Ref. No.: AUSFB/SEC/2018-19/270
Date: 09th August, 2018

To,

Listing Department National Stock Exchange of India Limited, Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai 400051, Maharashtra. **Scrip code: AUBANK**	Department of Corporate Services, BSE Limited, Phiroz Jeejeebhoy Towers, Dalal Street, Mumbai 400001, Maharashtra. **Scrip Code: 540611**

Dear Sir(s),

Sub: Disclosure under Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Pursuant to the applicable provisions of the Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached Annual Report of the Bank for the Financial Year ended on 31st March, 2018, which has been duly approved and adopted by the Members as per provisions of Companies Act, 2013 at the Annual General Meeting of the Bank held on Tuesday, 07th August, 2018.

Kindly take above on your records.

Thanking You,

Yours faithfully,

FOR AU SMALL FINANCE BANK LIMITED

Manmohan Parnami
Company Secretary & Compliance Officer

Registered Office
AU SMALL FINANCE BANK LIMITED
19-A Dhuleshwar Garden, Ajmer Road,
Jaipur - 302001, Rajasthan, India
Phone: +91 141 4110060/61, Fax: +91 141 4110090
CIN: L36911RJ1996PLC011381
Formerly known as Au Financiers (India) Limited
info@aubank.in | www.aubank.in

SEARCHABLE FORMAT

Ref. No.: AUSFB/SEC/2018-19/270
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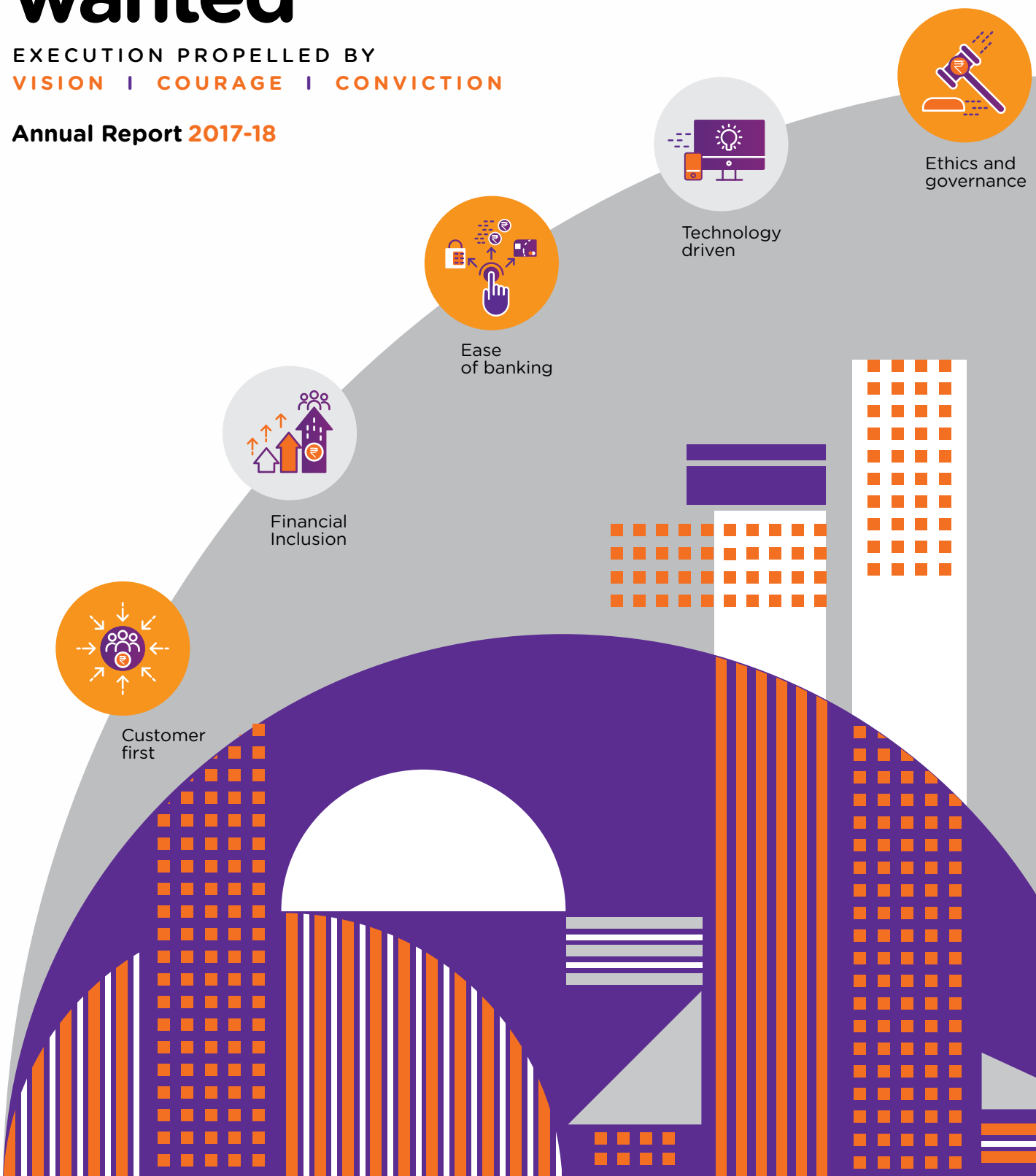
FOR AU SMALL FINANCE BANK LIMITED

Sd/-
Manmohan Parnami
Company Secretary & Compliance Officer

Building A bank U always wanted

EXECUTION PROPELLED BY
VISION | COURAGE | CONVICTION

Annual Report 2017-18



Building a differentiated bank

Last fiscal, we undertook one big leap; which was to transform ourselves into a bank and to accomplish that we took several important initiatives.

For us, becoming a bank was a natural progression and a well-earned extension of the relentless work of serving the financial needs of millions of unserved and underserved people for the last 22 years. At the same time, we fully realise the greater fiduciary responsibility that comes with the banking platform and as a custodian of public money. In a short timeframe, we have already built a strong and robust risk, compliance and governance framework which is commensurate with scale and pedigree of this iconic platform of a bank.

In our transitioning, we were greatly aided by our background, long standing track record, differentiated business model, distribution franchise and strong execution focus. These core USPs are helping us to establish ourselves faster on the banking platform.

Sticking to our DNA and management philosophy, we challenged the status-quo in banking and tried to bring in a fresh perspective with features such as monthly interest pay-outs on deposits, paperless and digital customer acquisition, no 'home branch' concept, extended banking hours, no slips for cash deposits or withdrawal or Real Time Gross Settlement (RTGS), among others.

FIRST-YEAR REPORT CARD

- Commenced banking operations on 19th April 2017 with 200+ bank branches. Gradually expanded to nearly 500 customer touch points covering 377 branches including 71 Bank Correspondents, 97 asset centres, 23 offices and 292 ATMs
- Initial Public Offer (IPO) of ₹1,913 crore (entirely Offer for Sale) – oversubscribed by 54x. Listed on NSE and BSE
- Got the Scheduled Bank status on 1st November 2017. Became a Fortune India 500 Company
- Long-term rating upgrade from India Ratings & Research and CARE Ratings to 'AA- / Stable'
- Leveraged distribution franchise for cross selling
  - Tied up with 17 asset management companies (AMCs) for distributing Mutual Funds
  - Corporate agency tie-up with Aditya Birla Health Insurance, Cholamandalam MS General Insurance
  - Tied up with Future Generali Life Insurance (in April 2018)
- Started new product lines such as Agri-SME Loan, Gold Loan, Home Loan and Consumer Durable Loan. Installed 450+ point of sale (POS) machines

ALONG WITH THIS MAJOR TRANSITION, WE DELIVERED ANOTHER STRONG SET OF RESULTS

- Clocked 61% growth in disbursements, gross AUM grew ~49% to ₹16,038 crore and NNPAs stood at 1.3%
- Branch banking division got an encouraging and overwhelming response – Current Account (CA), Savings Account (SA) and Term Deposits clocked at ₹7,923 crore (including certificate of deposit of ₹1,181 crore)
- Despite impact of higher cost of transitioning reported PAT of ₹292 crore
- A dividend of 5% proposed by our Board

While we may seem to have addressed a lot of things in the first year, we feel that building a pan-India, trusted, preferred and a truly customer centric retail franchise will be a long-term journey. We look forward to tread this exciting journey with the continued support and guidance of all our stakeholders.

चलो आगे बढ़ें।

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Forward Looking Statement

In this Annual Report, we have disclosed forward looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements – written and oral – that we periodically make contain forward looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

Disclaimer

A licence authorising the Bank to carry on small finance bank business has been obtained from the Reserve Bank of India in terms of Section 22 of the Banking Regulation Act, 1949. It must be distinctly understood, however, that in issuing the licence, the Reserve Bank of India does not undertake any responsibility for the financial soundness of the bank or for the correctness of any of the statements made or opinion expressed in this connection. (RBI Disclaimer issued via letter dated 20th December 2016)

Consistent growth trajectory

5-year CAGR

Gross assets under management

34.1%

Disbursements

34.7%

Total income

37.1%

Profit after tax

29.5%

Our world in a nutshell

11
States

306
Branches, 71 Business Correspondents and 97 asset centres

292
ATMs

23
Offices

531,062
Deposit accounts

AA-/Stable
Long Term credit rating

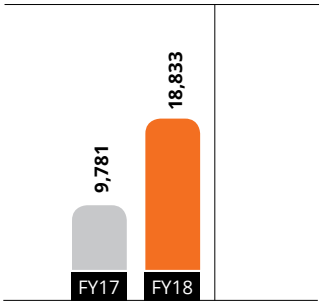
11,151
Employees

19.3%
Capital adequacy ratio

>1 lakh
General and health insurance policies distributed

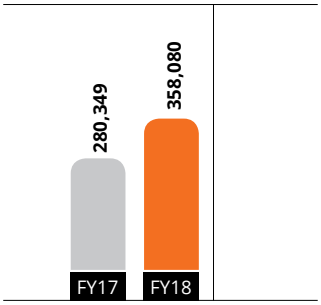
Key highlights

₹18,833 crore
Balance Sheet

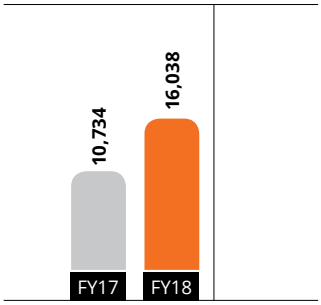


₹2,281 crore
Net worth

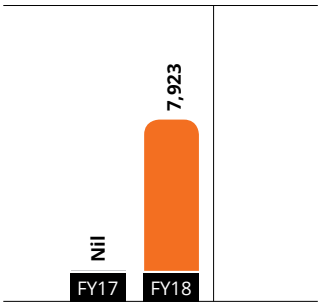
358,080
Active loan accounts



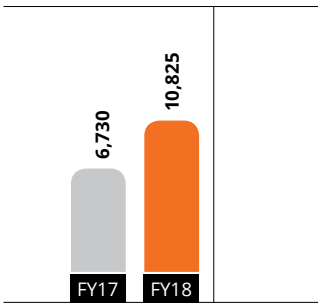
₹16,038 crore
AUM



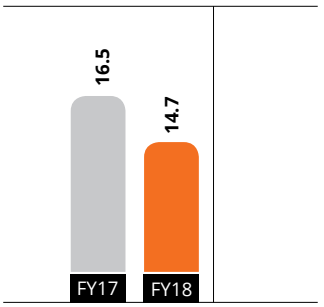
₹7,923 crore
Deposits



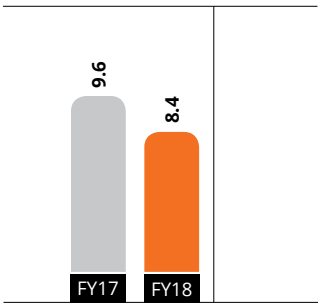
₹10,825 crore
Disbursements



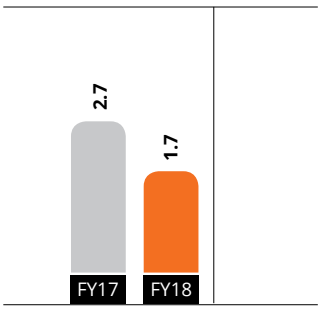
14.7%
Yield on AUM



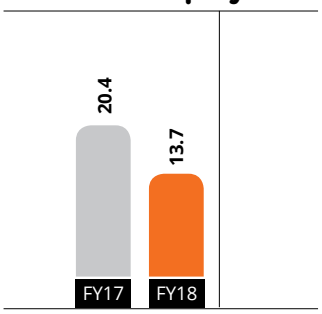
8.4%
Cost of funds



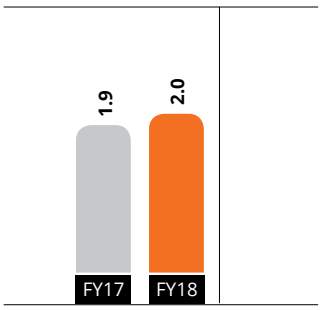
1.7%
Return on loan assets



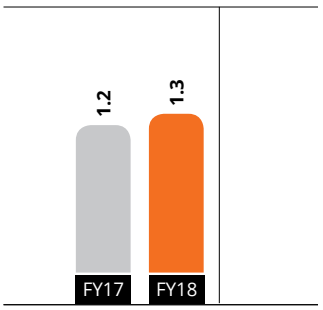
13.7%
Return on equity



2.0%
Gross NPA



1.3%
Net NPA



Au Financiers (As NBFC) AU Small Finance Bank (As Bank)

*Graphs not to scale

Long Term Credit Rating: AA- / Stable (India Ratings, Care Ratings)

Short Term Credit Rating: IND A1+ (India Ratings)

AU Small Finance
Bank was given the status of a

Scheduled Bank

by Reserve Bank of India in
November 2017

We have reached a new
milestone. This year, AU Bank
featured in the list of

Fortune
India 500 companies

We could achieve these milestones
owing to the relentless support of our all
stakeholders

Thank you for believing in us!

We had a successful track record of over two decades as an NBFC. In our new avatar as a next-generation bank, we remain committed to playing our part in the development of the nation.

A solid foundation and a differentiated business model, deep network of ~500 touch points, comprehensive product suites, strong customer service orientation and an execution-oriented team assures and motivates us to evolve, develop and scale new heights at this new banking platform. These attributes and our approach have helped us settle in fast and lay a strong foundation for future. We have made a small beginning, and have a long way to go.

We would like to thank our investors, shareholders, team members, customers and partners for their continued support throughout our journey.

We would especially like to thank Reserve Bank of India (RBI) for entrusting us with the responsibility of providing banking services to the unserved and underserved pockets of India to drive financial inclusion.

We would also like to thank SEBI, NHB, NABARD, IRDAI and SIDBI for their continued guidance and support.

एयू बैंक से जुड़े हर खास रिश्ते को धन्यवाद।

Our journey

22 years of trust and service

We have evolved from a retail-focused Non-Banking Finance Company (NBFC) into a Small Finance Bank (SFB). Our operating model is lean, our credit processes are robust and our business model is technology driven and cost-efficient. Our recently expanded comprehensive product suite strongly aids us to holistically serve our customers for their banking, financing, investment and insurance needs.

Revisiting our past

FY95-96 to FY01-02

- Started by a first-generation entrepreneur as a Non-Deposit taking NBFC in one-room office with no capital
- Built the business with HNI support for six years

FY02-03 to FY06-07

- Became Channel Business Partner for HDFC Bank in Rajasthan and subsequently in Maharashtra

FY07-08 to FY14-15

- Attracted investment from Marquee Investors including Motilal Oswal, IFC, Warburg Pincus, Chrys Capital and Kedaara Capital
- Built successful subsidiary/ associate companies – Au Housing and Au Insurance
- Expanded from one to six products and from one state to 10

FY15-16 and FY16-17

- Bagged SFB license (the only asset financing NBFCs amongst 10 licensees) and started the bank transition process
- Reported AUM of ₹10,734 crore with more than 5 lakh customers served till 31st March 2017
- Converted into a domestic owned company
- Divested Au Housing and Au Insurance

FY17-18

- Commenced SFB operations with a wide bouquet of retail loans, SME & Mid corporate loans, deposit products, payments and transaction banking
- Completed ₹1,913 crore IPO which was oversubscribed by 54x and got listed on NSE and BSE
- Registered as Corporate Agent with IRDAI for Bancassurance
- Received 'Schedule Bank' status
- Featured as Fortune India 500 Company
- Long Term Credit rating upgrade from IND A- / Positive to IND AA -/ Stable

Focused on our present

'Bank' is a preferred and deeply trusted customer platform. It must be built as a safe, stable, inspiring and responsible business franchise. We are determined to build a profitable bank with a superior asset quality. We are poised to progress sustainably through:

- Our core strengths of strong assets underwriting and keep doing the same to take the bank to the next level
- The uniqueness of SFB's niche to capitalise on the big opportunity in growing India
- A differentiated value proposition to attract deposits and building stickiness and deepening customer engagement
- Accelerating branches break-even to make them viable sooner
- Focussing on customer's profitability by enhancing our value proposition
- An opportunity to holistically serve the wider customer segment on the banking platform
- 'Phy-gital' distribution strategy

Aiming big for the future

- Build a retail bank by leveraging digital, technology and analytics
- Build a customer-centric franchise
- Continue with 'go to market' strategy on assets side with higher growth momentum
- Funded by granular deposit base
- Become the most eligible SFB to be promoted as a Universal Bank
- Consistent performance aimed at maximising stakeholders value

Our philosophy

Fulfilling dreams and transforming lives

In a constantly evolving operating environment, there are several facets that help AU Bank to stand out in the crowd as an emerging institution focused on financial inclusion and empowerment.

We are offering bespoke products and services to millions of customers, helping them fulfill their aspirations and transform their lives.

The Bank's ability to predict industry trends well in advance, 'ears on the ground' approach to lending, customer-centric model and thrust towards paperless banking make us one of India's fastest growing banks.

AU Bank's growth enablers

- Remarkable growth trajectory
- Carefully calibrated portfolio diversification
- Contiguous network expansion
- Best-in-class asset quality
- Cost of funds advantage
- Frugal capital consumption
- Focused cost containment
- Proven execution and entrepreneurial skills

Our Vision

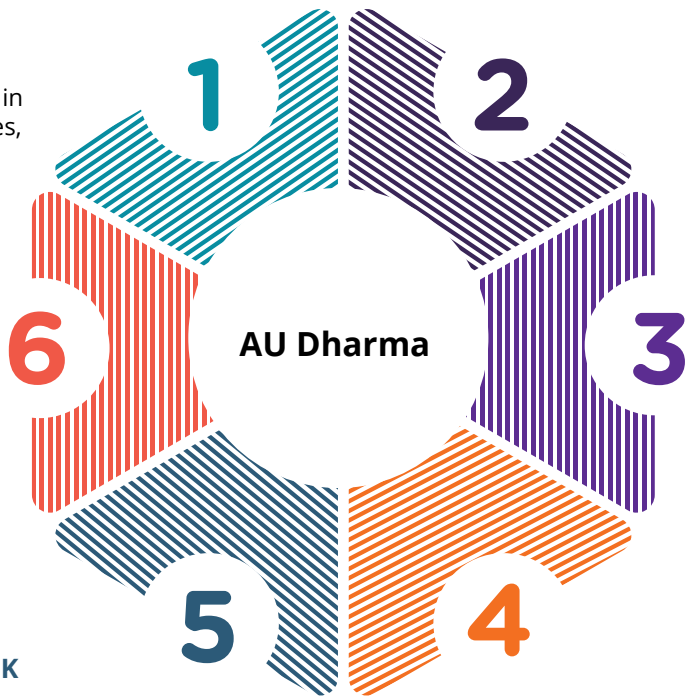
To be the world's most trusted retail bank and coveted employer, that is admired as the epitome of financial inclusion and economic success, where ordinary people do extraordinary things to transform society at large, thereby guaranteeing trust, confidence and customer delight.

