to raise capital from investors even in a difficult market and macro environment.

Healthy capitalisation helps the Bank in meeting the requirements of growing business, investment in latest systems and processes and in complying with the RBI stipulated Capital requirements. A Banking Company risks falling behind the curve with restraints on asset expansion, outdated systems, and regulatory roadblocks without availability of necessary capital.

Hence, to meet the growing capital requirement of the Bank for ensuring unhindered growth and business expansion, the Bank in the last 6 years has raised equity capital under Preferential and Qualified Institutional Placement routes. The said Capital raise have been carried out in accordance with the provisions of the SEBI ICDR Regulations and the Act. This was driven mainly by the Bank's long-term strategy wherein Bank has always ensured that it remains well capitalised while delivering consistent growth in Balance Sheet and healthy profitability.

The members of the Bank at the last AGM held on August 23, 2022 has approved raising of funds through Qualified Institutions Placement/ preferential allotment or such other permissible mode or combinations thereof under Section 23, 41, 42 and 62(1)(c) of the Act respectively upto an amount aggregating to not more than ₹3,000 crores (Rupees Three Thousand Crores Only). However, there was no capital raise done against the said approval.

Purpose / objects of the fund raise:

As on March 31, 2023, our Bank's Capital to Risk Weighted Asset Ratio ("**CRAR**") and Tier I ratio stood at 21.8% and 23.6% respectively. This is significantly above the minimum requirement of 15%, and sufficient for the Bank to meet the near-term growth needs of the Bank in FY 2023-24.

However, the CRAR needs to be maintained by Bank on a daily basis and as per the stipulated guidelines, interim unaudited profits cannot be used while calculating CRAR ratio for compliance purposes.

To support the future growth aspirations of the Bank, strong capital adequacy to further strengthen the Bank's ability to deal with unforeseen contingencies, and to meet increasing regulatory requirements, it is essential that



the Bank remains well-capitalised by enhancing its tier 1 capital base to always ensure sufficient fund availability to achieve future expansion plan(s). Hence, in accordance with the growing size of the Bank and to cater to our growth plans, we seek an enabling resolution to raise additional equity capital up to ₹ 5,000 crores (Rupees Five Thousand Crores Only).

Pursuant to Section 62(1)(c) of the Act, further equity shares may be issued to persons other than the existing Members of the Bank, provided that the Members of the Bank approve the issue of such equity shares, by means of a Special Resolution.

In terms of Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, a company can make a private placement of its securities under the Act, only after receipt of prior approval of its members by way of a Special Resolution. The consent of the Members would therefore be necessary pursuant to the provisions of Sections 42 and 62(1)(c) of the Act, read with applicable provisions of the SEBI ICDR Regulations and Listing Regulations, for issuance of Securities.

The Special Resolution as set out in Item No. 7 of this Notice is an enabling resolution to raise capital by way of a private placement, including by way of a QIP in accordance with Chapter VI of the SEBI ICDR Regulations and therefore, the proposal seeks to confer upon the Board or a duly authorised Committee thereof, the sole and absolute discretion to determine the terms and conditions of the said issue of securities, including the exact price, proportion and timing of such issue, mode of offer based on an analysis of market conditions and the specific requirements in accordance with the relevant provisions of the Act, the SEBI ICDR Regulations and any other applicable laws.

The Securities to be so offered, issued, and allotted shall be subject to the provisions of the Memorandum of Association and Articles of Association of the Bank and the Equity Shares that may be issued and allotted by the Bank shall rank pari passu inter se and with the then existing Equity Shares of the Bank, in all respects, and shall be subject to the Memorandum of Association and Articles of Association of the Bank.

None of the Director / Key Managerial Personnel of the Bank or their relatives are, in any way concerned or interested, financially or otherwise, in the Resolution set out at Item No. 7 of the Notice.

The Board of Directors recommends the passing of Special Resolution set out at Item No. 7 of the Notice for approval by the members of the Bank.

Item no. 8:

There have been amendments/enactments to various corporate laws in last few years. Some of these are enactment of the Act replacing the erstwhile Companies Act, 1956, amendments to the Banking Regulation Act, 1949 (the “**Banking Act**”) and various SEBI Regulations.