Our Mission

TO BUILD ONE OF INDIA'S LARGEST RETAIL FRANCHISE BY 2022 THAT IS ADMIRED FOR

- **Making every customer feel supreme while being served**
- **Aspiring that no Indian is deprived of banking**
- **Bias for action, dynamism, detail orientation and product & process innovation**
- **Globally respected standards of integrity, governance and ethics**
- **Being an equal opportunity employer, providing a collaborative and rewarding platform to all its employees**
- **Fastest growth to ₹1 trillion book size and a client base of 10 Mn+ delighted customers**

AU Dharma – The way we work



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

NURTURE TALENT AND SUCCEED TOGETHER
We nurture talent and together we are a great team

WORK HARD AND LOOK FOR DETAILS
Willing to go the extra mile in everything we do and thoroughly understand customer needs, issues and organisational delivery model

CUSTOMER FOCUS
If our customers need it, we will make it happen

BIAS FOR ACTION
Urgency in everything we do

RESPONSIBLY ENTREPRENEURIAL
100% ownership accountability and 0% excuses

Strategic priorities

Carefully crafted roadmap for the future

At AU Bank, we are emerging stronger by focussing on our strategic priorities.

Deepening our customer engagement and communication

Deepening our engagement with customers by increasing our communication and thereby building a strong brand recall is a key priority for us. We have a strong pedigree in our core retail segment for smaller ticket loans for vehicle and business financing, and now after becoming a bank, we are building a similar recall for our deposit offerings too. Our newly built bank branches have given us a superior and distinct identity and cemented the pull of our retail franchise across all the 11 states of our operations. Expanding our outreach to a wide range of customers across all sections of society assumes paramount importance for us. We are gradually building our brand through continued engagement with existing and potential customers by various social impact initiatives, customer literacy programmes, partnering and sponsoring important local events, etc. We are also improving our prominence through advertisements on print and electronic media channels.

Delivering banking through nearly 500 customer touch points, across the country with products and services tailor-made to suit micro, rural and upcoming urban markets.

Becoming a preferred retail banking franchise

Earlier, as an NBFC, we had a limitation on the number of products. However, this no longer holds true at the bank platform and we have already rolled out more than 21 new products at your bank. While in assets we continue to focus on secured asset financing, our new personal finance offerings also include Gold Loan, Housing Loan, Consumer Durable Loans and Two-Wheeler Loans. At the same time, a customer can bank with us for his deposit, locker, investment and insurance requirements and get an extended and convenient branch banking experience. Similarly, we have expanded our business banking offerings with both fund based and non-fund based products. Going forward, we aim to continue to focus on secured lending with special emphasis on retail assets and cross-selling, and become a port of first call for a convenient, simplified retail banking experience.

About 97.1% of the Advances as on 31st March 2018 were secured, highlighting the strength of our retail franchise.

Building a differentiated, granular and sticky deposit franchise

While we have a running engine of strong asset acquisition, we are also concentrating our resources and energy to create a quality deposit franchise. Our focus has always been to strengthen our footprint in semi-urban and rural geographies. In the liability segment, our emphasis is also on urban/metro locations. At the same time, we are also cross-selling Current Accounts and Savings Accounts to our existing asset customers.

We have a complete bouquet of deposit products for a wide cross-section of customers – CASA ratio of 32% in FY 2017-18.

Being 'phy-gitally' ready

We believe that our socio-economic environment requires us to create and deploy both physical and digital banking channels for our customers. We continue to upgrade our technology systems with automated, digitised and other technology-enabled platforms and tools, to strengthen our banking and financing initiatives and derive greater operational, cost and management efficiencies. We are striving to offer technology-enabled complete suite of assets, liabilities and investment products with industry-first features. We have a real-time centralised IT system with end-to-end solutions, including loan sourcing, disbursements and collections, among others. We have Aadhaar-based tablets to open accounts digitally in just a few minutes. We started consumer durable loans through fully digital channel.

We began eKYC from 1st July 2017 and incremental we are opening ~95% of Savings Accounts directly through TAB.

Reinforce low-cost, localised, innovation-driven business model

Historically, our strategy has always been to keep costs low by operating with lean branches and hiring local talent. The reliance on largely local personnel has helped us to establish personal rapport with customers, which is critical in semi-urban and rural markets.

This approach also helps us to improve collection efficiency and reduce delinquencies in a segment where income and cash flows are volatile. We tailor our solutions with focus on diverse aspirations of different customer segments.

We have carried this forward with our transition into a bank. The bulk of our branch banking team has been hired and deployed locally.

Localised manpower and no home branch concept allows us to provide customised solutions for rural markets.

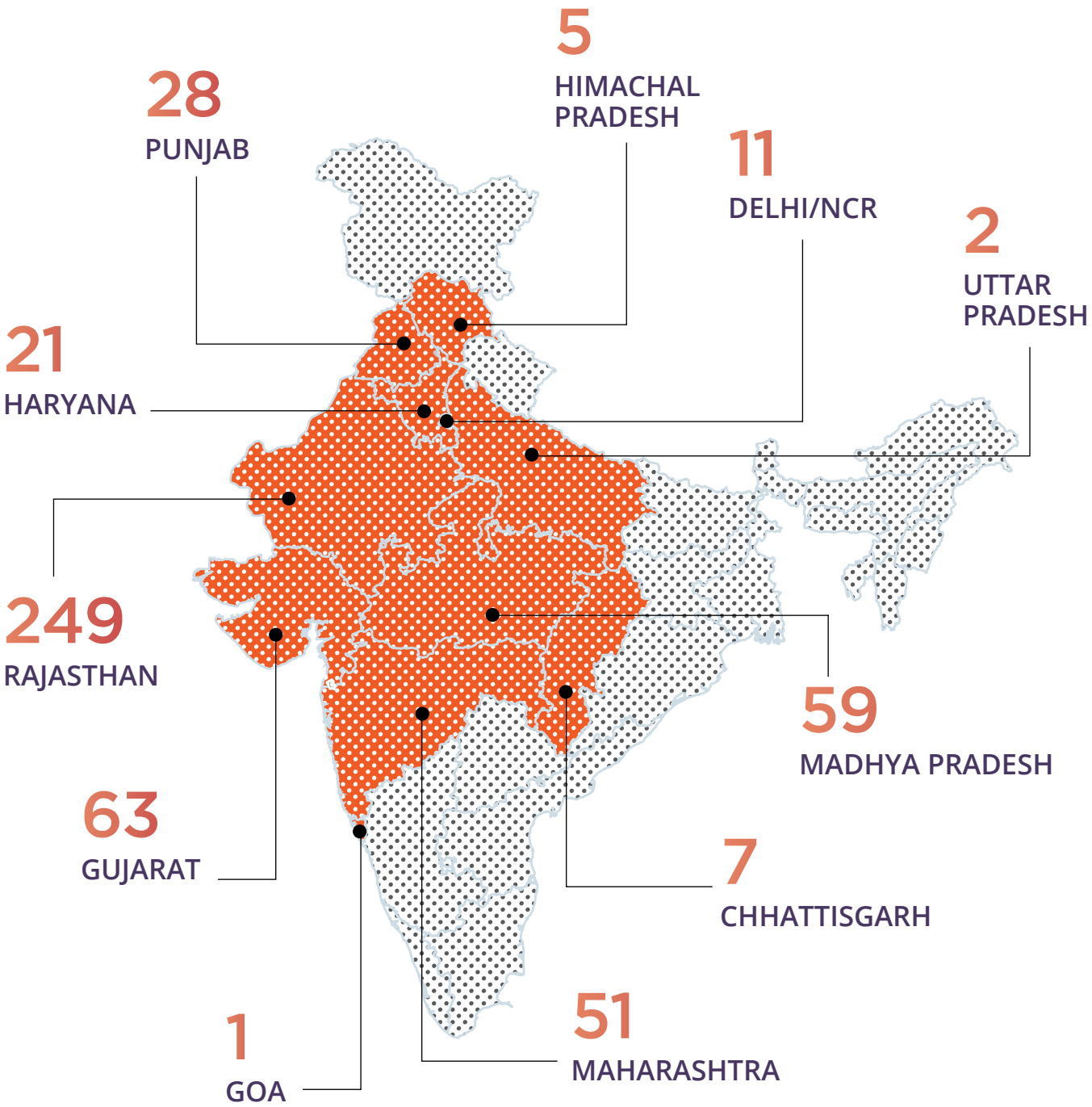
Expand our talent pool

We have been hiring aggressively to support our expansion as a bank.
A number of these hires have been front-line sales staff, branch staff as well as experienced middle management/senior level hires from the financial services industry.

During FY2017-18, our headcount expanded from 8,515 to 11,151 people.

Our reach

Deeper distribution outreach across ~500 touch points in India



Note: Bank footprint including branches, asset centers, offices and banking outlets through Business Correspondents

Branches and Business Correspondents

71 new outlets of AU Bank opened in 2018

Taking forward the mandate of financial inclusion, this March, we opened 71 new banking outlets operated by our business correspondents in unbanked areas. These outlets are offering:

- Account opening
- Lead generation for loan products
- Cash deposit
- Card-based cash withdrawals
- Card-based balance enquiries
- Balance enquiry

Soon, they will start offering

- **Adhaar Enabled Payment**
- **Internal Fund Transfer**
- **NEFT**
- **IMPS transactions**

60%

Of AU Bank's branches span India's semi-urban, rural and unbanked areas.

Right distribution mix

	Metropolitan	Urban	Semi-urban			Rural		Total Branches	Business Correspondents
States	Tier 1	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6		
Rajasthan	16	23	19	43	21	3	17	**142**	**56**
Gujarat	8	20	4	5	3	-	-	**40**	**-**
Madhya Pradesh	5	16	7	9	-	-	-	**37**	**10**
Maharashtra	12	16	6	2	1	-	-	**37**	**-**
Punjab	1	11	4	2	-	-	-	**18**	**2**
Haryana	1	11	1	1	-	-	-	**14**	**3**
Chhattisgarh	1	4	-	-	-	-	-	**5**	**-**
NCT of Delhi	5	-	-	-	-	-	-	**5**	**-**
Himachal Pradesh	-	1	-	2	1	-	-	**4**	**-**
Uttar Pradesh	1	1	-	-	-	-	-	**2**	**-**
Chandigarh	-	1	-	-	-	-	-	**1**	**-**
Goa	-	-	1	-	-	-	-	**1**	**-**
Total	50	104	42	64	26	3	17	**306**	**71**

Deep knowhow

Deep local insights enable AU Bank to understand unique requirements of target customers and penetrate further.

Technology enabled low-cost operating model

AU Bank has adopted a low-cost technology enabled branch banking model, leading to operational efficiency and optimum turnaround time.

Key performance indicators

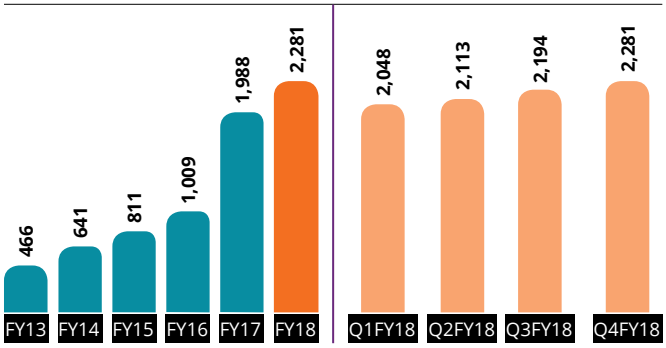
Rewarding shareholders

Our financial performance enables us to deliver an increasing return to shareholders over the long term.

Balance sheet metrics

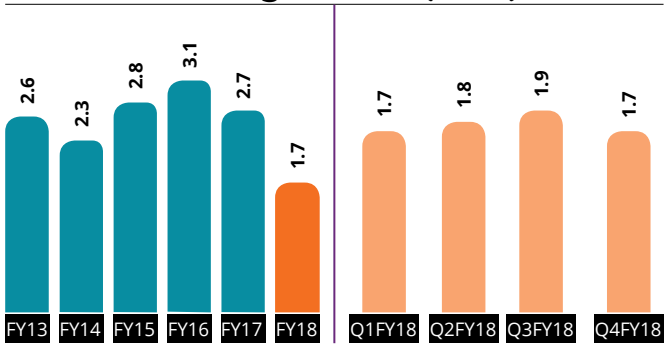
Net worth

(₹ in crore)



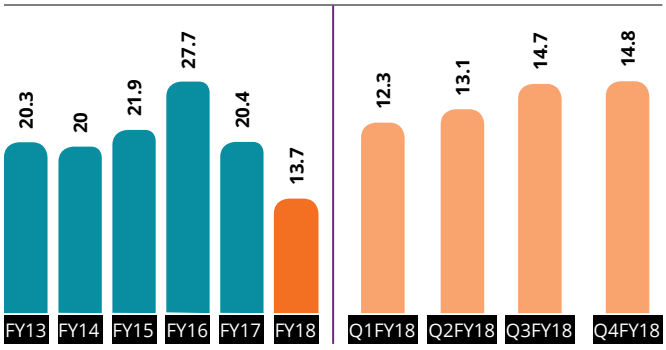
Return on average assets (ROA)

(%)



Return on average shareholder's fund (ROE)

(%)



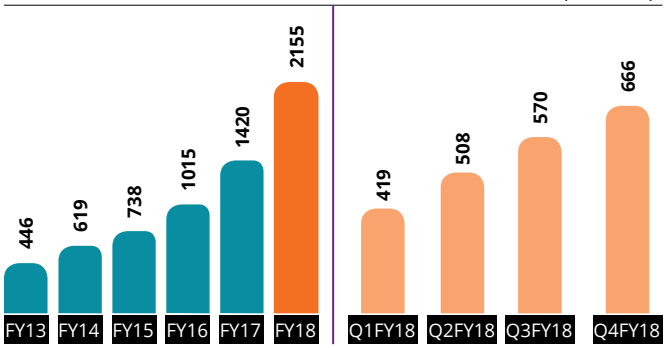
Note: ROA & ROE are calculated on Average Gross AUM till FY 2015-16 whereas for FY 2016-17 and FY 2017-18 ROA & ROE are represented as % of Average Total Assets and Securitisation and Assignment AUM.

Au Financiers – As NBFC (FY 2012-13 to FY 2016-17) AU Small Finance Bank – As Bank (FY 2017-18)

Profit and loss metrics

Total income

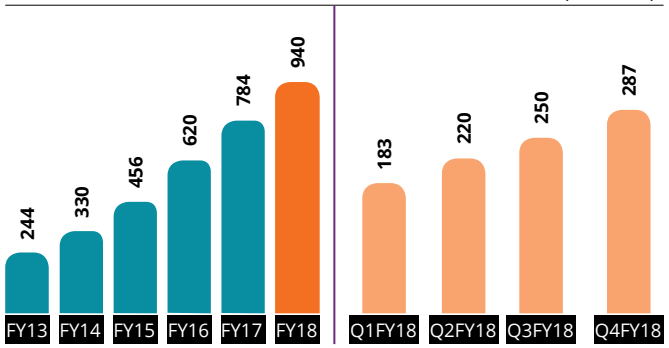
(₹ in crore)



Note: There was small amount of reversal of Total Income in quarterly figures and therefore the summation is slightly higher than Annual figure.

Net interest income

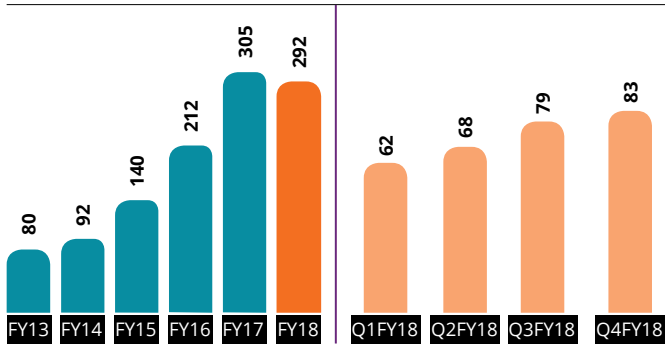
(₹ in crore)



Note: Net Interest Income for FY 2014-15 to FY 2015-16 includes Fee income whereas for FY 2016-17 and FY 2017-18 Fee income is not included in Net Interest Income.

Profit after tax

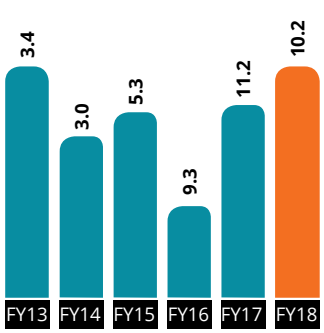
(₹ in crore)



Note: FY 2016-17 PAT is excluding exceptional item of profit from sale of investments in subsidiaries and associates.

EPS

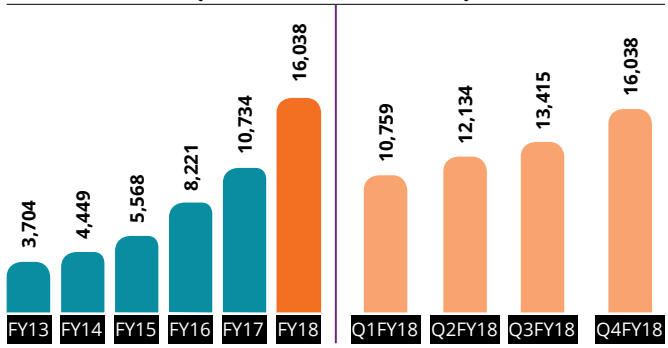
(₹)



Key business metrics

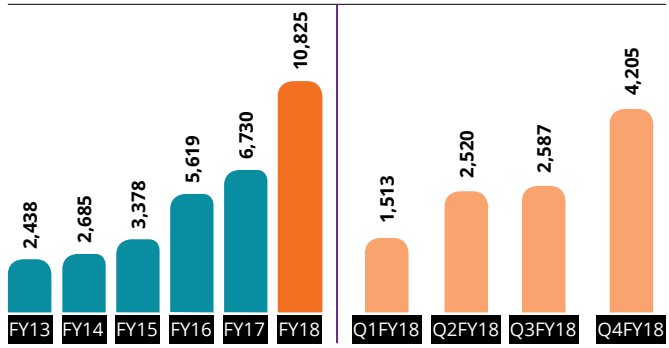
Gross AUM (on and off book)

(₹ in crore)



Disbursements

(₹ in crore)

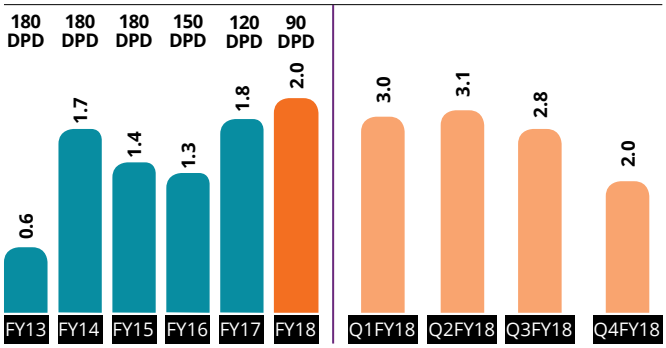


Au Financiers – As NBFC (FY 2012-13 to FY 2016-17) AU Small Finance Bank – As Bank (FY 2017-18)

Asset quality metrics

Gross NPA

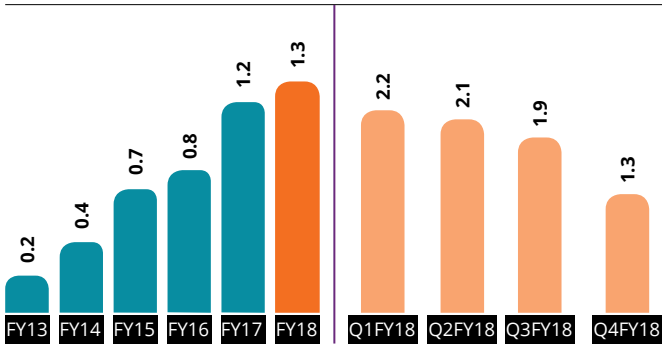
(%)



Note: NPA recognition till March 2015 was on overdue for more than 180 days basis which moved to overdue more than 150 days as at March 2016, overdue more than 120 days as at March 2017 and overdue more than 90 days as on 31st March 2018 in line with regulatory requirements.

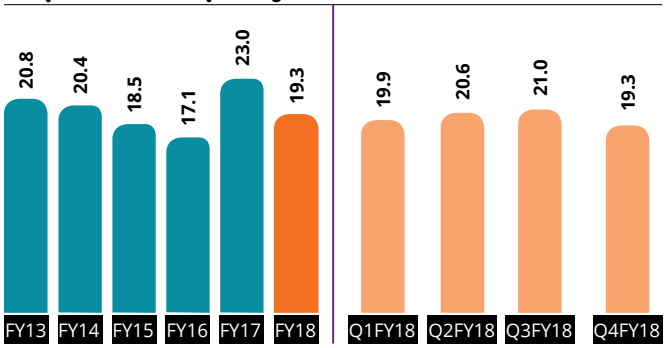
Net NPA

(%)



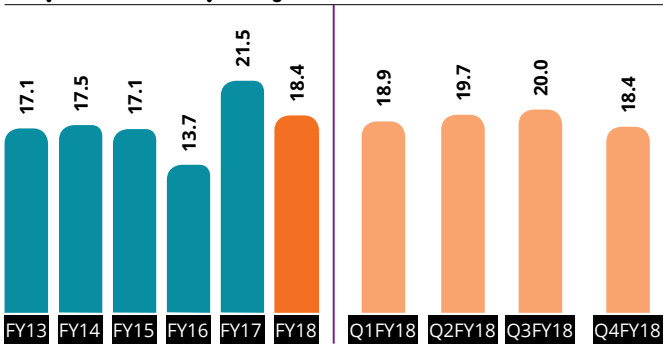
Capital Adequacy Ratio

(%)



Capital Adequacy Ratio - Tier 1

(%)

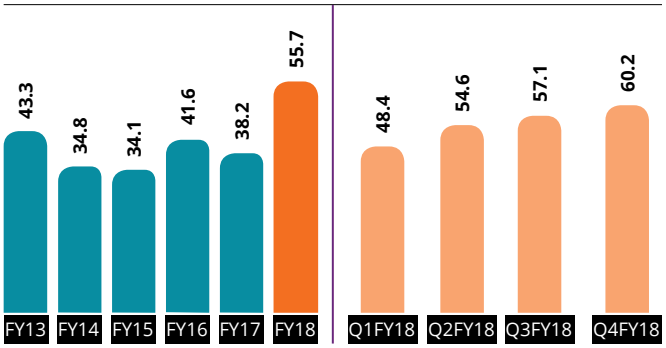


Au Financiers – As NBFC (FY 2012-13 to FY 2016-17) AU Small Finance Bank – As Bank (FY 2017-18)

Operational metrics

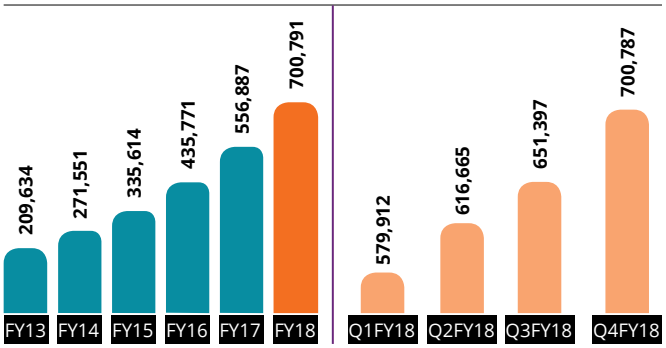
Cost-to-Income ratio

(%)



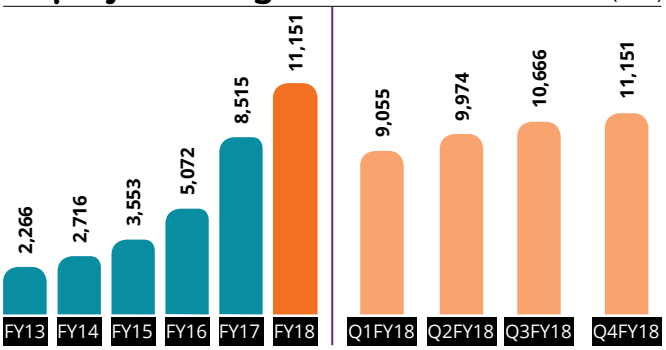
Customer growth – cumulative loan accounts

(Nos.)



Employee strength

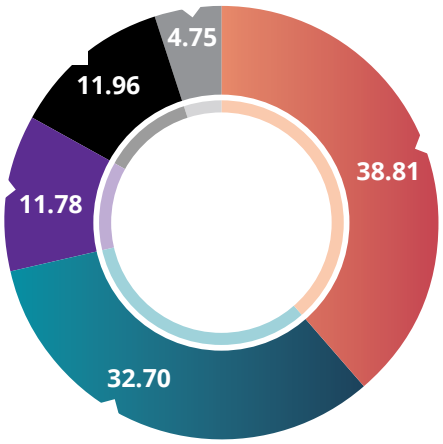
(Nos.)



Marquee shareholder base

Shareholding pattern

(%)



- Foreign Institutions (FC, FPI, FII)
- Promoter & Promoter Group - Domestic
- Domestic Institutions (MF, INS, FI, AFI)
- Individual - Domestic
- Other - Domestic

Au Financiers – As NBFC (FY 2012-13 to FY 2016-17)

AU Small Finance Bank – As Bank (FY 2017-18)

Operating environment

Megatrends that shape our strategies

Our operating landscape is widening and we see a larger role for ourselves in the changing business environment. We are leveraging our strong market insight, best-in-class technology, deep credit capabilities, robust operational efficiency and a talented team.

6 crore+
MSMEs as per Ministry of MSME Annual Report FY 2017-18

Housing for All by 2022
is the Indian government's flagship scheme to provide affordable housing to all people

₹3 trillion
Earmarked for FY 2018-19 under the Pradhan Mantri Mudra Yojana

RAPID URBANISATION

India is marching ahead as one of the world's fastest growing economies. Urban clusters are driving this growth while more consumers and higher purchasing power are emerging beyond the metros, particularly in Tier II/III cities.

The country's cities (including small towns) are home to 377 million people, a number that could reach 900 million by 2050 (Source: McKinsey). This means there will be a greater demand for infrastructure, products and services and more opportunities for businesses that will cater to emerging requirements. In a country like India, banking penetration remains low, entailing a significant headroom for growth. To serve these demands, greater credit would be required and thus there will be a push for a more formal system of financing.

RISING MIDDLE CLASS POPULATION

India is progressing at a rapid pace. In its seventh decade of Independence, over US$1 trillion has been added to the national GDP, propelling tens of millions into the middle class. This growth has primarily come from cities and the population of urban areas has expanded from 340 million in 2006 to 430 million in 2016. Indeed, the additional 90 million alone would rank as the 16th largest country in the world today. Given that urban areas are projected to grow their share of national GDP from 65% in 2015 to over 70% by 2020, the dynamism of these clusters will continue to hold the key to growth (Source E&Y Report 2017).

With rising incomes and growing aspirations of the rural and middle class population, the demand for vehicles, consumer durables and its financing will increase at a faster pace.

FOCUS ON DIGITAL INITIATIVES

With the Government's continued thrust on cashless transactions and the growing mobile internet penetration across India, digitisation has become the new normal. Three key trends can be identified:

- Thrust on digital marketing to engage with customers; developing online channels as a medium of sales and payments;
- Use of digital analytics to strengthen business operations, demand predictability, cost optimisation, among others;
- Ease of consumer access to apps and other digital payment routes, among others

REVITALISING MSME SECTOR

The Union Budget 2018 extended significant support to micro, small and medium enterprises (MSMEs). The Government proposed to cut the corporate tax rate to 25% for companies with annual revenue of up to ₹250 crore. The budget also earmarked ₹3 trillion for 2018-19 under the Pradhan Mantri Mudra Yojana or Mudra scheme. In addition, ₹3,794 crore was allocated for credit support, capital and interest subsidy to MSMEs.

HOUSING FOR ALL

Housing for All by 2022 is the Indian government's flagship scheme to provide affordable housing to people. There has been a slew of government measures to provide a fillip to the affordable housing scheme. This includes the interest subvention scheme (CLSS), infra status for affordable housing and tax breaks for developers of affordable housing.

INSOLVENCY AND BANKRUPTCY CODE

The Insolvency and Bankruptcy Code will lay down a faster insolvency resolution process (IRP). This will benefit businesses through faster revival of viable organisations and would also aid the banking sector by quicker resolution of NPAs.

Product portfolio

Comprehensive product suite for all customers

Post after becoming a bank in FY 2017-18, we significantly broadened our product portfolio from just six assets products to more than 27 product offerings. These are designed keeping in mind the interest of the wide spectrum of customers at the bank platform including individuals and household customers, smaller businesses, salaried/self-employed professionals, transport operators, educational institutes, government departments, municipal corporations, hospitals and asset and micro-finance companies, among others.

We strongly believe that, at the banking platform, serving the customer holistically and profitably is most important. As we aim to build our retail banking franchise, we look to leverage the speed, cost and convenience attributes of digital channels to ensure best-in-class customer service.

We started our retail liabilities franchise with a complete bouquet of products, comprising Current Accounts, Savings Accounts, Term Deposits, Recurring Deposits, and Transaction Banking services.

At the Bank, we expanded our retail offerings to include gold loan, two-wheeler loans, consumer durable loans and agri-SME loans. Notably, consumer durables loan is AU Bank's first digital asset offerings. We have re-entered the home loan segment and our learning curve of home loans under housing finance subsidiary which we divested in FY 2016-17, will enable us to gain size in home loans segment faster. We feel that with a combination of vehicle loans, gold loans, housing loans, consumer durable loans and two-wheeler loans, we would be able to meet most of the financing requirements of individuals and households. Similarly, for smaller businesses, we have expanded our sales, distribution and credit underwriting strengths.

Like our retail, SME & Mid Corporate Financing division and our Branch Banking franchise also caters to the Indian masses. In line with the objective of the Reserve Bank of India, we are committed to increase the reach of formal banking services across the country and serve the, 'belly of the nation'.

AU Bank's Branch Banking team serves a wide spectrum of customers including domestic individuals and households along with small and medium business segments with liabilities products ranging from Savings Accounts, Current Accounts, Term Deposits, Lockers, OD limits and Working capital limits, and value-added services such as Mobile Banking and Net Banking. The Bank has ensured that all segments of customers such as women, senior citizens and children are catered to with specifically tailored products and services. Through our empaneled partners, AU Bank also provides Point of Sale (PoS), Doorstep Banking, Insurance and Investment solutions to our customers.

We are committed to continuously upgrade and enhance our product portfolio in alignment with the constantly evolving needs of the Indian consumer, across all demographics. Our superior product offering in tandem with the detailed salient attributes (below) will hold the Bank in good stead for the coming years.

SALIENT ATTRIBUTES

- Higher Interest Rate and Monthly Interest Payout
- Extended Locker, Cash Deposit and Banking Hours
- True Anywhere Banking / No 'home branch' concept
- Minimum documentation / forms

Diversified bouquet of products

Assets Product Offerings

Retail Assets

- Wheels
- Secured Business Loans - MSME
- Secured Business Loans - SME
- Home Loans
- Gold Loans
- Two Wheeler Loans
- Agri SME Loans

Small & Mid-Corporate Assets*

- NBFC/MFI/HFC Lending
- Construction Finance

Business Banking*

Liabilities Product Offerings

- Savings Account
- Current Account
- Fixed and Recurring Deposits
- Lockers
- Debit Cards
- ATMs
- Insurance
- Mutual Funds

Digital Footprint

- TAB Banking
- Mobile Banking
- AU Abhi
- Net Banking
- Consumer Durable Loans
- PoS

*(Fund Based Products and Non Fund Based Products)

Chairman's review

Committed to growth and value creation

Our experience and expertise enable us to support the aspirations of people, who have the ambition, but not the resources to change their lives. Our insight of local characteristics has enabled us to understand the diverse requirements of target customers and create a bank, which they really want.

DEAR SHAREHOLDERS,

India has witnessed robust economic growth in the recent years and now the challenge is to broad-base the benefits of economic development. Despite the Government's drive towards financial inclusion, around 19 crore Indian adults (Source: World Bank) are without a bank account. It is precisely here that your bank will play a pivotal role for upliftment of the unreached section of the society. Our experience and expertise enable us to support the aspirations of people, who have the ambition, but not the resources to change their lives. Our insight of local characteristics has enabled us to understand the diverse requirements of target customers and create a bank, which they really want. Along with offering best-in-class banking services at affordable cost to the underprivileged sections of the country, we also revel on providing value-driven banking through innovative approach in product development, distribution, sales and marketing.

A BANK FOR ALL

We successfully completed one year of our journey as a Small Finance Bank. During the year, we went through a remarkable technology transformation, developed a robust liability franchise and built a strong risk management system with IT security.

We continued to be aggressive on our lending business for all customer segments, especially those from mid- and low-income groups. We are focusing on customer convenience and simplifying banking processes and practices to ensure that we are accessible when the customer wants us. We have laid a strong foundation and acquired the knowhow to serve various customer categories.

Currently, we have nearly 500 touch points with 306 bank branches, 97 asset centres, 71 Business Correspondents and 23 offices in 11 states catering to over nine lakh customers. We have laid a firm foundation for a 'future-ready, retail focused bank'.

We raised ₹7,923 crore of deposits in FY 2017-18 including certificate of deposits, enabling us to reduce the cost of funds to 8.4% as on 31st March 2018. We disbursed more than ₹10,825 crore of loans in FY 2017-18, with the gradual uptick in credit demand after the impacts of demonetisation and GST implementation began to wane.

Each branch is working as an agent of change to drive digital education and cash-less initiatives.

While achieving spectacular business growth, we could maintain stringent control over asset quality by developing a robust risk management systems, credit approval processes and collection mechanism. Besides, we also diversified our portfolio of products and services (across both asset and liability segments) by adopting best-in-class technology architecture to cater to a wide spectrum of customer requirements and to drive digital banking initiatives in semi-urban and rural geographies.

TOUCHING AND TRANSFORMING LIVES

We always aim to walk with our customers and be their friend in their needs. This personal touch results in better customer insight, high collection efficiency and increased business referrals generating repeat business.

We employ local talent to better connect with the customers of a particular geography. We strive to instil a high-performance culture, where our people are geared to serve our customers in a manner that not just meets but exceeds their expectations.

LAST-MILE BANKING

To ensure financial inclusion and achieve greater outreach of banking services, the Reserve Bank of India had permitted banks to use the services of Business Correspondents (BC). During the year, we opened 71 Banking outlets under the BC model to extend our reach and offer banking services to the under-banked and unbanked population of India.

BUILDING TALENT

We have signed a Memorandum of Understanding with the reputed Institute of Company Secretaries of India (ICSI) to provide their students and members a career launch pad, with an apprenticeship programme offering employment opportunity. We have built a learning organisation which attracts, retains, engages, develops and inspires people. We are on-boarding the best talent from renowned institutes to build a strong and dynamic team.

The management is ensuring the credo 'I love my job' and 'I love my organisation' through regular engagement and motivation of employees. Going forward, we will continue to build on our differentiation as a customer-focused retail-led bank and enhance our prominence in operating geographies.

REWARDING SHAREHOLDERS

Your bank is committed to reward all stakeholders well. We have rewarded our shareholders by protecting and improving EPS, net worth, book value and valuation. We are confident of further enhancing shareholder value.

I would like to place on record my deep appreciation and gratitude to all my Colleagues, Board Members, the Management and other stakeholders for their sincere efforts and faith in us. Further, I am grateful to Reserve Bank of India and other Regulatory Authorities for empowering and guiding us to build AU Bank as one of India's most preferred banks.

With warm regards,

M. VENUGOPALAN
Chairman

OUR CORE FOCUS

- Each branch will work as an agent of change to drive digital education and cash-less initiatives
- Best-in-class technology architecture to drive digital banking initiatives in semi-urban and rural geographies
- Serving the unserved, we offer banking services to greenfield and passionate entrepreneurs across segments, thus building on the dream of Make in India
- Millions of India's rural and unbanked populace are a source of strength for AU Bank
- Deep penetration and understanding of the geography
- Technology-enabled complete suite of assets, liabilities and investment products with best features

Managing Director & CEO's insight

The backdrop and the beginning

It gives me immense pleasure to share this with you that as the MD & CEO of a 22 years old institution but more importantly of a one-year young, fresh and vibrant bank, I feel privileged, honored, happy, excited, confident, committed and obliged to have got this opportunity.

DEAR SHAREHOLDERS,

Namaskar!

Well begun is half done
– Aristotle

Last April we had transformed ourselves into a bank. With more than two decades of proven track record in secured retail asset lending, it was a natural progression for us, yet we had made several underlying assumptions and had our own reasons to become a bank.

On the banking platform, with every passing day, we see these underlying assumptions and reasons coming true. We realise the magnetic pull of this powerful, deeply trusted, preferred and holistic platform and its scalability. It has got a natural entry barrier and a substantive regulatory environment. It has perpetual existence and is synonymous to the concept of money. Now that we have completed our first year as a bank, I believe that we have found the real purpose of our existence in the financial services spectrum. By becoming a bank, our longstanding efforts have got a meaningful direction and our path has become clearer as to where we must go. It gives me immense pleasure to share this with you that as the MD & CEO of a 22-years-old institution but more importantly of a one-year young, fresh and vibrant bank, I feel privileged, honoured, happy, excited, confident, committed and obliged to have got this opportunity.

We are grateful to RBI and Government of India for building such a wonderful platform which is trusted, respected and widely accepted and for allowing us to earn that respect and become a bank. I understand that there are a lot of expectations from us right now and thus in our first year, we have begun with setting our priorities, building right products and processes and developing a committed team. We reckon that this platform requires a lot of detailing and patience and greater focus on customer acquisition, customer handling and servicing, building the trust, creating and building a brand image, imbibing technology and managing risks. And therefore, it is as much about customers, longevity and scalability as is about ROAs and ROEs.

We believe that the macro-economic scenario is now replete with opportunities for emerging players like us. Being a new-age bank operating in a globalised economy, we, too, are impacted by events like rising oil prices, fluctuating dollar, quantitative easing, rising interest rates in other foreign economies, trade and tariff war fears, etc. and are required to take our slice of cake in these events. However, India, despite this ever-changing global macro environment, remains well poised to grow around 7-7.5% for next few years. Recently, our Hon'ble Prime Minister had called a brainstorming session to take this growth to double-digit.

With both the macros and micros in a healthy harmony, India is now at a vantage point of economic value creation. Fiscal and current account discipline, tempered inflation, growing investment in infrastructure-building and stable and sensible economic policies signify healthy macros.

Many major structural changes and reforms have been undertaken over the last few years, among which goods and services tax (GST) stands out as the most transformational step in India's history. It will eventually help improve the way in which businesses operate in India. The Insolvency and Bankruptcy Act, for the first time, makes businesses accountable. Recapitalisation of banks and RBI's rapid and time-bound monitoring and recognition of problem loans are expected to strengthen banks in supporting India's growth trajectory. The Government's increased spend and focus on fiscal consolidation will further provide a greater and balanced growth impetus.

Now that we have completed our first year as a Bank, I believe, that we have found the real purpose of our existence in financial services spectrum. By becoming a Bank, our longstanding efforts have got a meaningful direction and our path has become clearer as to where we must go.

Over the years, the Indian banking sector has evolved to a considerable extent. Banks, which were earlier offering basic services of deposits and financing, have now transformed into an Inclusive Growth Franchise by providing the development financing for infrastructure creation and by becoming implementation channels of several government schemes and direct transfers therein. Today, banking is at cross roads – new Small Finance Banks and Payment Banks have come up, new Universal Bank

Licenses were given in last two-three years, a lot of Housing Finance Companies (HFCs) and Non-Banking Finance Institutions (NBFCs) have come up, Asset Reconstruction Companies (ARCs) are coming up and there has been listing of a few Insurance Companies and new Mutual funds. Public Sector banks (PSUs) are impacted by internal challenges of poor risk / process management, stock of bad quality loans and management supplementation requirements. Against this backdrop, the incumbent private sector banks and new-age SFBs are expected to grow by 20-25% annually. I truly feel that we are fortunate to have received the banking license in today's time when the entire financial services sector is being reoriented.