Further, pursuant to the amendment in Regulation 23 by insertion of sub-regulation (6) of the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (“**NCS Regulations**”) vide SEBI (Issue and Listing of Non-Convertible Securities) (Amendment) Regulations, 2023 (“**Amendment Regulations**”) dated February 02, 2023, if an issuer is a company whose debt securities are listed as on the date of publication of the aforesaid Amendment Regulations in the official gazette (February 02, 2023), it shall ensure that its Articles of Association (“**AOA**”) require its Board of Directors to appoint the person nominated by the debenture trustee(s) in terms of clause (e) of sub-regulation (1) of regulation 15 of the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993 as a director on its Board of Directors in the event of:

- (i) two consecutive defaults in payment of interest to the debenture holders; or
- (ii) default in creation of security for debentures; or
- (iii) default in redemption of debentures

It further requires the Company to amend its Articles of Association to comply with the aforesaid provision, on or before September 30, 2023.

The Bank being an issuer of Non-convertible Debentures, is required to alter its AOA on or before September 30, 2023 by including the enabling clause for appointment of a person nominated by the debenture trustee(s) as a director on its Board.

Furthermore, the existing AOA of the Bank has few regulations containing references to specific sections of the Companies Act, 1956. Moreover, some regulations in the existing AOA of the Bank are no longer in conformity with the Act. As substantive sections of the Act which deal with the general working of companies stand notified, several clauses of the existing AOA of the Bank require alteration or deletions.

Hence, suitable amendments in the AOA in alignment with the provisions of the Laws applicable on the Bank including amendments in NCS Regulations, as aforesaid were proposed by the Board at its meetings held on May 22, 2023 and June 29, 2023, subject to the approval of Reserve Bank of India (“RBI”) and the members of the Bank, respectively.

The proposed amendments along with the reason thereof are contained in the **Annexure-1** forming part of this Notice.

In accordance with the provisions of Section 14 of the Act read with the rules made thereunder, approval of members of the Bank is required for alteration of its AOA by way of passing Special Resolution.

A copy of the proposed new AOA of the Bank would be available for inspection by the Members at the Registered Office of the Bank during the normal business hours between 10:00 AM (IST) to 5:00 PM (IST) on working days up to the date of the AGM.

None of the Director / Key Managerial Personnel of the Bank or their relatives are, in any way concerned or interested, financially or otherwise, in the Resolution set out at Item No. 8 of the Notice.

The Board of Directors recommends the passing of Special Resolution set out at Item No. 8 of the Notice for approval by the members of the Bank.

Place: Jaipur

Date: June 29, 2023

**By Order of the Board of Directors
For AU Small Finance Bank Limited**

Registered Office:

19-A, Dhuleshwar Garden,
Ajmer Road, Jaipur - 302001, Rajasthan
Website: www.aubank.in
Tel: +91 141 4110060
E-mail: investorrelations@aubank.in

Sd/-
Manmohan Parnami
Company Secretary
Membership No: F9999



PROPOSED ALTERATIONS IN THE ARTICLES OF ASSOCIATION OF THE BANK

Annexure-1

S. Article N. No.	Existing Articles	Proposed Article	Remarks / Reason for change
1	<p>The Articles of Association of the Company comprise of two parts, Part A and Part B, which parts shall, unless the context otherwise requires, co-exist with each other. In case of inconsistency or contradiction, conflict or overlap between Part A and Part B, the provisions of Part B shall, subject to Applicable Law, prevail and be applicable. However, Part B shall automatically terminate and cease to have any force and effect from the date of listing and trading of Equity Shares on a recognised stock exchange in India pursuant to an initial public offering of the Equity Shares of the Company, without any further corporate action by the Company or by the shareholders.</p>	-	<p>Part B is not applicable on Bank post listing of the Bank on Stock Exchanges. Hence it is to be deleted.</p>
2	<p>"Act" means the (Indian) Companies Act, 2013 (including the relevant rules framed thereunder), to the extent enforced, as amended, modified, replaced or supplemented from time to time.</p> <p>The provisions of the Companies Act, 1956, as amended, referred herein shall be deemed to be substituted by the corresponding provisions of the Companies Act, 2013 to the extent such provision of the Companies Act, 2013 has been notified by the relevant government authority;</p>	<p>"Act" means the (Indian) Companies Act, 2013 (including the relevant rules framed thereunder), to the extent enforced, as amended, modified, replaced or supplemented from time to time.</p>	<p>Deletion of second para of the Article, as no provisions of the Companies Act, 1956 are in force now.</p>
3	<p>"Applicable Law" means all applicable statutes, laws, ordinances, rules and regulations, judgments, notifications, orders, decrees, bye-laws, guidelines, or any decision, or determination, or any interpretation, policy or administration, having the force of law, including but not limited to, the Banking Act, the Guidelines and any Authorisation by any Authority, in each case as in effect from time to time;</p>	<p>"Applicable Laws" means all applicable statutes, laws, ordinances, rules and regulations, judgments, notifications, orders, decrees, bye-laws, guidelines, or any decision, or determination, or any interpretation, policy or administration, having the force of law, including but not limited to, the Banking Act, the Guidelines, the Reserve Bank of India Act 1934, all regulations enacted by the Securities and Exchange Board of India, Foreign Exchange Management Act, 1999 ("FEMA") as applicable or as and when may become applicable to the Company, and any Authorisation by any Authority, in each case as amended and as in effect from time to time;</p>	<p>To specifically mention laws applicable on the Bank being RBI regulated and Listed Company. Further wherever mentioned in the Article, "Applicable Law" has been replaced with "Applicable Laws".</p>
4	<p>"Tax" and, collectively "Taxes" shall mean any and all foreign, central, state, municipal and local (or equivalent) taxes of any country, assessments and other governmental charges, customs duties, impositions and liabilities, including taxes based upon or measured by gross receipts, income, profits sales, valorem, stamp duty, stamp transfer, franchise, withholding, payroll, recapture, employment, excise and property taxes together with all interest, penalties and additions imposed with respect to such amounts and any obligations under any agreements or arrangements with any other Person with respect to such amounts and including any liability for taxes of a predecessor entity;</p>	<p>"Tax" and, collectively "Taxes" shall mean any and all foreign, central, state, municipal and local (or equivalent) taxes of any country, assessments and other governmental charges, customs duties, impositions and liabilities, including taxes based upon or measured by gross receipts, income, profits sales, service, use and occupation, and value added, ad valorem, stamp duty, stamp transfer, franchise, withholding, recapture, employment, excise and property taxes and Services Tax (GST) together with all interest, penalties and additions imposed with respect to such amounts and any obligations under any agreements or arrangements with any other Person with respect to such amounts and including any liability for taxes of a predecessor entity;</p>	<p>Goods and Services Tax is added in the definition of Taxes as the same is applicable.</p>

S. Article N. No.	Existing Articles	Proposed Article	Remarks / Reason for change
5	<p>6 (c) A. e. Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:</p> <p>(i) to convert such debentures or loans into shares in the Company; or</p> <p>(ii) to subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise).</p> <p>Provided that the terms of the issue of such debentures or the terms of such loans include a term providing for such option and such term:</p> <p>(a) either has been approved by the central government before the issue of the debentures or the raising of the loans or is in conformity with the rules, if any, made by that government in this behalf; and</p> <p>(b) in the case of debentures or loans or other than debentures issued or loans obtained from Government or any institution specified by the central government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.</p>	<p>Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company to convert such debentures or loans into shares in the Company (whether such option is conferred in these Articles or otherwise).</p> <p>Provided that the terms of the issue of such debentures or the terms of such loans include a term providing for such option and such term have been approved before the issue of such debentures or the raising of loan by a special resolution passed by the Company in General Meeting.</p>	<p>To align the Article with the provisions of Section 62 of the Companies Act, 2013.</p>
6	<p>6. (c) C. to any persons, if it is authorised by a special resolution passed by the Company in a General Meeting, whether or not those persons include the persons referred to in clause A above, either for cash or for a consideration other than cash, if the price of such shares is determined by the valuation report of a registered valuer subject to the rules. Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the General Meeting (including the casting vote, if any, of the Chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the central government is satisfied, on an application made by the Board in this behalf that the proposal is most beneficial to the Company, then further shares may be offered to such persons.</p>	<p>to any persons, if it is authorised by a special resolution passed by the Company in a General Meeting, whether or not those persons include the persons referred to in clause A & B above, either for cash or for a consideration other than cash.</p>	<p>To align with the provisions of the Companies Act, 2013.</p>