As an organisation, we see both positive and negative sides of the current environment and events. However, we remain focused on seeing the positives in the negative, maintain our integrity and grow the right way. Banking is gradually undergoing a structural shift wherein customers increasingly are preferring and transacting with private sector players and we will continue to be one of the major beneficiaries of that. It is now our job to sustain this trust and build a franchise that lasts forever. It is a challenging time for many other banks, but as a new-age, nimble and agile bank with no baggage of legacy issues, we remain thrilled and eager to win the hearts of customers by giving them due respect and convenience, providing them with good products and quality services, serving them courteously, and striving hard to give them a delightful experience. I feel that our strong foundation and fresh approach

We remain thrilled and eager to win the hearts of the customers by giving them the due respect and convenience, providing them with good products and quality services, serving them courteously, and striving hard to give them a delightful experience.

strongly points to a far higher growth trajectory, and being a young bank, we aim to grow by 35-40% for the next few years, and that's the energy, confidence and optimism we have.

WERE THE EXPECTATIONS VALIDATED?

Banking, hitherto, was an unchartered territory for us and our transitioning coincided with a tepid but evolving macro-economic environment. You would be pleased to note that, despite the hiccups, your bank delivered a stellar set of numbers on all counts. This is in line with our objective to create a strong, profitable and sustainable retail banking franchise.

As we increased disbursements in traditional areas, we also expanded our portfolio of products, and launched more than 21 new products in the first year of banking. This has allowed us to holistically serve our customers for all their requirements and drive a greater cross-sell within our community of customers. Our granular and sticky deposit mobilisation helped us bring down our cost of funds, which was further fast tracked post our becoming a scheduled bank in November last year.

Operational and financial highlights

Our total income grew by 52% from ₹1,417 crore in FY 2016-17 to ₹2,155 crore in FY 2017-18.

Our net interest income increased by 20% from ₹784 crore in FY 2016-17 to ₹940 crore in FY 2017-18.

We maintained robust loan growth with 49% growth in Gross AUM from ₹10,734 crore in FY 2016-17 to ₹16,038 crore in FY 2017-18, led by growth in all segments of retail and wholesale banking operations. Retail loans now exceed ₹13,000 crore in FY 2017-18, comprising ~81% of loan book.

We reported disbursement growth of 61% from ₹6,730 crore in FY 2016-17 to ₹10,825 crore in FY 2017-18, witnessing steady rise across all segments of retail assets.

We started new product lines such as Agri-SME Loan (Disbursement ~ ₹50 crore), Gold Loan (Disbursement ~ ₹30 crore), Home Loan (Disbursement ~ ₹1.8 crore) and Consumer Durable Loan (Disbursement. ~ ₹1.6 crore).

We installed more than 450 POS machines.

We have over 473,000 CASA customer accounts and we maintained a CASA ratio of 32% as on 31st March 2018.

Our net non-performing asset (NNPA) stood at 1.3% in FY 2017-18.

Our profitability ratios – Return on Assets (ROA) and Return on equity (ROE) stood at 1.7% and 13.7%, respectively.

We strengthened our third-party product franchise; and tied up with 17 mutual funds and a set of three premier insurance companies to offer health insurance, life insurance and general insurance products.

The banking space is a crowning platform in the financial services industry, as it enjoys the highest trust from customers and holds a distinct ability to holistically serve them. We witnessed a glimpse of this in the first year of our operations as our customer accounts count went up by more than twice over FY 2016-17.

Distribution and digital infrastructure

Today, your bank stands strong with presence on 5.5 lakh square feet area, comprising 306 Bank Branches, 71 Business Correspondents, 292 ATMs, 23 Offices and 97 Asset Centres. Our robust backend operations and the state-of-the-art, full suite technology stack has enabled us to rapidly scale up our business which is now driven by a workforce of 11,151 people.

Your bank has made significant investments in IT infrastructure to be able to provide quality services at low cost to our customers. We are ensuring mobility solutions for our customers and sales force with the concept of Aadhaar linked TAB-based 'Paperless' account opening. We are launching Unified Payments Interface (UPI) and Bharat QR, to offer more efficient and better method of payments.

We collect customer data across multiple touchpoints: call centres, reach out by sales force, branches, and web based and mobile applications and have the capability to have single view of customer and his relationship with the bank through CRM. Leveraging our analytics capabilities, we are extracting meaningful and actionable customer insights which allows us to offer differentiated products and services to our customers.

During FY 2017-18, your bank went live with 20+ applications including CBS, CRM, LOS, Treasury applications and migrated data from legacy applications to new application without any errors. The uptime for all critical applications was more than 98% (excluding planned downtime). NEFT, RTGS and CTS payment modes were launched in the first month of operations.

Digital initiatives

- On the assets side, we started processing Consumer Durable Loans via a straight through digital process wherein the credit underwriting, decisioning and disbursement happens on the same day. Similarly, we are providing two-wheeler loans through self-assisted digital modes via a mobile app and credit decisioning through analytics.
- On the liability side, we began eKYC from 1st July 2017 and opened ~93% of savings account directly on TAB. As on 31st March 2018, we had nearly 2,000 TAB users in your bank.
- We made Internet Banking and Mobile Banking live in FY 2017-18, initiated NACH and e-Mandate and launched IMPS for Internet Banking.
- Your bank launched AU ABHI – a self-downloadable digital Savings Account (with limited eKYC) allowing more flexibility, convenience and choice.

The banking space is a crowning platform in the financial services industry, as it enjoys the highest trust from customers and holds a distinct ability to holistically serve them.

- Your bank launched AU Business App for instant lead capturing, cross-sell allocation and tracking execution.
- The field force automation of the collections team through mobile app is also successfully in place.

We at AU Bank are constantly pushing for digital initiatives. Our Mobile Banking and Internet Banking will further evolve to cater to all the needs of our customers and the UPI will also become functional soon.

Products

With an ambition to become the Best Retail Franchise, we offered our customers the full bouquet of Branch banking products from Savings and Deposit Accounts to Lockers, from Gold Loan to Third party products (Insurance and Mutual Funds). Along with our existing Asset products, we have begun with Business Banking, Trade Finance, Home Loans, Consumer Durables loans, etc. Your bank would be the amongst the few banks in the country to have started all these products in the first year of operations and with many more products to come. Whatever our customer wants, and the regulators allow, we make it happen!

Our customers have also reciprocated to our efforts. This is reflected in the growth of business numbers, usually unheard of in the initial stage of a bank. We have and will always deliver as per the customer expectation. Our attitude has always been to prioritise to serve our customers, solve their problems, catch their imagination and give them a delightful experience.

Differentiated features

To deliver an easy and a seamless experience to our customers, we introduced several new features viz;

- Extended banking hours and extended locker operating hours
- Paperless transactions at branches with no or minimal forms, no cash deposit or withdrawal slips, no RTGS forms, and so on
- True Anywhere Banking as No Home or Base Branch concept, every customer is AU Bank customer and not a branch customer
- Higher interest rates and monthly interest pay-outs
- Provision of cash recyclers at 50 locations.
- Disbursements in AU Bank Accounts: Incrementally 30% of loan accounts have been opened with us.
- Creating products as a separate business unit.

THE ACHIEVEMENTS

Scheduled Bank

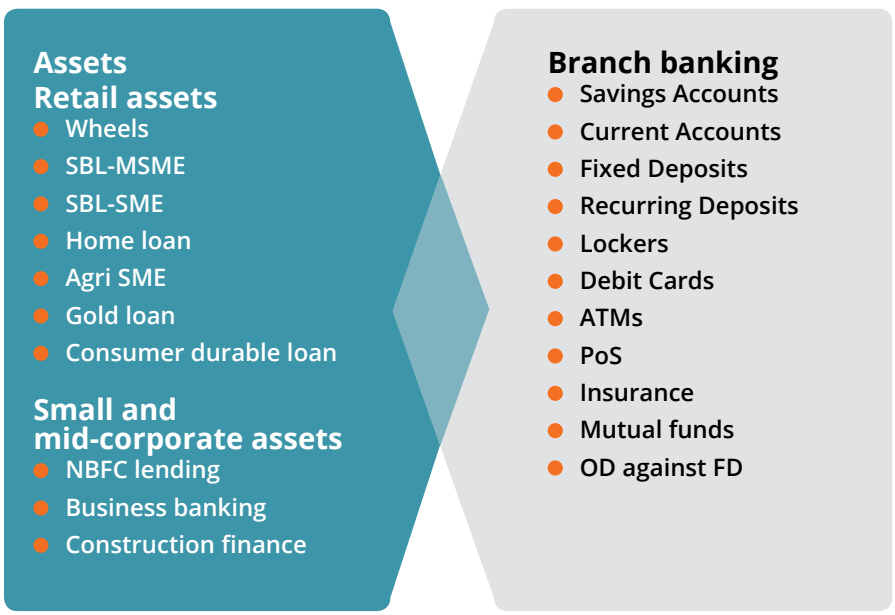
We are thankful to the Reserve Bank of India for extending the Scheduled Bank status to us in November 2017. Your bank's name has now been included in the Second Schedule of Reserve Bank of India Act, 1934. This has significantly helped us broaden our liabilities and treasury operations and has provided us with more liquidity avenues and enhanced our visibility, brand image and acceptability.

After acquiring scheduled bank status, we are now borrowing and lending with RBI under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF). This has helped us to acquire business from public sector undertakings (PSUs), corporates, banks, mutual funds, insurance companies and other market participants, who can transact with scheduled banks in compliance with their regulatory or internal guidelines. Your bank also offers Certificate of Deposits (CDs) on competitive interest rates in the market.

Dividend

Your bank proposed a dividend of 5% in the very first year of banking and listing, sharing our wealth with our shareholders.

The bouquet of products available in the very first year of operations are as under:



Strong Focus on Cross Sell

By 2022, we aspire to serve 10 million customers and reach $10 billion asset book.

- Your bank got featured in Fortune 500 India rankings, being in Top 500 Companies of India.
- Our long-term rating was upgraded by India Ratings and Care Ratings to 'AA-/with stable outlook' as we continued to enjoy a highest short-term credit rating at 'A1+'.

- We are extremely pleased to share that TEMASEK HOLDINGS Pvt. Ltd., Singapore Government owned high pedigree, long-term investment company, via their indirect wholly-owned subsidiary Camas Investments Pte. Ltd, is investing ₹10 billion (₹1,000 crore) in your bank (announced and approved by shareholders in Q1FY19)

Awards and recognition

- Best Brand BFSI Award – Economic Times
- The Bank with more Rural Branches – ET Now
- Bank with Best Technology Orientation – ET Now
- Dream Companies to Work for Award - Times Ascent

THE LEARNINGS & WAY FORWARD

As we are settling ourselves quickly on this bank platform, we are gaining important insights and learnings. Our key takeways for the last year include:

Reorient ourselves as customer-centric bank

As an NBFC we were product driven, but as we start to serve our customers on this holistic platform, we quickly realised that we ought to be a customer-centric bank. We should understand who our customer is, segment them and then build products for them. We are beginning to move ourselves away from a product driven organisation to a customer-centric organisation, which would be largely around personal assets and commercial assets in terms of loans. In the liabilities vertical, from the very beginning we have worked on customer segmentation and are building bulk of that business through customised strategies.

Customer profitability

Customer needs to be profitable and we can make them profitable by creating a pool of revenue around them. We reckon that merely offering a single product at competitive and reasonable rate we may not make him profitable but by offering multiple products, for instance, a Current Account and an insurance plan and a loan all at reasonable rates, we could create a revenue pool of many streams and achieve the customer-level profitability. We remain committed to comprehensively understand the customers and make revenue pools around them.

Differentiated customer value proposition

Akin to the above, it is important to keep offering a differentiated value proposition to our diverse customers segment to get them to bank with us and be of value to them.

Go phy-gital

We are mindful of India's socio-economic conditions and we feel that as we grow our business, adopting a Phy-gital Distribution Strategy, i.e. a combination of physical and digital channels, will be paramount. As we expand our brick and motor setup, we would augment our outreach with newer alternate formats of phy-gital distribution.

Adapting the new rules of the game

As we gained more experience, we realised that for us as a Bank, the regulations are deeper than we expected. We must respect them, adhere to them both in letter and in spirit. We also realise that earning customer's respect, trust and acceptance is a game of patience.

By 2022, we aspire to serve 10 million customers and reach $10 billion asset book. To do so, we will continue to be Retail Assets led bank by experience, distribution and technology and focus on growing our retail asset book, while maintaining a healthy portfolio quality. On Liabilities side, we will optimise our cost and build a high-quality CASA book and retail focused deposit franchise with the support from digital banking and digital assisted services.

FINANCIAL INCLUSION

AU started its journey in 1996 as an NBFC – Au Financiers – and under the aegis of Reserve Bank of India, for the last two decades, we worked relentlessly as a retail focused, customer centric, premier and a trusted asset financing NBFC. We touched over a million plus underbanked and unbanked customers prior to becoming a bank in April 2017. Since our inception and till 31st March 2018, we have provided ~7,00,791 loans for a total disbursement of around ₹30,000 crore.

In our NBFC avatar, the loans were extended on a bottom-up approach which concentrated on understanding the customer and their business. As a number of target enterprises are not registered and many of them do not have formal income documentation proofs, AU, as an NBFC, devised ways to assess them, which included evaluating their purchase bills, visiting the businesses and assessing their turnover, calculations through informal income sources, inclusion of guarantors in loan structure etc. Even after becoming a Bank, AU continues to provide loans through this approach.

Lending to priority sector is our business model and was also one of the major reasons why we got the revered Small Finance Bank License.

We operate in territories where the target segment for Financial Inclusion resides. The Unbanked Rural Branches form 26% of total 395 banking outlets (306 Bank branches, 89 Business Correspondents - including 18 BCs opened post 31st March 2018) as on 19th April 2018. (RBI's requirement was for 25% banking outlets in unbanked rural centers) and we have around 60% of our branches in Semi-Urban, Rural and Unbanked Rural Areas. Through our distribution network we have always served customer profiles such as Drivers, Small Transport Operators, Automobile Dealers, Kirana Shops, Hardware and Electrical Shops, Carpenters and Furniture works, Brick Making Units, Fabrication Units, Flour Mills, Educational Institutes and various other Small Manufactures and Traders, and they continue to be our target customer base even in our Bank avatar.

As evident, in FY 2017-18, 97% of the total number of loans disbursed were of amounts less than ₹25 lakh and over the last four years AU has funded ~1,65,000 first-time buyers of vehicles.

Therefore, AU in its essence, serves the segment which has a big unmet demand for financial services.

Lending to the priority sector is our business model and was also one of the major reasons why we got the revered Small Finance Bank license. As on 31st March 2018 we had priority sector lending Qualified Advances of ₹9,424 crore out of Total Advances of ₹13,312 crore. Further, around ₹1,800 crore of On-Book AUM represents loans to weaker sections of the society including SC/ST/OBC/Women/etc.

We truly believe that for India to grow it is important for the hinterland to prosper and we thus align ourselves with the Government of India's novel Jan Dhan Yojana which represents India's National Mission for Financial Inclusion. As a Bank, we provide the facility of opening of Jan Dhan Accounts and encourage our customers to enable Aadhaar seeding in our accounts.

The status of Small Finance Bank differentiates us and put us in the territory which is under-served and where lies an unexhausted capacity. We are working towards building the financial ecosystem and are contributing our bit to the Financial Inclusion in the country.

BOARD OF DIRECTORS

Bank is a synonym of hope and trust. It gives hope to people that when they want to move ahead in life, they will be monetarily supported by an institution called bank. People trust us with their hard-earned money, which they want to save for their future or business, for livelihood, for education, for family or for retirement. They trust us with their future! Your bank is led by a Board of Directors which is uncompromisingly committed to keeping their trust and ensuring sound corporate governance practices.

A majority of our Board comprises Independent Directors and I am pleased to share with you that last year we expanded our Board and inducted Mr. Raj Vikash Verma as an Independent Director and Mr. Narendra Ostawal as a Nominee Director for Redwood Investments Limited. Mr. Verma, Ex-Chairman of National Housing Bank, brings on Board more than 35 years of experience in the field of Housing Finance, Mortgage and regulatory affairs and his guidance will enable your bank to build and scale it's Housing Loan Book in coming years. Mr. Ostawal, MD of Warburg Pincus India Private Limited, has experience of over 18 years in investment management and financial services space. We extend them a heartful warm welcome at your bank.

Time and again we have received guidance and support from our Board of Directors and I would express a sincere thanks to all my present and past Board members for their immense contributions in our journey.

SOCIAL COMMITMENTS

For us, Corporate Social Responsibility goes way beyond just fulfilling our duty. It has become an inherent part of everything that we do. To ensure our CSR initiatives are aligned with the overall CSR objectives, this year we

Bank is a synonym of hope & trust. It gives hope to people that whenever they want to move ahead in life, they will be monetarily supported by an institution called Bank.

identified our core CSR focus areas as Livelihood Enhancement, Promotion of Sports and Financial & Digital literacy.

Apart from this, we also supported initiatives other than our core areas like promotion of education, healthcare, sanitation, traditional art and culture, etc. As we aligned our efforts in these directions, we ensured that we continue to extend support to all such initiatives that were focused on benefiting the marginalised communities.

ACKNOWLEDGEMENT

It is an honour for me to lead a young bank driven by an enthusiastic team. As an organisation with a long-standing pedigree and as a new generation Bank, we are committed to play our part in the development of the nation. Your bank is well-positioned for profitable and sustainable growth. We have a lot planned for the future and we will continue to focus on customer centricity, stakeholder integrity and value creation. We have just made a small beginning and have a long way to go.

I would like to thank our Board of Directors for their constant guidance and support and I also express my sincere thanks to RBI, SEBI, MCA, IRDAI, UIDAI, CERSAI, Government of India, credit information companies and other regulatory authorities for bringing in timely changes and for creating a facilitating environment for orderly development of financial services sector in India. I am grateful to all our shareholders, investors, bankers, vendors, partners and customers for strengthening our vision and strategies.

चलो आगे बढें ।

Regards

SANJAY AGRAWAL
Managing Director and Chief Executive Officer

अभी तो असली मंजिल पाना बाकी है
अभी तो इरादों का इम्तिहान बाकी है
अभी तो तोली है मुट्ठी भर जमीन
अभी तोलना आसमान बाकी है ।

Whole Time Director's message

Encouraging performance

We expanded our outreach to nearly 500 touch points, grew our disbursements by 60% (at ₹10,825 crore) and in turn grew our Assets Under Management (AUM) by 49% at ₹16,038 crore

5.31 lakh

CASA and deposit accounts were opened in FY 2017-18

DEAR SHAREHOLDERS,

FY 2017-18 was the first year of our operations as a Bank and it gives me immense pride and satisfaction to share with you that despite the uncertainties and hiccups, we have had a wonderful first year and we aspire to deliver yet another year with a stronger set of results on all fronts.

At the outset, I would like to express my sincere thanks to Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), our Board members and all other stakeholders for supporting us in our journey of growth. Most importantly, I want to express my earnest gratitude to each and every AU family member who has been a part our exciting journey.

In our first year of operations, we have emerged as one of the fastest growing Small Finance Banks in India owing to strong customer focus, high-quality asset growth and a growing liability franchise.

Moreover, during FY 2017-18, we expanded our outreach to nearly 500 touch points, grew our disbursements by 60% (at ₹10,825 crore) and in turn grew our Assets Under Management (AUM) by 49% at ₹16,038 crore. We also mobilised ~₹8,000 crore of branch liabilities and deposits and brought down our cost of funds. Despite a significant increase in operating expenses on account of depreciation, our Return on Equity (RoE) stood at 13.7% and Return on Asset (RoA) stood at 1.7% in FY 2017-18. Sequentially, we have maintained consistent asset quality reporting with a gross NPA of 2.0% and net NPA of 1.3%. Clearly, the transition challenges were overweighed by our improved performance and the countless opportunities that benefited us.