S. Article N. No.	Existing Articles	Proposed Article	Remarks / Reason for change
7	7A. (g) The residue, if any, shall, subject to a like Lien for sums not presently payable as existed upon the Shares before the sale, be paid to the person entitled to the Shares at the date of the sale. Unless otherwise agreed, the registration of a transfer of share/ debentures shall operate as a waiver of the Company's lien if any, on such shares/ debentures. The Directors may at any time declare any shares or debentures, wholly or in part to be exempt from the provisions of this clause.	The residue, if any, shall, subject to a like Lien for sums not presently payable as existed upon the Shares before the sale, be paid to the person entitled to the Shares at the date of the sale. Unless otherwise agreed, the registration of a transfer of share/ debentures shall not operate as a waiver of the Company's lien if any, on such shares/ debentures. The Directors may at any time declare any shares or debentures, wholly or in part to be exempt from the provisions of this clause. Save as aforesaid, Regulations 23 to 26 of Table F shall apply to the extent applicable.	Drafting related improvement.
8	- After 10C.	-	Regulations for transmission of shares as per Table F included.
9	13(f)	-	Insertion of enabling clause pursuant to recent amendment in Regulation 23 of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 as amended from time to time, subject to applicable RBI Regulations, if any.
10	14. E. (e) The terms "office or profit" and "arm's length basis" shall have the meaning ascribed to them under Section 188 of the Act.	The Board of Directors shall appoint the person nominated by the debenture trustee(s) in terms of Regulation 15(1)(e) of the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993 as a director on its Board of Directors, in accordance with and within the prescribed time frame under the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 as amended from time to time, subject to applicable RBI Regulations, if any. The terms "office or place of profit" and "arm's length basis" shall have the meaning ascribed to them under Section 188 of the Act.	Drafting related improvement.
11	20. (Heading of Article)	When Annual General Meeting to be held	Typo correction.
12	23B. (a) Subject to any rights or restrictions for the time being attached to any class or classes of shares, — (i) on a show of hands, every Shareholder present in person shall have one vote; and (ii) on a poll, the voting rights of Shareholders shall be in proportion to his share in the paid-up equity Share Capital of the Company.	Subject to any rights or restrictions for the time being attached to any class or classes of shares, — (i) on a show of hands, every Shareholder present in person shall have one vote; and (ii) on a poll, the voting rights of Shareholders shall be in proportion to his share in the paid-up equity Share Capital of the Company. Provided that the voting rights shall be subject to the restrictions imposed under Section 12 of the Banking Act, as amended from time to time, or under any other Applicable Laws.	To align with provisions of the Banking Regulation Act, 1949.

S. Article N. No.	Existing Articles	Proposed Article	Remarks / Reason for change
13 31	In the event of any inconsistency between a specific provision of: (i) the Banking Act and/ or the Guidelines and/or the instructions contained in the various RBI circulars/ guidelines applicable to the Company and issued by RBI from time to time; and (ii) the Act, the terms/ provisions of the Banking Act and/ or the Guidelines and/ or the instructions contained in the various RBI circulars/ guidelines (as applicable) would prevail and apply.	In the event of any inconsistency between a specific provision of: (i) (a) the Banking Act and/ or the Guidelines and/ or the instructions contained in the various RBI circulars/ guidelines applicable to the Company and issued by RBI from time to time and/ or (b) regulations of Securities and Exchange Board of India as applicable to the Company; and/ or (c) the Act, then the terms/ provisions of the Banking Act and/ or the Guidelines and/ or the instructions contained in the various RBI circulars/ guidelines (as applicable) would prevail and apply. (ii) (a) the regulations of Securities and Exchange Board of India and/ or the Guidelines and/ or the instructions contained in the various SEBI circulars/ guidelines applicable to the Company and issued by SEBI from time to time and/ or (b) the Act, then the terms/ provisions of the SEBI Regulations and/ or the Guidelines and/ or the instructions contained in the various SEBI circulars (as applicable) would prevail and apply.	Addition of regulations applicable to Bank being listed company.
14 32	-	All provisions of these Articles shall be read as subject to and in compliance with the Applicable Laws, particularly the Act, the Banking Act, the Guidelines, the Reserve Bank of India Act, 1934, and all regulations enacted by the Securities and Exchange Board of India, FEMA as applicable or as and when may become applicable to the Company, and as amended from time to time.	Insertion of Article to cover all the existing applicable laws / rules/ regulations / guidelines and those becoming applicable in future, and as amended from time to time.
15 33	-	Any reference in these Articles to the Companies Act, 1956, shall be treated as redundant and non-est for the purposes of these Articles.	As provisions of the Companies Act, 1956 are not in force now.