On the bank platform, we made sincere efforts to reorient ourselves and become more customer centric. We devised products and services keeping in mind the diverse set of customers we serve and their requirements. For our individual retail customers, we expanded our product

suite by adding three new products viz. gold loans, two-wheeler loans and consumer durable loans, besides restarting housing loans. Similarly, to address the requirements of our smaller businesses associated with agriculture and its value chain, we have launched agri SME loans. In the Small and Medium Enterprises (SMEs) and mid corporate segment, we have increased our thrust within the Business Banking Division and have started offering an entire gamut of products to meet their working capital and term loan requirements. Aligning with India's robust infrastructure development plans, we have added new sub-product lines (within the existing products segments) by creating sub verticals for tractors, construction equipment and Medium and Heavy Commercial Vehicles (M&HCVs), among others.

In parallel, we also launched an entire suite of branch banking products, with multiple investment and insurance products to choose from. In the first year, we have taken giant strides in building our liability franchise with a stronger Savings Account (SA) and Current Account (CA) base. Most of our CASA and deposits franchise was built by acquiring new customers. Reflecting on our last year's performance, we opened 5.31 lakh CASA and deposit accounts. In FY 2017-18, around 85% of the deposit accounts opened were from non-AU borrowers. Going forward, we expect to target our existing customers and develop banking relationships with them through differentiated value-added services.

In my view, our retail distribution franchise, proven track record of the last 22 years and strong execution capabilities have allowed us to establish ourselves firmly on the bank platform. Simultaneously, our differentiated value proposition in terms of paperless account opening, extended banking hours, monthly interest pay out, higher rate of interest and our go-to-market and customer-centric approach have greatly supported us in staying relevant and differentiated with the customer.

As a Bank, today, we are able to fulfil the diverse needs (personal and business) of our myriad customers throughout their life cycle with our comprehensive product portfolio and extensive reach.

With a more structured approach targeted around our asset segments, we expect consistent growth in AUM across all categories. Moreover, a strong bank brand-pull and access to lower cost of funds will allow us to maintain a strong growth momentum. There is also an opportunity to cross-sell financial products and services to existing and potential customers.

Mass banking is challenging due to lower income customers, low ticket size loans and the requirement of a deeper geographical presence. This presents a massive opportunity for small finance banks like us with retail-focused lending business models. Our focus on assessing the repayment capacity and the intent of the small businesses is a huge differentiator in building a small business-lending franchise. This involves hiring local sales and collection employees, customised training, parameterisation of credit proxies through on-field assessment and streamlining the customer processes on a single technological platform. Replicating this in a scalable manner across our core geographies is extremely challenging for a private sector bank, which prefers larger ticket sizes and standardised loan processes to build scale.

'PHY-GITAL' IS A WAY FORWARD

We believe that a strong physical presence of branches, supported by customised, easy digital banking solution, is the way forward for banking. On the back of this belief, we are providing a unique proposition for our customers, we are facilitating them with digital convenience while maintaining our personalised connect with them. We are sure that this step will take us forward in the space of banking.

On the bank platform, we are strongly leveraging digital, technology and analytics to enhance our productivity, profitability and outreach. We have given tablets to our entire 'feet-on-the-street' sales force to conduct our operations. For all practical purposes, a 'feet-on-the-street', armed with a tablet, can become a functional branch in an unbanked location. Similarly, we have devised a new lead-capturing app called AU Business, which allows us to seamlessly capture, allocate, activate and monitor a lead across all 11,000+ colleagues at the bank-wide level. Another case in point is the automation of our collection process. Besides that, recently we also launched AU Abhi, an app that allows you to become our customer and open a bank account with us digitally and instantly by simply downloading our account app.

Being a new-generation modern bank with no legacy issues, allows us to leverage the benefits of technology to offer low-cost solution to our customers.

The banking industry is going through significant transformation with the emergence of small finance banks, payments banks and digital disruptions, among others, to take banking to the last mile. Our mission is to build the most preferred retail distribution banking franchise of India and we would always remain focused on serving our customers holistically and profitably.

UTTAM TIBREWAL
Whole Time Director

Business model

Methodology for value creation

We aim to build India's largest retail franchise through bias for action, dynamism, detail orientation, product-process innovation, globally respected standards of integrity, governance and ethics. We are deeply rooted to our vision and core values that enable us to navigate business challenges, build scale and synergies and produce lasting results for our customers and all other stakeholders.

Core Values

1. Integrity
2. Customer focus
3. Bias for action
4. Responsibly entrepreneurial
5. Work hard and look for details
6. Nurture talent and succeed together

Market Differentiators

Strategies

Assets strategy
To remain focused on core retail segments with emphasis on contiguous deeper expansion in our existing geographies.

Liabilities strategy
To have sizable deposit base from CASA and Term Deposits. Also leverage our scheduled bank status to raise government deposits.

Branch and operational strategy
To penetrate existing markets and foray into new markets with focus on technology and digital banking.

Digital and technology strategy
Design product offerings keeping in my the dual objectives of customer convenience and cost optimisation.

Key Capitals Engaged

Human capital
With our 11,151 strong workforce, we work continually to develop competencies and capabilities of our people, a critical asset. We develop the expertise of employees to enable them to serve all our clients better.

Financial capital
We deploy funds efficiently, whether obtained through financing or generated from operations and investments.

Intellectual capital
We use deep analytics in our credit appraisal, monitoring and collection processes. Our knowledge-based customised products, processes and proprietary technologies also demonstrate our intellectual acumen. Using digital technologies optimally in an innovative manner we ensure stable and safe digital services that safeguard the privacy of our clients.

Manufactured capital
With our technology enabled, extensive network of nearly 500 customer touch points across the country, we are trying to make banking accessible to everyone. Our growing infrastructure of 292 ATMs and service kiosks further strengthen our purpose.

Natural capital
Although our operations do not have a significant consumption footprint, we use natural resources like water and energy judiciously. As a bank, we ensure that our products or project financing has minimal environmental footprint.

Social and relationship capital
We facilitate access to banking for those near the the bottom of the pyramid and contribute to India's inclusive growth agenda. We also engage proactively with all our customers, business partners and regulatory authorities through various channels and platforms to meet their requirements and ensure highest standards of corporate governance.

Values Created

By running a profitable, sustainable and responsible business, we create value, which is subsequently both retained by our business, making it stronger and also shared with all stakeholders.

2,636
New members added in FY 2017-18

Employees
We focus on building a motivated workforce by recognising and rewarding our people.

~8.9 lakh
Live loan accounts and liability accounts as on 31st March 2018

Customers
Our innovative products and services build value for our customers' businesses

₹0.50
Per share dividend proposed in FY 2017-18*

Shareholders
We efficiently manage all inputs to our business and generate profits that benefit shareholders and the fraternity of stakeholders.

4.23 crore
CSR expenditure in FY 2017-18

Communities
We are consistently growing our intervention commitments in the realms of education, healthcare and community development.

* Subject to Shareholders Approval.

Financial inclusion

Driving financial inclusion

Inclusive Financing has been the core of our existence and we have been relentlessly serving the bottom of the pyramid population and the 'belly of India' since our inception in 1996.

With a wide geographical reach and strong connect with the rural and semi-urban markets and low-income urban populace, we have served over a million-plus unserved and under-served customers and contributed our bit in financial inclusion in India.

Our focus has always been on funding micro, small enterprises who are often denied credit due to lack of formal income documents, credit history and limitation of banking reach in deeper markets.

In our journey of financial inclusion, we had several first's to our credit, including:

- As on 31st March 2018 we had priority sector lending Qualified Advances of ₹9,424 crore out of Total Advances of ₹13,312 crore
- 60% branches in semi-urban, rural and unbanked rural areas
- Focused on serving low-income population: Over 3 lakh number of loans with average loan ticket size of less than ₹25 lakh;
- Providing Solutions to Customers with no formal credit history (new entrepreneurs)

The Indian Government and Reserve Bank of India (RBI) have been making several concerted efforts to promote financial inclusion as one of the important national objectives of the country. Licensing of Small Finance Banks was also a key step towards the same.

For us, the conversion to banking platform has given us a bigger opportunity and stronger alignment to keep providing consistent, customised and the most trustworthy financial solutions to the unreached and unbanked rural and emerging masses of India.

Target customer base

AU Bank's target customer segment includes low-and middle-income individuals and credit-worthy micro/ small enterprises that possess business potential but are unable to avail financing from formal channels viz. drivers, small transport operators, automobile dealers, carpenters, owners of kirana stores, hardware and electrical shops, furniture works, brick kilns, fabrication units, flour mills and educational institutes, and various other small manufactures and traders.

AU Bank's contribution

AU Bank has 377 branches and 97 asset centres, and 5,31,062 deposit accounts with a deposit base of ₹7,923 crore, as on 31st March 2018.

We believe that it's not only important that rural customers have a bank account but also that they actively use the account. Being a committed institution we are tracking this closely. Of the ~1,84,000 account-holders in semi-urban, rural and unbanked areas, ~1,79,000 have transacted at least once through these accounts. At the same time, of the total ~2,50,000 debit cards issued in semi-urban, rural and unbanked rural area, around 1,70,000 cards are active.

97%

Of the total number of loans disbursed in FY 2017-18, were < ₹25 lakh

97%

Of the deposit accounts in semi-urban, rural and unbanked regions are active

Micro and small enterprises loans

In its earlier avatar as an NBFC, AU provided loans to customers who were denied financial assistance from other banks due to unavailability of required documentation or credit history. Since inception, the Bank has disbursed ~7,00,000 loans (amounting to ~₹30,000 crore) till 31st March 2018.

Digital innovation focus

In line with the Government's Digital India initiative and to meaningfully enhance accessibility of financial services, AU has tried to reinvent banking through:

- Digital TAB-based account opening
- Minimal paperwork and forms, such as no cash deposit slips
- 'True Anywhere Banking' based on a no home and base branch concept

In the very first year of its operation, the Bank opened ~3,30,000 savings accounts using digital TABs, while launching internet banking and mobile banking channels. The total number of transactions through the two channels for FY 2017-18 stood at ~30,000, of which ~9,000 transactions were performed in semi-urban, rural and unbanked rural areas.

Financial literacy

For holistic awareness about the benefits of banking institutions, AU conducts financial literacy camps. In the reporting year, the Bank has conducted 60 camps reaching more than 2,000 people.

Way forward

On the lending front, AU continues to target the under-served and unbanked population. On the deposit side, the Bank is evolving the Unified Payments Interface (UPI) and Unstructured Supplementary Service Data (USSD) to enable free transactions for the rural masses. The Bank will also provide Social Security Schemes and continue conducting awareness camps.

Your bank remains committed to play its part in making individuals and households financially literate, to help them make informed choices about how they save, borrow and invest. And this will be achieved by providing the entire gamut of banking services to the hitherto financially excluded population.

Bolstering the spirit of young India

Jainath Patel
AN ASPIRING ENTREPRENEUR

In 2006, 24-year-old Jainath Patel was quick to see a business opportunity amid the rising popularity of computers that had arrived in his town Jabalpur. With faith in his vision, he set out to educate himself. He not only gained technical training from an institute in Mumbai, but also honed his expertise on-the-job for a year.

Returning to Jabalpur, he visited homes and offices to repair computers. In 2013, he started a small shop, employing two others. As his business grew, he wished to save rent that was a big drain on his income and sought to own a larger space. One of his customers, who happened to be a AU SFB employee, understood his requirements and promptly processed on requirements and assisted him in getting a loan from AU Bank.

एयू बैंक ने फटाफट लोन देकर मुझे मेरा खुद का बिज़नस शुरू करने में मदद की और मेरे सपने को सच करा दिया |

AU Bank promptly sanctioned my loan and helped me in starting my own business and converted my dreams into a reality.

Today, Jainath runs a thriving computer repair and refurbishment shop and generates employment for four others. Jainath states that AU helps those with a vision and assists young India to realise its potential.

Nurturing citizens of new India

Shankarlal Meena
OWNER OF A SCHOOL

Shankarlal Meena started a small school in 2004 to provide quality education to rural children. He began his venture in a modest manner with 40 children and steadily upgraded the school to secondary and senior secondary levels in 2012.

In this journey, he has always received proactive support of Au Financiers (now AU Small Finance Bank). Today, his school has over 350 students and is a well-known institution of learning in the entire district.

He envisions setting up a college in the district as a lot of young people travel long distances to receive quality education when it can be provided in his district. He is confident that with the support of AU he will be able to turn his vision into reality.

He shares a cordial relationship with all members of the AU team and recommends AU to people who approach him for suggestion on financial assistance.

राजस्थान के गाँव के बच्चों को अच्छी शिक्षा देने और एक शिक्षित समाज बनाने के मेरे सपने को मजबूती देने के लिए मैं एयू का हार्दिक आभारी हूँ।

I am deeply indebted to AU For strengthening my vision of providing a quality education to rural children of Rajasthan and help create a knowledge driven society.

Building an institution of trust

Catching imagination of customers

According to World Bank, India has 19 crore adults without a bank account, making it the world's second largest unbanked population after that of China. There were around 24.97 million vehicles sold across all vehicle types in FY 2017-18 and there are more than 63.38 million MSMEs. Considering the size of the market, there is a huge opportunity for AU and other banks to serve these financial needs.

~₹4,500crore
Wheels loans disbursed in FY 2017-18

~₹2,700crore
MSME loans disbursed in FY 2017-18

Our customer base has widened with the addition of a deposit franchise on our banking platform. Given their unique set of requirements, each segment needs to be approached and addressed separately.

Customer profitability and serving them holistically are thus our key focus areas.

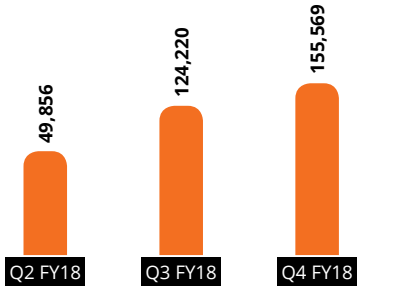
Keeping in mind the paramount need for customer convenience, we undertook several initiatives, including not asking customers to fill an EMI deposit slip. Having a big pool of customers with no CIBIL records, ~60% of our branches are in deeper unserved parts of India which reflects our DNA of being customer centric.

While transforming into the bigger platform of banking, we have assumed customer centricity with an even greater responsibility. Keeping customer convenience as our top priority, we have challenged and changed a few traditional ways of doing banking. We follow 'True Anywhere Banking' with 'no home branch concept' – at AU, every customer is a bank customer and not a 'branch' customer. Some of our key initiatives include:

DIGITAL ACCOUNT OPENING

We had kick-started Aadhaar linked TAB-based 'paperless' Savings Account opening facility for Individual

Growing trend in Savings Account opened via TAB (Nos.)



Savings Accounts. It is a completely automated process wherein a customer account is opened within 15 minutes and the customer is handed over his account opening kit with a debit card and a cheque book instantly.

Our sales executives are equipped with TAB devices. Our TAB adoption had reached ~95% in March 2018.

We started straight through process of consumer durable (CD) loans via the fully digital channel.

STARTED POS SERVICES

We strengthened our POS services by on-boarding Bijlipay, along with our existing partner India Transact Services Limited (ITSL). During FY 2017-18, we reported successful installations of over 450 machines.

ENHANCING DIGITAL BANKING EXPERIENCE FOR SME AND MSMEs

We implemented our corporate internet banking and cash management platform through iCashPro+ to offer seamless customer experience across multiple delivery channels.

iCashPro+ is designed to provide comprehensive day-to-day services with robust back-end engines for 100% automated payments and accounts receivables operations, easy bulk payments, need-based collection/payment/trade modules, checking balance and downloading statements, among others. To provide easy access, these services can be availed anywhere via net banking and mobile banking.

Building an institution of trust

Leadership through ‘cost optimal phy-gital’ distribution

In our first fiscal as a Bank, we served a wide segment of customers who had different requirements. Keeping this diversity in mind, we designed a host of new products and solutions and expanded our footprint.

At AU Bank, we are adopting a phy-gital distribution strategy wherein we are striving towards holistically serving customers through a combination of physical and digital channels. Our phy-gital approach allows us to offer multiple convenient banking options to our customers and at the same time allows us to bring down the overall cost of service delivery. Availability of multiple channels including Branches, ATMs, Business Correspondents, Tablet Banking, Mobile Banking, Emails, call centres allow our customers to engage through a mode of their choice and at a time of their choice. Across all our service delivery channels, we strive to offer a standardised experience to our customers.

SOCIAL MEDIA SCALE

We have over 1 lakh followers on Facebook and more than 10K on LinkedIn

100K + 10K
FOLLOWERS

DIGITAL FOOTPRINT

- Mobile Banking App
- 24/7 Phone Banking
- Internet Banking
- AU Abhi – Self Download-able digital account

SOCIAL MEDIA PRESENCE

- Twitter
- Facebook
- LinkedIn

Our phy-gital approach

Physical Distribution Network

11
States

306
Branches, 71 Banking outlets and 97 Asset centers

23
Offices

292
ATMs

2,000
Tablets

Internet Banking

Mobile App

In FY 2017-18, we completed the roll-out of 306 modern bank branches and 71 business correspondents. To leverage the powerful bank platform, we also expanded our product bouquet and took our product count to 27 products from mere six on our last balance sheet date.

With this, we have almost all secured products required to serve retail customers. Additionally, we have also forayed into Consumer Durable Financing last year which is offered via dual channels viz. fully online and tech-assisted offline model.

WAY FORWARD

- Roll out Aadhaar enabled payment system
- Popularise mobile banking app across both Android and iOS platforms
- Facilitate digital onboarding of individual joint accounts and Current Accounts
- Go live with IMPS on mobile banking, UPI, Bharat Bill Pay (BBPS) and ASBA facility (for IPO), among others
- Drive merchant acquisition through physical POS terminals and Bharat QR

Building an institution of trust

Backed by a reliable technology infrastructure

We have embraced technology by automating and digitising transactions for faster, safer and secured banking. We have also equipped our sales force with tablets integrated with biometric devices and bluetooth printers to enable faster customer verification and account opening and activation.

98%+

Uptime archives across all applications, network and infrastructure in the first year itself

30,000

We have rolled out Internet Banking and Mobile Banking app, with more than 30,000 users actively using these digital enablers

PRIORITIES ON THE RADAR

At AU Bank, we have on boarded key Tier 1 OEMs and partners for our core banking and digital requirements. Besides that we also work with a host of small and niche fin-tech players. This is helping us build an agile, modern and well integrated products stack commensurate with our present and future requirements. Our enterprise architecture is a multi-layer platform with various applications being integrated through the service bus.

Internally, we have ~200 member strong in-house technology team which is divided into three core groups viz. 1) Build the Bank 2) Run the Bank and 3) Govern the Bank. This internal team segregation allows them to focus on set of specific issues, build super specialization and deliver a faster turnarounds. Besides that we also draw a seamless service support from all our our core technology partners.

KEY TECHNOLOGY ADVANCEMENTS IN FY 2017-18

FY 2017-18 has been a year of transformation for AU Bank. In terms of technology implementation and adoption, we moved from single application for loan lifecycle management to implementation and adoption more than 20+ applications. This has been a great achievement for every stakeholder involved.

From the first day of the Bank going live, we have been able to migrate all existing customers and their loan accounts to the new application. Some of the key achievements for last year in technology are as below:

- **Technology change management**
  Training and adoption of more than 9,000 employees for about 10 front-end applications which are being used at branches for day-to-day operations. This also included MPLS connectivity and branch infra upgrade across 306 Branches, 71 Banking Correspondents and other offices
- **End-to-end implementation of ESB architecture**
  No application is interfaced point-to-point and all the integrations are done through ESB
- **Digital onboarding of customers**
  We have gone live with paperless account onboarding where customers' Savings Account is opened in less than 15 minutes
- **Workforce digitisation and automation**
  We have been able to roll out a mobile app for our collections employees where they can track pending tasks and perform collections from the field itself
- For loan origination, a workflow-based application ensures we have data point available for measuring TAT at each level which would later provide input for business process reengineering to remove process bottlenecks
- We are live on all key payment channels (NEFT, RTGS, CTS, NACH, IMPS (For Internet Banking)

In the ongoing year, we are planning to enhance our digital footprint for customers and internal employees. Key driving principles for projects being undertaken are as follows:

- Provide convenient banking solutions to customers to help them reach out to us with ease and perform transactions digitally 24x7. This would include payments like UPI, BBPS and solutions like corporate internet and mobile banking for corporate customers
- Digital onboarding (assisted as well as self-onboarding) of customers across the product portfolio
- Workforce automation to reduce operations cost and achieve higher efficiencies
- Tracking and proactive monitoring of applications and infrastructure to ensure minimum downtime and production outages
- Primary and secondary connectivity to all the branches

Building an institution of trust

By establishing a striking brand identity

In the last one year, AU Bank brand has taken an exponential leap while it continued to stay grounded as an NBFC. With all our brand associations and outreach initiatives, our marketing endeavours continue to extend reach to every strata through initiatives that resonate with each one of them.

We ensure that our brand reaches people wherever they are and supports their aspirations. We also capitalise on local insight, experience and the support infrastructure of our existing operations to communicate and engage with the target audience.

ON-GROUND OUTREACH INITIATIVES

AU Bank Social Connect

Connecting our branches with nearby colonies, markets, societies, corporates in their respective catchment areas. These activities would help branches to have local connect, social impact & business opportunities in terms of leads/ queries.

AU Bank Jagriti

We have about 71 BC points spread across our territories and aligned with respective branches. Since they are situated in unbanked areas and are a new concept in the localities, we plan to organise health check-up camps alongside a financial literacy camp which can attract the local audience to the newly appointed BC point.

AU Vehicle Activity

A promotional vehicle at every operating states runs across all rural/ urban markets for financial literacy of rural audience and data collection as well as for business purpose

while taking customer's feedback and interacting with prospective customers.

AU Samarth
A small canopy is set up in a strategic area to create awareness about our various offerings and their significance. It is conducted twice in a month.

AU ATM - Saturday
All branch teams at AU Bank conduct this activity every Saturday. The teams takes contact details of people passing by and using ATM services.

AU Samanvaya
To foster new relationships with dealers and manufacturers, we invite them to AU Bank to display their vehicles on EMI Days outside the Bank as we host the maximum number of prospective customers. It helps us to cross-sell various products that we have to offer to our customers.

BRAND ASSOCIATION

Jaipur Literature Festival Powered by AU Bank
AU has been associated with this initiative focussed on promoting literature from its NBFC days. As a bank, this year we became a key sponsor for this world-renowned event that brings together some of the world's most invigorating minds. The footfall was around five lakh in this annual event in 2018. The event saw participation from writers, thinkers and opinion makers from around the world. There were three different AU lounges where this event was conducted.

AU Bank Jaipur Marathon
Fitness remains our priority for both our employees and the community at large. Our continuous association with one of the largest marathons of India, AU Jaipur Marathon, highlights our commitment to this cause.
The 9th edition this year witnessed registration of almost 80,000 people across categories. The various running categories included Monsoon run, Independence run, Santa run, Woman run, collage activities, school activities and so on. We conducted several pre-promotion activities for this event through our branding zone and an exclusive AU lounge for employees, along the marathon route.

FADA – National Auto Summit 2018
AU Bank became the Platinum Partner of National Auto Summit organised by FADA (Federation of Automobile Dealers Association of India). This event witnessed more than 1,000 dealer principals and manufacturers from all over India. AU Bank's leadership was one of the key panel members for the various sessions along with industry leaders. It helped us to position well with the trade partners and let them know about AU Bank's products and services.

AU Bank Utsav
The first year completion of the bank was made memorable with a high profile event, Bankotsav. The two day extravaganza brought eminent personalities to Jaipur for intellectual discussions including business baron and Future Group CEO - Mr. Kishore Biyani, investment guru & joint MD of Motilal Oswal Financial Services - Mr. Raamdeo Agarwal, former SEBI chairman - Mr. G.N. Bajpai, former Deputy Governor of RBI - Mr. S.S. Mundra and former NHB Chairman- Mr. Raj Vikash Verma. Besides, motivation sessions by Mr. Navjyot Singh Sidhu, Super 30 fame-Mr. Anand Kumar and first women amputee Mt. Everest climber-Ms. Arunima Sinha lifted the audiences' spirits. The gala event proved to be a great platform to engage the senior bureaucrats, industry leaders, investors and important clients from across the country leading to an enhanced brand equity. The 2nd day was event was especially for the employees where, besides striking performances by singer Shaan and stand-up comedian Sunil Grover, over 3,000 employees enjoyed informal interaction with all the senior management of the bank.

Building an institution of trust

By nurturing a team of go-getters

Our colleagues take pride in working for an inclusive and diverse bank, and with their support we are building a culture in which everyone feels included, empowered and inspired to enrich customer experience.

11,151

Team strength

With a diverse talent base of 11,000+ people, we are focusing on attracting, developing and retaining relevant industry talent.

EMPLOYEE ENGAGEMENT

We have adopted top-notch HR strategies to strengthen employee engagement. Several cultural and functional activities are conducted throughout the year to keep the morale of our people high.

- **Sports**
  We organise tennis and badminton championships, cricket tournaments and football leagues for employees and their kids.
- **AU Connect**
  The extensive one-day induction programme is designed to familiarise and engage new members with the organisational structure, its culture and principles.
- **AU Dharma**
  We are imparting AU dharmas (core values) for all the Bank's employees.
- **Mandatory trainings**
  RBI-mandated trainings are imparted to each employee of the Bank to keep them abreast of changes in banking regulations.

PERFORMANCE AND REWARD

At AU Bank, we have a clearly defined appraisal process and incentive structure, which is communicated to all employees. Motivational programmes are conducted for employees to bring out their best performance. Quarterly rewards and recognition programmes are conducted to value every effort of our employees.

- **Celebrating achievements**
  The achievements of high performers are celebrated at all locations for departments such as collections, sales, human resource and branch banking, among others.

LEADERSHIP DEVELOPMENT

We understand the importance of a robust and effective leadership and conduct talent development programmes to develop internal leadership pipelines. We align the competencies required for the job with the skillset of each employee and provide the right growth opportunities to them. We direct our efforts in mentoring, coaching and supporting our people at each step.

- **Work better programme**
  We imparted managerial skills to first-time managers, motivating them to shoulder more responsibilities.
- **Leadership skill workshop**
  We organised pan-India leadership workshop for all of the Bank's leadership.

LEARNING AND DEVELOPMENT

Training modules were developed on the e-Learning mode and AU'ites were encouraged to maximise the use of the digital platform. Each member of the AU team received the in-system Human Capital Management (HCM) training.

Functional training

- Formal training for asset and liability products was imparted to employees at Manipal University
- Cluster refresher training for sales and operations staff of liability department was provided
- Employees were trained on gold loan products and services
- Training on MS-Excel was imparted to various departments of the Bank

Soft-skill trainings

- Soft-skill trainings are conducted at various branches to enhance customer communication skills of our people
- Both in-bound and out-bound call centre employees are imparted training to improve their communication efficiency

Giving wings to aspirations

Vimla Mahawar
OWNER OF AN EMBROIDERY FACTORY, JAIPUR

Mrs. Vimla Mahawar was a homemaker who dreamt of contributing to the family income that wasn't sufficient to support her three children. She thought about buying an embroidery machine to start her own venture. Her husband liked the idea as he was working in a garment export company. He explained the business dynamics to her and eventually, she bought her first machine. They invested all their savings and borrowed from the family. With her committed efforts, soon the business started picking up and within months the demand increased beyond what she could supply. More machines were needed. She wanted to take the leap but, with all her funds exhausted, she was unable to buy then. Her husband's salary was only ₹10,000.

So, she, along with her husband, started looking for funding options. They were turned down by many banks and finance companies. It was AU that came to their rescue.

एयू ने हमें बेहतर आय कमाने और बेहतर जीवन जीने में मदद की। उनकी वजह से मैं बड़ा सोच पायी और अपने सपनो को सच कर पायी।

AU helped us in getting a better earning and a better life. Because of them I could dream big and achieve my dreams.

The bank provided her the required funding. She bought two more machines, expanded her business, built a team of seven workers and took up all the new orders. Now her children are getting educated at good schools and she is contributing to the family income more than her husband and providing livelihood to seven more people.

Fostering relationships of trust

Sunil Saini
OWNER OF A TOUR AND TRAVELS COMPANY

Sunil Saini grew up in a poor family in Rajasthan, but was determined to change the circumstances of his life. His father was a cart puller and Sunil knew he would had to struggle hard to get ahead in life. He decided to start a tours and travels business. His friend had told him he could only get loan from AU, because AU helped even those who do not have proper documents.

Sunil did not waste time. He approached AU and purchased his first car in 2009. Since then, Sunil did not look back. With the support of AU, he grew his business and today owns a decent fleet of nine cars.

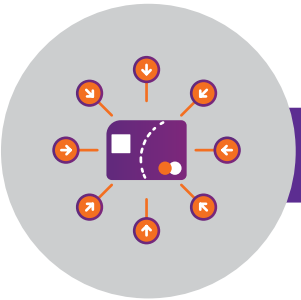
He is grateful to AU for the support he received and now brings more people into the growing fraternity of the bank's customers.

मै अपने आप को एयू के ब्रांड एम्बेसडर के रूप में देखता हूँ, जो लोगो की मदद करता है और उनकी क्षमता को समझ कर आगे बढ़ने में मदद करता है |

I look at myself as one of AU Bank's brand ambassadors, bringing more people who need critical help and support to realise their potential.

Business drivers

Enabling sustainable business growth



Collection management

Four key attributes of collections

1. Relentless
2. Business-to-employee (B2E) Communication
3. Robust MIS and reporting
4. Customer profiling

Collection management has been the backbone of our strong asset quality which has been further strengthened in the bank platform. Unlike many other organisations, we have divided our collection function with several specialised sub-units.

Moreover, we extensively use analytics for customer profiling, engagement with collection executives, daily intelligence and MIS reporting to management.

OUR APPROACH

- Delinquency is not tracked in percentage terms but in absolute value - this has been the hallmark of AU from beginning
- Vintage home-grown talent in key positions aligned to management thought process which provides stability and succession plans
- Strong camaraderie and ownership of collections between sales, credit and collections
- Over 1,500-member strong collections team
- 85% collection is in-house, thereby reducing cost of collections drastically
- Specialised partners in select metro and micro markets for bucket 1 and bucket 2 cases – an efficient model to manage efficiency and cost

OUR SPECIALISED COLLECTION TEAMS

AU Bond Team
Manages chronic pool of over ₹100 crore. Resolved over ₹45 crore of delinquent cases in FY 2017-18.

Legal Team
Regional presence for on-ground assistance for taking suitable legal measures.

Work from home concept
We have put in place a low-cost work from home team for collections with the advantage of vernacular calling.

Data analytics

At AU Bank, automation, digitisation and intensive technology are being used to expand the scale and scope of business.

We believe that with growing digitisation and evolving disruptive models of banking, it is important for us to remain concurrent and keep empowering our customers with the latest and best solutions that offer speed and convenience.

Since we cater to a wide variety of customer segments, since the last few years we have been capturing, learning and leveraging on data-driven insights to achieve mass personalisation and innovative tailormade products and solutions. Simultaneously, we are swiftly automating our workflows and business processes to become more agile with Straight Through Processes and are collaborating with a number of companies including technology start-ups at one end and some well-known credible tech experts, on the other.

Since these open platforms require stringent monitoring, our Business & Operational Risk Management Team, together with our Chief Information Security Officer, are continuously building a comprehensive security and risk management framework with requisite checks and balances.

We have also put in place analytics which encompasses the entire spectrum of activities right from filed-level data collection, database management and database warehousing all the way up predictive and prescriptive outcomes.

Business analytics

- Wheels and SBL loan purchase propensity models
- Cross-sell/up-sell campaigns – using POD and propensity models to identify right set of customers for cross-sell campaigns
- Incentive structure design – using historical data analysis to align incentive policies with business goals
- Location Analytics – identifying the best locations for opening unbanked branches
- Loan Application scorecards and auto-approve algorithms – designed for wheels, already deployed for CD loans
- Repeat purchase identification and tracking

Collection and risk analytics

- Probability of default model – default prediction for early vintage customers as well
- Customer Contactability Model – identifying customers with high/low contactability
- Collectability prediction – identifying which customers are going to pay in a given month – current, 1st and 2nd bucket
- Collection allocation optimisation – optimising collection allocation based on collectability of customer
- Risk-based pricing for consumer durable loans
- Collection roll rates simulation – right upto 12th bucket

HR analytics

- Employee attrition tracking, analysis and prediction
- Sales Executive – 360-degree Performance View
- Using Roll Rate simulator for ACR prediction and manpower planning
- Employee performance improvement assistance – identifying specific areas of improvement and doing targeted communication

Credit management

Our robust and comprehensive credit assessment tool is crucial to our business, since a large proportion of our customers belong to the underserved segment of society and are primarily first-time purchasers of financial products. Our credit teams, through in-house field investigation officers, conduct an independent verification of customers and evaluate their business and financing needs and analyse their ability to repay loans.

We have a separate credit team for each business vertical – Wheels, Secured Business Loans, Agri - SME, Business Banking, and for other products. The teams evaluate business needs, identify expansion plans and analyse the borrower's ability to repay the loan. Our three-layered assessment process includes visits by credit officers, relationship officers and business officers to analyse collateral quality.

Legal check and organised set up	• Existing central Legal team with experienced and knowledgeable legal persons • Both external and Internal legal check • Two level check of title papers and legal report • Empanelled legal person across all states and branches
Technical set up	• Centralised technical team with experienced coordinators • Empanelled valuer across all states and branches • Both external and internal technical checks
Risk Containment Unit (RCU)	• Centralised as well as regional RCU team and monitoring • Detailed and proper check of fraudulent transactions • Dual checking of the existence of customer and business
Post disbursal monitoring	• Process in place for internal and external audit to ensure adherence of policy and improved file quality disbursement

Treasury management

The treasury management at AU Bank is handled by a strong treasury management team. The front, middle and back office manages the consolidated fund of the Bank optimally and profitably, within the acceptable level of risk. They are responsible for handling the trading operations and mutual funds, resource management, asset liability management, and market risk management. The treasury effectively complies with the regulatory requirements in relation to treasury activities and operations. Moreover, there is significant contribution of treasury income in the bank's earnings.

TREASURY PRIORITIES

- Seek funding avenues in inter-bank market within prudential limits
- Enhance credit ratings to raise long-term debt and obtain higher credit lines
- Maintain a strategic mix of long-term and short-term debt to manage funds
- Perform view-based trading and diversify investment portfolio
- Facilitate increasing deposit base
- Invest in SLR securities and other low-risk asset securities for liquidity management
- Expand treasury activities to yield higher returns and profits

OUR KEY ACTIVITIES

Funding
The treasury team strategically builds funds by capturing secured and unsecured sources, within the applicable risk limits. The funding sources comprise deposits, unsecured money market instruments, existing NBFC sources, inter-bank liability limits and Certificate of Deposit (CD) issuance, among others.

Compliance
The team strictly ensures maintenance of the minimum regulatory reserves such as Structure Liquidity Ratio (SLR), Cash Reserve Ratio (CRR) and Liquidity Coverage Ratio (LCR).

Investments
Investment is an important activity. Investment platforms are explored judiciously to maintain regulatory reserves, manage the existing funds, maintain liquidity, along with optimising revenues. Going forward, investment activity of the treasury will act as a profit centre with its diversified investment portfolio.

Governance
Our resource management function is conducted by segregating the duties between risks and business functions. These functions represent the organisational structure and define the roles and responsibilities of the treasury department.

Focus on risk management
As a fast-growing bank, AU Bank's primary focus is on risk management. The Bank has set up a risk management function to shield exposure to additional risks such as market risk, increased liquidity risk, interest rate risk and funding risk. A sturdy liquidity regime has been set up to manage any unforeseen gaps that may arise.

Reports and findings of the treasury team on liquidity position, ALM, interest rate sensitivity, deposit rates, and so on are submitted to the Asset Liability Management Committee (ALCO) periodically. ALCO submits its findings to our Board, along with periodic reporting to the management. A periodic review of the Bank's investment portfolio is reviewed and approved by the Investment Committee, which is then presented to the Risk Management Committee of Board (RMCB) and the Board for their review and approval in compliance of applicable regulatory requirements.

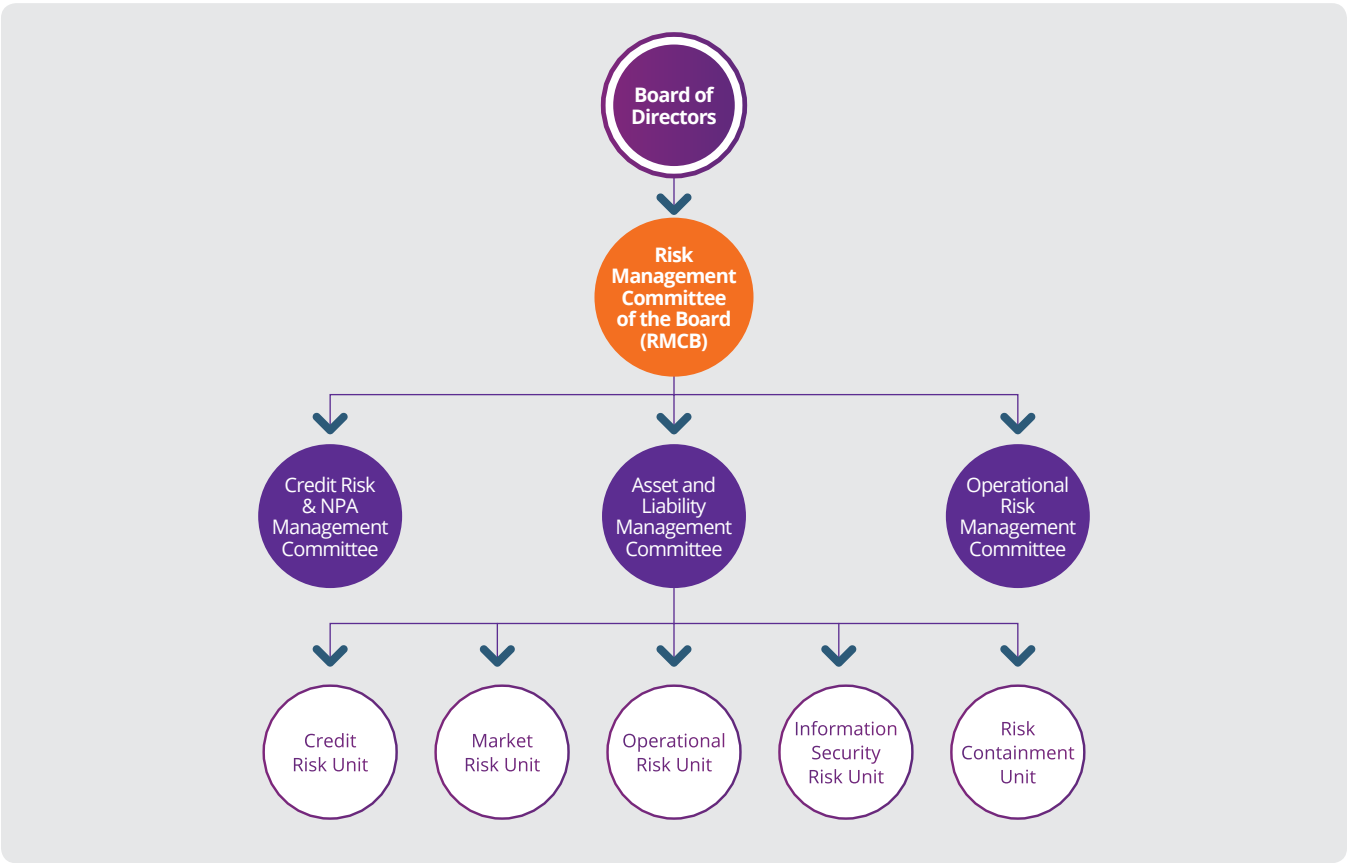
Risk management

Robust risk governance

Effective risk management plays a vital role in the successful development and execution of our strategy.

RISK MANAGEMENT FRAMEWORK

At AU Bank, risk management implies a proactive approach towards future events. All necessary components for comprehensive risk governance are embedded in the Bank's risk management framework. It comprises enterprise risk management, credit risk, market risk, financial and non-financial risk management, risk reporting and supporting IT infrastructure, and cross-risk analytical tools and techniques.