Annexure-2

BRIEF PROFILE AND OTHER INFORMATION OF DIRECTORS BEING APPOINTED / RE-APPOINTED / WHOSE REMUNERATION IS BEING REVISED, AS SET OUT IN THIS NOTICE, IN TERMS OF THE REGULATION 36 (3) OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 AND THE SECRETARIAL STANDARD ON GENERAL MEETINGS (SS-2) ISSUED BY THE INSTITUTE OF THE COMPANY SECRETARIES OF INDIA.

Particulars	Mr. Sanjay Agarwal	Mr. Uttam Tibrewal
Age	52 Years	52 years
Date of first appointment on Board	January 22, 2003	January 22, 2005
Qualification	C.A., B. Com.	B. Com.
Brief Resume including experience	<p>Mr. Sanjay Agarwal is promoter and Managing Director & CEO of the Bank and has 28 years of strategic executive experience. He is a Commerce graduate from Government College, Ajmer and all-India rank holder Chartered Accountant. He possesses extensive experience in areas of Retail Finance, Treasury, Accountancy, Agriculture & Rural Economy, Banking, Human Resource Management, Economics, Small Scale Industry, Risk and Business Management.</p> <p>He spearheads several initiatives that helped to create a nimble and agile organisation. He is credited with creating a culture of business excellence and delivering superior benchmark performance through his vision and execution-oriented approach. He has led the Bank's evolution to the highest standards of corporate governance with enhanced disclosures and high-level engagement with key stakeholders.</p> <p>He has received many awards and recognitions including EY Entrepreneur of the Year 2018, Innovative Leader of the Year by ET Now, Business Leader of the Year' award by ICAI, Personality of the year (Finance Category) at Rajasthan Entrepreneur and the Excellence Award, and ET Gamechanger of India - 2019.</p>	<p>Mr. Uttam Tibrewal is a commerce graduate from the University of Delhi. He has around 27 years of experience in Financial Service sector with rich experience in the field of Agriculture & Rural Economy, Finance, Small Scale Industry, Accountancy, Banking, Risk and Business Management.</p> <p>His deep operational knowledge and broad strategic insight helped in building and scaling the retail business. He among others is responsible for supervisory functions and departments viz. Wheels, Home Loans, Branch Banking and Digital Banking.</p> <p>His ability to pulse the customer expectation sets him apart. He has led from front and over the years ensured that simplification of processes and customer centricity is kept as organisational priority for success and sustainability in the long run.</p>
Nature of his expertise in specific functional areas	<ul style="list-style-type: none"> • Accountancy • Agriculture and Rural economy • Banking • Economics • Finance & Treasury • Small scale Industry • Human Resource • Risk Management • Business Management 	<ul style="list-style-type: none"> • Accountancy • Agriculture and Rural Economy • Banking • Economics • Finance • Small Scale Industry • Risk Management • Business Management
Other Directorship	Nil	Nil
Name of listed entities from which the person has resigned in the past three years	Nil	Nil
Chairmanship/Membership of Committees in other companies in which position of Director is held#	Nil	Nil

Particulars	Mr. Sanjay Agarwal	Mr. Uttam Tibrewal
Relationship with other Directors, Managers, and other Key Managerial Personnel of the Company	None	None
No. of equity shares held in the Company	11,71,91,360	1,31,84,936
No. of Board meetings attended during the year (FY22-23)	15/16	15/16
Terms and conditions of appointment	Liable to retire by rotation and other existing terms and conditions as approved by shareholders and as stipulated by RBI.	Liable to retire by rotation and other existing terms and conditions as approved by shareholders and as stipulated by RBI.
Remuneration last drawn	₹ 3.22 crores	₹ 2.40 crores
Remuneration sought to be paid	As disclosed in resolution no. 4	As disclosed in resolution no. 5

#Membership/Chairmanship of Audit Committee & Stakeholders Relationship Committee.

Place: Jaipur

Date: June 29, 2023

Registered Office:

19-A, Dhuleshwar Garden,
Ajmer Road, Jaipur - 302001, Rajasthan

Website: www.aubank.in

Tel: +91 141 4110060

E-mail: investorrelations@aubank.in

By Order of the Board of Directors

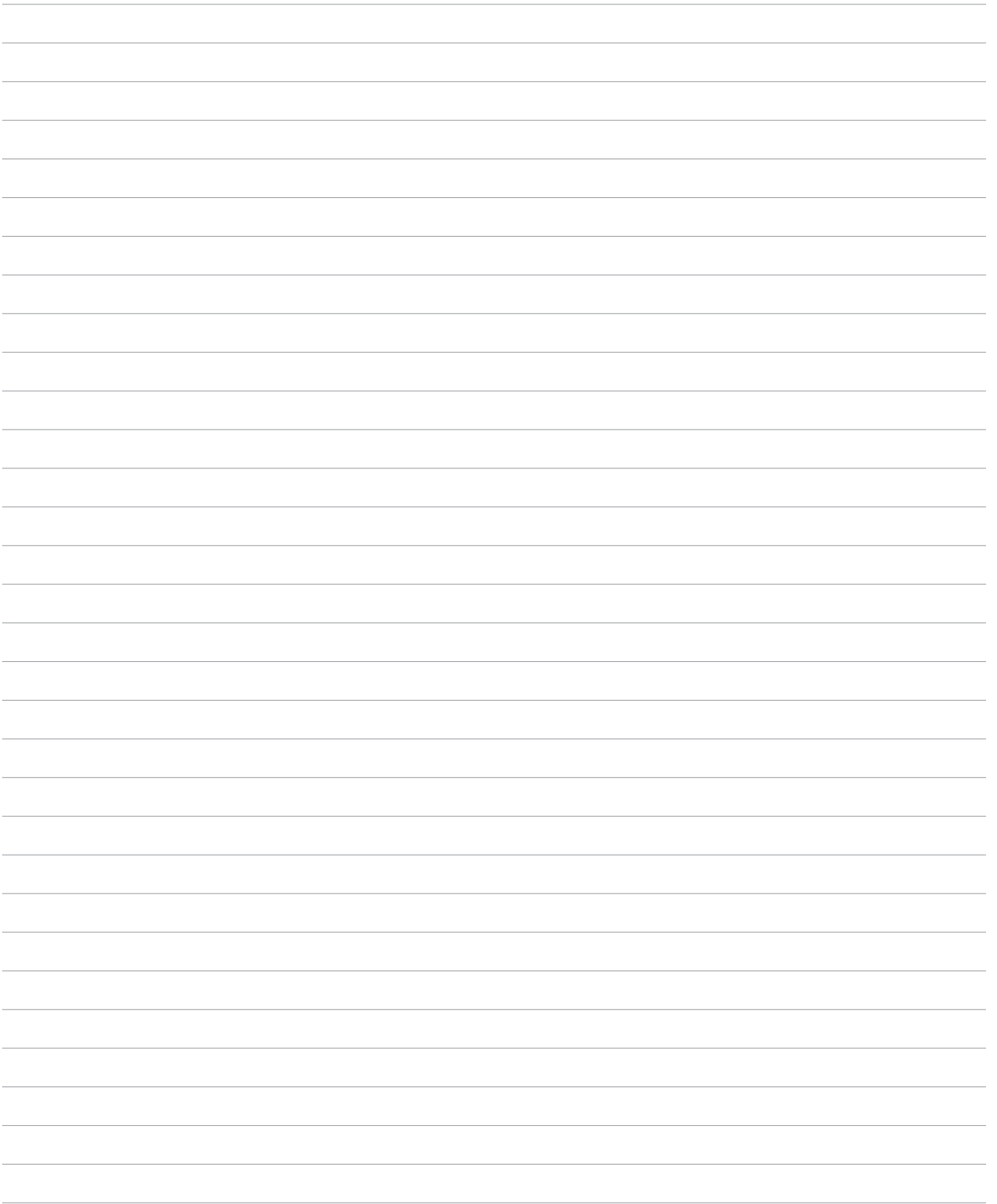
For AU Small Finance Bank Limited

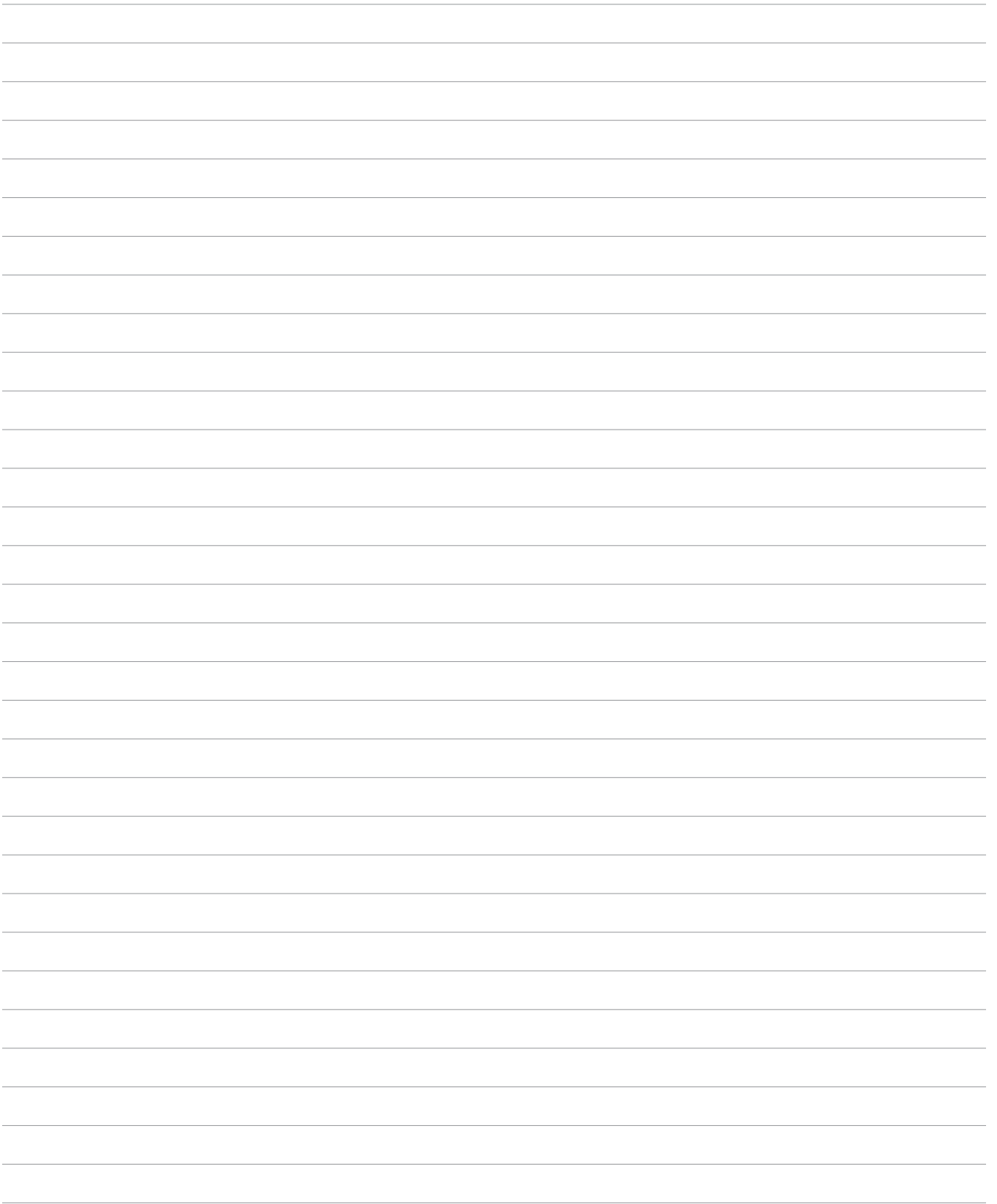
Sd/-

Manmohan Parnami

Company Secretary

Membership No: F9999







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SUSTAINABLE BANKING

By the People, For the Planet

AU Small Finance Bank fosters an eco-friendly and socially conscious ecosystem. With Video Banking and the AU 0101 Super App, we reduce branch visits and promote environmental resilience.

Since 1996, we've empowered employees, customers, and society by addressing vulnerabilities. Our CSR initiatives prioritize financial literacy, education and sports support, showcasing our social responsibility.

We prioritize transparency and accountability through strict compliance. Sustainability is seamlessly integrated into our operations, fostering a harmonious society that values both people and the planet.

Together,
we make a
difference that
matters.



VIDEO BANKING

AU 0101 SUPER APP

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FINANCIAL INCLUSION

CSR INITIATIVES

INCLUSIVE PROSPERITY



CYBER SECURITY

CUSTOMER 1ST APPROACH

REGULATED & COMPLIANT

Rated 'Medium' in ESG risk



Rated 'AA' in ESG



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Kurla West, Mumbai - 400070



Head Office: Bank House, Mile 0, Ajmer Road, Jaipur, Rajasthan - 302001

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AU 0101

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customercare@aubank.in



Missed Call Banking

For Account Balance: **1800 120 2586**
For Mini-Statement: **1800 121 2586**

*Basis deposits and assets