Our risk management system enables our business to achieve its strategic objectives, take measures to control such risk and deliver sustainable long-term growth, with a commitment to responsible business practices.

The key elements of our framework are:

- Identification of our key principal risks that are likely to have a direct impact on our strategic objectives
- Evaluation of the identified risks and reviewing their potential impact
- Developing processes for better control
- Preparing contingency/preventive plan
- Implementation and monitoring of the above

Types of risks and their mitigation techniques

Operational risk

DEFINITION
Losses resulting from inadequate/failed internal processes, people and systems or from external events

Our approach and mitigating actions:

- Implement Risk Control Self-Assessment (RCSA) across all key products
- Conduct root-cause analysis and gap analysis of all operational frauds
- Make periodic verification of outsourcing policies, perform annual evaluation of service providers to mitigate fraud and provide assessment to outsourcing committee
- Perform assessment of internal controls and incidents reported by OSP

Information security risk

DEFINITION
Likelihood of a failure in the confidentiality, integrity or availability of an information security system causing harm to informational assets

Our approach and mitigating actions:

- Periodic review, analysis and escalation of information security incidents to management
- Review of processes – network access logs, firewall log reports, port access reports for critical network devices,network operation centers, Security Operations Center (SOC) and process of change/incident management
- Conduct Business Continuity Plan (BCP) assessment and Disaster recovery drills and monthly audits of the data centre

Fraud risk

DEFINITION
Risks resulting from acts of deceptions, misrepresentation, illegal actions targeting business functions

Our approach and mitigating actions:

- Processes for fraud prevention and detection
- Product wise sampling strategy is in line with business teams
- Risk Containment Unit (RCU) responsible for filing police complaints, fraud recoveries, handling of critical cases and reporting to management

Central risk and analytics

DEFINITION
Exposure of debit card transactions to risk and its likely impact

Our approach and mitigating actions:

- Central risk function was developed; implemented transaction monitoring cell to monitor debit card transactions within and outside the Bank's network
- Monitor patterns to identify transactions performed for potentially fraudulent activity and conduct strict investigations
- Analyse latest trends to further improve, modulate and create new rules to monitor debit card transactions

Vigilance risk

DEFINITION
Existing rules and procedures of the organisation will result in corruption or malpractices

Our approach and mitigating actions:

- Framed the consequence management and anti-bribery policy of the Bank
- Identify sensitive/corruption prone spots and enforce sudden inspections to prevent and avoid corruption or malpractices
- Establish the Bank's whistle-blower mechanism to promote a culture of raising red flags on breaches, violations of the Bank's code of conduct and fraudulent transactions
- Promote trust and assurance to stakeholders by conforming to fair treatment on violations, breaches, and non-compliance at various levels of the Bank

Credit risk

DEFINITION
Risk that a borrower or counterparty will fail to meet its obligations in accordance with the agreed terms.

Our approach and mitigating actions:

- Implement effective risk management policy, driven by asset liability management committee and credit and risk committee.
- Separate credit teams for each of our business lines driven by in-house field investigation officers.
- Customised credit policies are periodically updated to cater to different market requirements.

Market risk

DEFINITION

Investors may suffer losses due to volatile market performance, leading to liquidity risk for banks, where the Bank is incapable of meeting its cash flow and collateral need obligations

Our approach and mitigating actions:

- Conduct thorough research and analysis of cash flow, gap reports and balance sheet ratios to mitigate funding liquidity risk
- To minimise the interest rate risk, studies are conducted for modified duration, and value at risk (VAR) computation

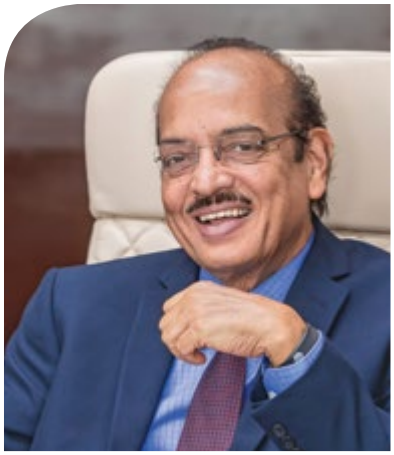
Compliance framework

- At AU Bank, the Compliance Function assumes great importance. The Board of Directors of the Bank/ Audit Committee/Risk Management Committee are responsible for overseeing the management of compliance risk and implementation of the compliance risk management framework across the Bank. The compliance function is responsible for all aspects of regulatory compliance across the Bank.
- There are dedicated resources deployed to focus on areas such as KYC/AML, regulatory reporting, review, monitoring and providing guidance on regulatory issues to the various functions. The compliance team supports top management by managing and supervising the compliance framework along with providing compliance assistance to various businesses/ support functions. The Bank has a new product approval policy and all new products or modifications to the existing products are approved by the compliance team ensuring RBI regulation compliance.
- The Compliance Department continues to approve all the new products to ensure that they are in line with regulatory prescriptions. The Chief Compliance Officer is a member of various committees, which enables him to monitor the compliance risk of the Bank effectively. The Bank uses Knowledge Management Tool and looks at the regulatory website for updating and monitoring regulatory changes and its compliance.
- The department also disseminates the changes in regulations by way of compliance communication to all the employees. Training on compliance matters is imparted to employees on an ongoing basis both online and in classroom. The Compliance Department keeps the Management/Board informed about important compliance related matters through monthly, quarterly and annual compliance reviews.

Board and management

Board of Directors

A strong Board profile provides leadership, industry knowledge and expertise.



Mr. Mannil Venugopalan

Non-executive Chairman

Mr. Mannil Venugopalan is the Independent Non-Executive Chairman of our Bank and is associated as a director with the Company since 2011. He is a Gold medalist commerce graduate from University of Kerala.

He has over 48 years of experience in the banking industry. Mr. Venugopalan has impeccable career record spanning four and a half decades and had touched diverse geographies in leadership capacities – both in India and abroad. Within India he has worked across centres in north, south and west India. He was associated with Bank of India as Chairman and Managing Director and was also designated CEO & MD of Federal Bank in May 2005 and has served as Executive Director of Union Bank of India.

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

Mr. Krishan Kant Rathi

Independent Director

Mr. Krishan Kant Rathi is a Commerce graduate from University of Rajasthan, a rank-holder Chartered Accountant from Institute of Chartered Accountants of India and Qualified Company Secretary from The Institute of Company Secretaries of India.

He is associated with our Company as a Director since 2008 and has over 30 years of experience at senior positions at some of India's most respected business houses, Future group being one of them. He is a vital asset in the management and brings knowledge and executive competence of a rare kind encompassing strategic finance management in high growth organisations, treasury management, expansions, JVs and divestment, financial restructuring and fundraising (domestic and international), system driven operations, risk management and acquisitions.

He is currently serving as the Managing Director of India Nivesh Fund Managers Private Limited and is on the Board of renowned listed and unlisted entities.

Ms. Jyoti Narang
Independent Director

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

She is a business leader with around 38 years of experience in the hospitality and services industry. She has a strong strategic perspective, works well with a diversity of styles and has experience in crisis management. Her domain expertise lies in the understanding of diverse consumer lifestyles, management of human capital and the impact of technology on both distribution and operations. She was the Chief Operating Officer for Taj Hotels, a group of luxury hotels, and a founding member of Experience India Society that created the first global campaign for marketing India.

Mr. Raj Vikash Verma
Independent Director

Mr. Raj Vikash Verma is Additional (Independent) Non-Executive Director of Bank. He has graduate and postgraduate degrees in Economics from Delhi University and a Master's degree in Business Administration from FMS, Delhi University. He is associated with our Bank as a Director on 30th January 2018. He has over 35 years of experience in the financial sector, particularly in the field of development finance, housing, mortgage finance and real estate sectors.

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

Mr. Narendra Ostawal
Nominee Director (Non-Executive)

Mr. Narendra Ostawal has been associated with our Bank as Nominee Director from 30th January 2018 on behalf of Redwood Investment Limited, a fund advised by Warburg Pincus.

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

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

Mr. Sanjay Agarwal
Managing Director & CEO

Mr. Sanjay Agarwal is the Promoter, Managing Director and CEO of our Bank. He is a Commerce graduate from Government College of Ajmer and all-India rank holder Chartered Accountant. He has been associated with the Company since incorporation in1996 and was first appointed as our Managing Director in 2008.

He is a first-generation entrepreneur and a retail finance business leader with more than 22 years of experience in retail finance, credit risk management and strategic planning. He plays a key role in the Bank's strategic and corporate planning and risk management. His strategic insight, vision and execution oriented approach has resulted in multi-fold increase in the size of the organisation.

He was presented with 'Most Innovative Leader of the year' award by ET Now in 2018, 'Our business Leader of the Year' at the ICAI Awards, 2017. He is also the recipient of the 'Rajasthan Entrepreneur and Excellence Award – Personality of the year (Finance Category)' in 2016.

Mr. Uttam Tibrewal
Whole Time Director

Mr. Uttam Tibrewal is the Whole Time Director of our Bank. He is a Commerce graduate from University of Delhi.

He has more than 22 years of experience in the finance industry. He has been a part of our organisation as Business Operations Head since 2003. Later on, he was appointed the Whole Time Director of the Company in 2008.

He spearheads strategy and retail business planning functions. From designing to implementation, he is known to build result-oriented strategies for achieving targeted growth. Mr. Tibrewal heads the retail asset business of the Bank. His dynamic vision, strategic focus and entrepreneurial skills continue to guide the growth of the bank's businesses across markets and industry.

Key management personnel and senior management team

Key Management Personnel

Mr. Deepak Jain
Chief Financial Officer

Mr. Deepak Jain is the Chief Financial Officer of our Bank. He is qualified Chartered Accountant and member of Indian Institute of Chartered Accountant of India.

He is associated with our Company as CFO since 2010. He has over 20 years' experience in the fields of financial, treasury operations and audit functions. He is responsible for overall accounts, business budgeting and tax planning of the bank. Recently, he was awarded CA - CFO of the Year Award at 11th ICAI Awards 2017.

Mr. Manmohan Parnami
Company Secretary and Compliance Officer

Mr. Manmohan Parnami is the Company Secretary and Compliance Officer of Bank. He holds bachelor's degrees in Commerce and Law from the University of Rajasthan and an advanced diploma in Business Management from ICFAI University.

He is qualified Company Secretary and member of Institute of Company Secretaries of India. He is associated with our Company since 2008 and has vast experience of over 14 years in the fields of finance, treasury and compliance.

Senior Management Team

Mr. Manoj Tibrewal
Group Head - Chief of HR

Mr. Rishi Dhariwal
Chief of Credit & Collection - Retail

Mr. Yogesh Jain
Chief Treasury Officer

Mr. Sumit Madan
Chief of Branch Banking

Mr. Vijendra Singh Shekhawat
Chief of Operations & IT

Mr. Bhaskar Vittal Karkera
Chief of Wheels

Mr. Mayank Markanday
Chief Risk Officer

Mr. Vinay Vaish
Chief of Credit & Collection - Small & Mid-Corporate

Mr. Amiya Dikshit
Chief Technology Officer

Mr. Pankaj Sharma
National Business Manager - MSME

Mr. Vivek Tripathi
Chief of Small & Mid Corporate

Mr. Vimal Jain
Chief of Finance & Accounts

Mr. Nitin Gupta
Chief Audit Officer

Mr. Ashok Kumar Khandelwal
Chief Compliance Officer

Mr. Aalekh Vijayvargiya
National Credit Manager - MSME

Mr. Ankur Tripathi
Deputy Chief Technology Officer

Corporate social responsibility

Engaging more with the community

The Bank promotes sustainable livelihood for the underprivileged through vocational skilling and digital and financial literacy. The Bank is also keen on promoting sporting talent by providing the right interventions in training for the Olympics and Paralympics events. The Bank follows various CSR principles while implementing these projects, based on which the activities are identified. Our CSR plan is centered around sustainability, accountability, environment protection, promotion of human rights and respect for the interests of all stakeholders, especially the disadvantaged, vulnerable and marginalised.

We assess the needs of the community by engaging with it in a participatory manner. This helps us to identify areas and projects that will be taken up by the Bank as part of its CSR plan. It also helps us work out the implementation schedules and directly or indirectly take up programmes that benefit the communities in and around our work centers, which results in enhancing the quality of life and economic wellbeing of the local populace.

We comply with the statutory and regulatory requirements pertaining to corporate social responsibility and ensure that the surplus arising out of CSR projects, programmes and activities does not form part of the business profit of the Bank. The Bank has a three-tier structure for the governance of CSR responsibilities under the Companies Act and Rules, comprising the Board, CSR Committee and the Company Secretary. The Bank implements CSR activities through direct contribution and collaborates with credible implementing partners to achieve the right penetration and results for the CSR efforts of the Bank.

FOCUS AREAS OF CSR

- Livelihood enhancement through vocational skilling – high priority CSR area
- Promotion of rural, national, Paralympic & Olympic sports – high priority CSR area
- Financial and digital literacy – high priority CSR area
- Promoting education
- Healthcare and social welfare
- Environmental sustainability
- Rural development
- Eradicating hunger, poverty and malnutrition
- Gender equality
- Protection of national heritage, art and culture

INITIATIVES IN COLLABORATION

PRATHAM SHIKSHA CHARITABLE TRUST

AU Bank is providing financial support to 'Pratham Shiksha Charitable Trust' for operating a school for underprivileged children in Jaipur district. Illiteracy is a serious impediment to development and improvement in quality of life. This Trust is committed to promoting and supporting basic education for unprivileged children from backward and low-income families. It has special focus on improving the quality of education and to help the deprived sections of the society to uplift themselves into the mainstream economy. This institution is supported with funds from personal and corporate contributions.

MUSKAAN FOUNDATION

Muskaan Foundation is a not-for-profit organisation (NPO) trust committed to contributing towards safety on the roads through awareness, education, training and promotions. Road safety refers to the methods and measures used to prevent road users from being killed or getting seriously injured. The NGO uses an integrated approach with collaborative community-centric measures. Road accidents claim around 1.5 lakh lives every year. This year on the world Remembrance Day, AU Bank joined hands with Muskaan Foundation to spread awareness on road safety through an event on the theme of 'Love, Hope, and Positive Action'. The event witnessed performance on an inspirational song by 440 students from 35 schools.

AKSHAYA PATRA FOUNDATION

The Akshaya Patra Foundation is a not-for-profit organisation feeding millions of underserved children in India by implementing the mid-day meal scheme in the government schools and government-aided schools. Akshaya Patra Foundation is committed to eradicating two crucial issues - hunger and malnutrition in India. Today, Akshaya Patra is the world's largest (not-for-profit run) Mid-Day Meal Programme serving wholesome food every day to over 1.6 million children from 13,839 schools across 12 states in India. In Rajasthan, it has been providing food to 2,672 schools and ~1,70,729 children have benefitted under their mission.

The education sector in India has grown leaps and bounds and there have been significant improvements across different indicators. Over the years, your bank's persistent partnership with Akshaya Patra has made it possible to raise a generation of hunger-free, educated and nourished Indians. The mid-day meal scheme is truly one of the best interventions in promoting education, reducing dropout rates and improving overall physical and mental health of the children.

LOUIS BRAILLE DRISHTIHEEN VIKAS SANSTHAN

Louis-Braille Drishtiheen Vikas Sansthan is a non-governmental social service organisation based in Jaipur. It was established in 1981 on the birth date and in the loving memory of Sir Louis Braille, the father of literacy for the visually challenged. The organisation works to provide service towards the visually impaired through education and vocational training with special focus on women, socially backward and vulnerable persons. Vocational skills are also important and endeavour to build the children's social skills and confidence.

IMPLEMENTING AGENCIES FOR PROMOTION OF SPORTS

The Bank joined hands with Sports Omnibus for promotion of football at grass root level and rural areas. Sports Omnibus, with a team of technical experts, helped in moulding and shaping the first steps of children in the sport of football. More than 200 children associated with us for the grass root football festival hosted at AU Bank Sports Village. We also partnered with a public charitable trust for the second season of Jaipur Mahakhel where more than 5,000 students participated in sports events covering schools of rural Rajasthan.

HECARDS

Human Educational Cultural Art & Rural Development Society (HECARDS) has been a NGO partner for implementing of promotion of education-based CSR activities for the Bank. This year we joined hands with HECARDS for promoting sporting talent, educational activities and preventive healthcare facilities and also to organise vocational employment generating training programme for women.

DIRECT INITIATIVES

WATER COOLERS

One billion people around the world don't have access to clean, safe water. Safe water is a critical environmental and public health issue, as well as a means to lift people out of poverty and ensure human security. Yet the number of people without safe water is increasing. Providing safe water is an essential step for human health and development. By encouraging leadership and generating momentum for solutions, we can save millions of lives. Over last few years, AU Bank has installed several water coolers at various high population density areas across Rajasthan with the aim of providing chilled potable drinking water during the scorching summer months. AU Bank also tends to the timely repair and maintenance of these water coolers. AU Bank has set up over 73 water coolers in and around Jaipur.

HEALTH AND EYE CHECK-UP CAMPS

The Bank promotes the cause of good hygiene and sanitation practices in the community. For the underprivileged and poor people, receiving the right healthcare services is a tough task. AU Bank has been associated with Shekhawati Agrawal Samaj in providing affordable and free healthcare services to the poor. AU Bank has collaborated with them for providing financial assistance to organise monthly health check-up camps and eye check-up camps at Jaipur. Through the eye check-up camps, 5,093 patients received benefit of free OPD services.

SANITATION-RELATED INITIATIVES – PROMOTING SWACHH BHARAT MISSION

AU Bank supports the Swachh Bharat Mission through multiple initiatives focussed on promoting sanitation. Our key sanitation initiatives for FY 2017-18 included:

- Public toilet facility at Vridhjan Park at Bikaner for providing facility to morning walkers who frequent this public park. More than 1,000+ people use this facility daily.
- AU Bank supported the construction of toilets built at Girls Nursing College, Amarsar.
- AU Bank supported Kalyan Singh School, a government school in Shahpura, in building a urinal facility, thereby benefitting over 800 children.

Recognitions

Awards and accolades

BEST BRAND BFSI AWARD
(ECONOMIC TIMES, 2018)

INNOVATIVE LEADER OF THE YEAR AWARD – MR. SANJAY AGARWAL, MD & CEO
(ET NOW, 2018)

THE BANK WITH MORE RURAL BRANCHES
(ET NOW, 2018)

BANK WITH BEST TECHNOLOGY ORIENTATION
(ET NOW, 2018)

DREAM COMPANIES TO WORK FOR AWARD
(TIMES ASCENT, 2018)

CFO OF THE YEAR 2017, BANKING SECTOR– MR. DEEPAK JAIN
(BY INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA)

Corporate information

BOARD OF DIRECTORS

Mr. Mannil Venugopalan
Non-Executive - Chairman
Independent Director

Mr. Krishna Kant Rathi
Independent Director

Ms. Jyoti Narang
Independent Director

Mr. Raj Vikash Verma
Independent Director

Mr. Narendra Ostawal
Nominee Director

Mr. Sanjay Agarwal
Managing Director & CEO

Mr. Uttam Tibrewal
Whole Time Director – ED

KEY MANAGERIAL PERSONNEL

Mr. Deepak Jain
Chief Financial Officer

Mr. Manmohan Parnami
Company Secretary and Compliance Officer

REGISTERED OFFICE

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

HEAD OFFICE

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

CORPORATE OFFICE

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

STATUTORY AUDITOR

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

SECRETARIAL AUDITOR

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

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MANAGEMENT DISCUSSION AND ANALYSIS

MACROECONOMIC ENVIRONMENT

During FY 2017-18, global growth was relatively synchronised and broad-based across USA, Europe and key markets of Asia, including India and China. According to the estimates of the International Monetary Fund (World Economic Outlook, April 2018) growth across geographies is gradually gaining momentum, despite headwinds. It has improved from 3.2% in 2016 to 3.8% in 2017.

Improvement in investments, robust global trade, favourable monetary policies and healthy traction in corporate earnings were the key enablers behind this broad-based growth. It is encouraging to note that in FY 2017-18, inflation remained broadly below the targets set by the central banks across the world.

In India, the macroeconomic environment remained broadly stable with stronger recovery emanating from the second half of the year (GDP growth of 7.4% vis-a-vis 6.1% in the first half) on the back of sustained economic reforms undertaken by the Government of India.

This primarily was led by increased Government consumption and revival in gross fixed capital formation. The Index of Industrial Production (IIP) grew 4.3% in FY 2017-18; and was a tad below the 4.6% growth posted in FY 2016-17. IIP and other high-frequency indicators suggest a more profound cyclical recovery in manufacturing than in services.

During the year, the Government expanded its fiscal deficit target by 30 bps and had made an upward revision to 3.5% of the GDP. The fiscal deficit for the year stood at 3.53% for FY 2017-18 and was largely in line with the revised target.

The Government has adopted key recommendations of Fiscal Responsibility and Budget Management (FRBM) panel, including that of assuming Government debt as the nominal fiscal anchor and fiscal deficit as operational anchor. The fiscal deficit target for FY 2018-19 remains at 3.3% of GDP and the target to reduce the central and state Government debt to 60% of GDP by 2025 from ~70% levels prevailing currently.

Retail inflation as measured by the Consumer Price Index (CPI) remained subdued at 3.5% in FY 2017-18 vis-à-vis 4.8% in the previous year. The Average Wholesale Price Index (WPI) inflation though moved up to 2.9% in FY 2017-18 as against 1.8% in FY 2016-17. In August 2017, the Reserve Bank of India (RBI) reduced the repo rates by 25 bps, post CPI inflation lowering to 1.6% in June 2017. However, for the remaining half of the year RBI's Monetary Policy Committee (MPC) remained vigilant, amid the upward inflation trajectory.

In Feb 2018, RBI retained policy rates and maintained a neutral policy stance while highlighting about the prevalent and building inflation risks. The upside risk to inflation emanated from impact of HRA increase by state governments, rise in crude oil prices with rise in global growth, proposed revision in MSPs of kharif crops, increase in custom duties, fiscal slippages and normalization of monetary policies in developed economies.

Multiple factors weighed on the bond market sentiment, including hardening of US treasury yields, uptick in inflation in second half of FY 2017-18 and overshooting on fiscal deficit, as a result the 10-year G-Sec yield rose by 72 bps to 7.4% in FY 2017-18.

Considering the positive macroeconomic environment, a stronger growth momentum is expected to continue in FY 2018-19. The Reserve Bank of India (RBI) has forecasted a GDP growth of 7.4% for FY 2018-19. Amid concerns of tightening liquidity, upside risk to inflation, growth is likely to be driven by consumption and surge in urban infrastructure spends.

INDIAN BANKING INDUSTRY

During the last financial year, the outstanding credit of all scheduled commercial banks grew by 10.3%, a little higher from 8.2% in the year before. Therefore, the growth in FY 2017-18 over a medium-term period does not imply any acceleration in the credit off take. Over the previous four years, the year-on-year growth in bank credit has ranged between 8% and 11%.

Following the slowdown in credit offtake, its share in GDP has declined in the preceding four years from 53.4% in FY 2013-14 to 51.6% in FY 2017-18. The shrinkage could be attributed to the lack of demand from the private sector and greater reliance on alternative finance sources. However, the contracting liquidity conditions resulted in a sharp uptick in bond yields in the 2nd half of FY 2017-18 is likely to further cause a shift in credit demand back to banks from the bond markets.

Outstanding non-food credit (which accounts for 99.5% of total credit) grew by 10.5% in FY 2017-18 while food. Food credit declined.

Credit growth – Personal loans, loans to services sectors lead the way

Particulars	FY 2017-18 growth (%) over FY 2016-17
Non-food credit	10.5%
Personal Loans	17.8%
Loans for services sectors	13.8%
Loans for agriculture and allied activities	3.8%
Loans for industry	0.7%

Loan to industry, at 31.5% of total outstanding credit, continued to account for the largest share of outstanding commercial bank loans. However, its share in incremental credit was only 3.3%. Considering multiple growth enablers firmly in place and given the Government's continued thrust on reforms, India's IIP is expected to witness sluggish, but steady improvement over the next few years.

This is likely to be accompanied by a sustained improvement in capex incurred by private sector companies. Together, both these factors could bolster demand for project finance, particularly towards greenfield expansions.

The Government of India remains committed to improving the health of India's banking sector and it has implemented a host of reforms in this direction during the year. These initiatives includes identification and resolution of stressed assets in a time-bound manner, implementation of the Insolvency and Bankruptcy Code, recapitalisation of public sector banks, among others.

The RBI has provided MSME borrowers a further 180-day window to pay dues under standard category to stabilise themselves; and support their next growth phase.

The RBI noted that formalisation of business through registration under GST has adversely impacted cashflows of smaller entities during the transition phase, with consequent challenges in meeting their repayment obligation to banks and non-banking financial companies.

DEPOSITS SCENARIO AT A GLANCE

During FY 2017-18, the Bank's deposits grew by 6.7% (Source: RBI), which is in line with pre-demonetisation growth rates (during FY 2015-16, bank deposits grew by 7%). A high base effect in FY 2016-17 (when deposits with banks grew by 12%) riding high on the demonetisation wave could be a key reason behind the lower growth in bank deposits in FY 2017-18. Lower inflation rate, record growth in the mutual funds industry, strong upswing in the stock market, and rate cuts in savings and term deposits have lowered the appetite for bank deposits. Leading credit rating agency CRISIL estimates bank deposits to grow by 8-9% during FY 2018-19. Improved access to opening CASA accounts and higher convenience of engaging in banking transactions via multiple digital platforms are critical enablers for the growth of future bank deposits in India. Firming up of interest rates will also be another enabler for growth of bank deposits over the near term.

ADVANTAGE SMALL FINANCE BANKS

Structurally, Small Finance Banks (SFB) were conceived for fostering financial inclusion of the unbanked and the underbanked segment of society, a section not actively pursued by other large incumbent banks.

Unlike, a pureplay lending platform, SFBs are well-placed to holistically engage with a customer, offer them more products and give them better rates, thanks to their fast-growing deposits and branch banking franchise. Moreover, the requirements of more smaller ticket loans (for 50% of their portfolio) and enhanced exposure targets at 75% for priority sector has always been their mainstay and their core competence. Therefore, the opportunity landscape for SFBs is gradually widening and the road ahead is optimistic. Interestingly, for customers and SFBs, it is a win-win situation.

Technology and asset quality are the other two major differentiators and a game changer for SFBs, as they do not suffer from legacy asset quality challenges and are fresh off the woods. On the technology front, the same proposition holds true. As a modern-day and agile bank, an SFB can choose the best-in-class technology and digital solutions for delivering a seamless, cost- effective and superior customer experience. As Aadhar linkage to bank accounts will trigger faster formalisation of financial resources, SFBs are well placed to grow sustainably. With multiple advantages, SFBs are likely to be the most preferred choice for retail customers.

APPLICABILITY OF IND AS

In January 2016, the Ministry of Corporate Affairs (MCA) announced the IND AS roadmap for scheduled commercial banks (excluding regional rural banks), insurers/insurance companies and NBFCs. Reserve Bank of India (RBI) deferred the implementation of Ind AS by one year for scheduled commercial banks and Phase I is made applicable from 1st April 2019 onwards.

This extension will give banks ample time to set up their infrastructure and align their financial reporting processes to the IND AS guidelines. Adoption of a credit-loss model, requirement of higher capital towards provisioning are among the major changes under the IND AS framework.

KEY GROWTH SECTORS

Indian automobile sector

Highlights of FY 2017-18

- Passenger vehicle sales grew by ~8%, primarily led by 21% growth in utility vehicles
- Similar trend was witnessed in the commercial vehicles (CVs) sales with strong traction in the LCV segment, which grew by 25.4% (516,000+ units were sold last financial year); the M&HCV segment grew by 12.5%
- There was a strong pick-up in tractor demand as well, which grew 22% (711,000+ units were sold last year)

Outlook - Indian automobile sector

- Expectations of a normal monsoon at ~97% of long period average
- Government's commitment to double farmer income by 2022 will continue to drive demand for tractors
- Improved rural investments to aid prospects of tractors and two-wheelers
- Increasing urbanisation, expanding working population and stable cost of ownership are the key growth enablers
- Taxi segment with several apps is also driving further cars sales

Indian vehicle finance business

Highlights of FY 2017-18

- CRISIL Research estimated auto finance disbursements to grow at 19-21% in FY 2017-18
- Higher GDP growth, improved industrial activity, increasing finance penetration and higher loan-to-value (LTV) supported disbursement growth

Outlook – Indian Vehicle Finance business

- Rising penetration of car/utility vehicles (UVs) finance beyond the top 20 cities
- Better availability of credit information
- Implementation of Bharat Stage-VI (BS-VI) in FY 2019-20 will further enhance prices of vehicles, subsequently supporting disbursement growth
- Ease of availability of financing in Tier II and Tier III cities

Vehicle Finance – In the fast lane

Particulars	Expected growth over FY 2017-22
New Vehicle Disbursements – Cars	13% - 15%
New Vehicle Disbursements – UVs	18% - 20%
Disbursements towards CVs	14% - 16%
Disbursements towards MHCVs	11% - 13%
Disbursements towards LCVs	16% - 18%
Disbursements towards passenger vehicles	15% - 17%
Disbursements towards two-wheelers	11% - 13%

Source: CRISIL Research

At the NBFC platform, AU remained focussed on first-time users, first-time buyers and small road transport operators customer segment for the growth of its vehicle finance book; and at banking platform AU provides full boutique of services for its all retail customers, including two-wheeler vehicle loans to trucks and other heavy commercial vehicles.

AU focusses on being a preferred financier and 'best of choice' for its customers. It targets to achieve adequate scale in the vehicle finance business in view of projected demand in the coming years in Indian markets.

MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) SECTOR

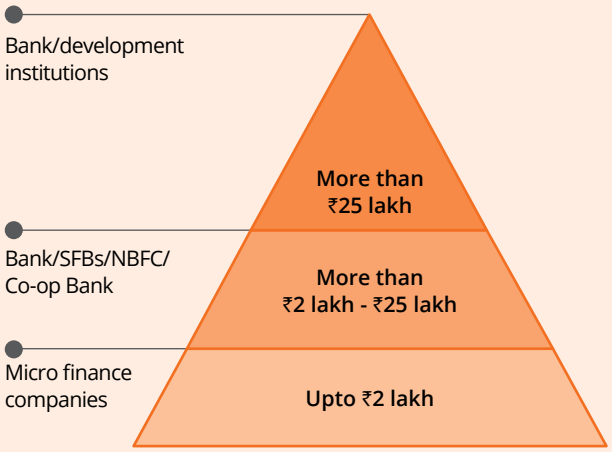
- The MSME sector employs over 111 million people and contributes to ~31% of India's GDP
- There are 63.3 million registered MSMEs in the country (Indian MSME Industry Annual Report 2018)
- Sharpening focus on the promotion of self-employment, the Government has increased funding for the Prime Minister's Employment Generation Programme from ₹11.95 billion (revised) in FY 2017-18 to ₹18.01 billion in FY 2018-19
- The target for the flagship Pradhan Mantri Mudra Yojana — which extends loans of up to ₹1 million to micro-entrepreneurs — has been increased from ₹2.44 trillion to ₹3 trillion
- Extension of multiple capital and interest subsidies to MSMEs have been announced
- In the formal sector, the Government proposes to contribute 12% of the wages of new employees in the Employee Provident Fund across sectors for three years
- Extension of the reduced corporate tax slab of 25% to companies with a turnover of up to ₹2.5 billion, from ₹500 million earlier
- The Government is encouraging the ease of doing business for MSMEs, making the norms of classification growth oriented

OUTLOOK FOR LENDING TO MSME

MSME credit is expected to grow at 12-14%, facilitated by higher lending by banks and non-banking finance companies (NBFC) to the segment. The initiatives will propel credit demand from the MSME segment, bolstering the prospects of banks that have a prominent presence in this segment.

AU positioned itself well to finance all customers segments, spanning the micro, small and medium enterprises. Following its conversion into a bank, AU Bank continues to touch all customer segments, within the MSME sector.

BRIDGING THE GAP IN INDIA'S MSME SPACE



Financial Institutions	
Bank/development institutions	• Organised sectors • Corporate entity • Organised financials • Cash flow analysis • Projects specific loans
Bank/SFBs/NBFC/ Co-op Bank	• Unorganised sectors • Cash basis accounting • Composite loan requirements
MFI	• Non financials • General need of funds

HOUSING AND REAL ESTATE SECTOR

Highlights of the Indian housing and real estate sector

- India's housing and real estate sector has witnessed transformative reforms in the past few years, the government has been providing various incentives such as credit-linked subsidy scheme (in terms of interest rate subsidy) to the housing finance segment under the Pradhan Mantri Awas Yojana (PMAY), and infra status to affordable housing companies
- The RBI has also taken significant steps such as reduction in standard assets provisioning, risk-weights and increasing loan-to-value (LTV) ratio to build the confidence of financiers, as well as borrowers
- In FY 2017-18, disbursements to the sector were impacted by implementation of the Goods and Services Tax (GST) and Real Estate (Regulation and Development) Act or RERA

OUTLOOK FOR LENDING TO THE INDIAN HOUSING AND REAL ESTATE SECTOR

- CRISIL Research expects housing loan disbursements to grow at 18-20% CAGR over the next five years
- Going forward, increased higher Government support to affordable segments as well as enhanced disposable income in Tier II and III cities will boost overall housing loan demand
- Low mortgage penetration in India

GROWING OPPORTUNITIES

Evolving demographics

India's banking sector stands to benefit from multiple macro realities. Rising proportion of working middle-class families, increasing trend of nuclear families and higher disposable incomes are expected to propel consumption demand and help drive banking sector growth.

Government's Digital India campaign

As a part of the Digital India drive, the Government of India has launched multiple initiatives to promote a cashless economy. These include Unified Payments Interface (UPI), Jan Aadhar Mobile, linking of Aadhaar number with Personal Account Number (PAN) and availability of free wifi at public places, among others. Such initiatives augur well for banks, offering a host of digital platforms, digital- only accounts, chatbots, artificial intelligence, to name a few. Rising trend of digitisation will accelerate the pace of customer acquisition and bring down costs incurred by banks towards servicing and retaining customers.

Improving Credit Growth

India's credit growth recovered at 10.5% (pre-demonetisation levels) to ₹86,507 billion in FY 2017-18 on the back of a strong demand for non-food credit. While corporate borrowings shifted largely towards working capital loans, retail borrowings fuelled this growth. Continued traction in housing loans, personal loans and vehicle loans was a key highlight of the year. Going forward, corporate borrowings are likely to improve due to a gradual improvement in corporate capital expenditure (capex). Improving credit demand from both retail and corporate segments augurs well for the country's banking and financial services industry.

Favourable Government policies

The Government of India has adopted a reforms-oriented approach to improve transparency and promote investments in various industries. Focus on recapitalising PSU banks and expediting the resolution of stressed loans continue to be major priorities for banks.

Higher thrust on achieving financial inclusion has been laid by the announcement of various initiatives. These include launch of the new portal 'Udyami Mitra' by The Small Industries Development Bank of India (SIDBI) to improve credit availability to the MSME sector. Simplification of KYC norms, introduction of no-frills accounts and Kisan Credit Cards are other measures aimed at driving financial inclusion.

Higher allocation to the infrastructure sector worth ₹50 lakh crore (US$ 772.32 billion), as per the Union Budget FY 2018-19 will act as a key catalyst for the sector. Increasing formalisation of the economy via implementation of various reforms like demonetisation, GST, RERA, among others will bolster India's credit growth. The sector will derive benefits from the structural economic stability and continued credibility of monetary policies.

AU SMALL FINANCE BANK – PERFORMANCE OVERVIEW

AU Bank is one of the recent entrants in India's dynamic banking landscape. The Bank has recently transitioned from a prominent, retail-focused non-banking finance company (NBFC) to a Small Finance Bank (SFB), upon receiving a licence from the Reserve Bank of India to set up an SFB on 20th December 2016. Today, the Bank's expanded SFB operations offer a varied suite of banking products and services by capitalising on its asset-based lending strengths, NBFC customer base and cost-effective, technology-driven modernised branch operating model.

Offerings

Retail Assets	Small-and Mid-Corporate Assets	Branch Banking	Digital Footprints
● Wheels including Two Wheelers	● NBFC Lending	● Savings Accounts	● Tab Banking
● Secured Business Loans-MSME	● Business Banking	● Current Accounts	● Internet Banking
● Secured Business Loans-SME	● Construction Finance	● FD & RD	● Mobile Banking
● Home Loan		● Lockers	
● Agri SME Loans		● Debit Cards & ATMs	
● Gold Loan		● POS	
● Consumer Durable Loans		● Insurance and Mutual Funds	

AU Bank received the RBI's approval to open 431 SFB branches during FY 2017-18; out of which 377 branches (including 71 business correspondents) were opened till 31st March, 2018.

REVISITING FY 2017-18

Financial performance

(All Figures in ₹ crore)

	FY 2017-18	FY 2016-17	y-o-y
Income			
Interest Earned	1,767	1,280	38%
Interest Expended	827	496	67%
Net Interest Income	**940**	**784**	**20%**
Other Income	388	140	178%
Total Net Income	**1,329**	**923**	**44%**
Expenses			
Operating Expenses			
Employee Cost	425	193	120%
Other Operating Expenses	328	160	105%
Operating Profit before Provisions and Contingencies	**576**	**570**	**1%**
Provisions (other than tax) and Contingencies	133	97	36%
Exceptional Items*	-	670	-100%
Profit Before Tax	**443**	**1,143**	**-61%**
Tax expenses	151	321	-53%
Profit After Tax	**292**	**822**	**-64%**
Profit After Tax (adjusted for exceptional items)	**292**	**305**	**-4%**

- The net interest income for the year grew by 20% to ₹940 crore. The average yields on advances declined from 16.5% as on 31st March 2017 to 14.7% as on 31st March 2018. The average cost of funds too declined from 9.6% as on 31st March 2017 to 8.4% as on 31st March 2018
- Other income grew 178% from ₹140 crore in FY 2016-17 to ₹388 crore in FY 2017-18
- Bank's total operating expenses stood at ₹753 crore in FY 2017-18, growing at 113%, compared to the preceding financial year
- Cost to income ratio stood at 55.7% for FY 2017-18 vis-à-vis 38.2% in FY 2016-17 owing to SFB transitioning cost
- Return on assets (ROA) and Return on equity (ROE) stood at 1.7% and 13.7%, respectively, for FY 2017-18 in the very first year of SFB operations

BALANCE SHEET

The Bank's assets and liabilities composition

(All Figures in ₹ crore)

	March 31, 2018	March 31, 2017	y-o-y
Liabilities			
Capital	286	284	1%
Employees stock options outstanding	17	6	184%
Reserves and Surplus	1,978	1,697	17%
Deposits	7,923	-	NA
Borrowings	7,639	7,120	7%
Other Liabilities and Provisions	989	674	47%
Total Liabilities	**18,833**	**9,781**	**93%**
Assets			
Cash and Balances with RBI	492	13	N.A.
Balances with banks and Money at Call and Short Notice	1,269	612	108%
Investments	3,051	2,150	42%
Advances	13,312	6,551	103%
Fixed Assets	386	276	40%
Other Assets	323	179	80%
Total Assets	**18,833**	**9,781**	**93%**

- The total balance sheet size stood at ₹18,833 crore as on 31st March 2018, which was 93% higher vis-à-vis total balance sheet size of ₹9,781 crore, as on 31st March 2017. In addition, the Bank had securitised and assigned Assets Under Management (AUM) of ₹2,710 crore 31st March 2018, which declined 32% year-on-year
- Our total Advances stood at ₹13,312 crore as on 31st March 2018 vis-à-vis ₹6,551 crore as on 31st March 2017, over 103% escalation (y-o-y). The Gross AUM (including securitisation/assignment) was ₹16,038 crore as on 31st March 2018, as against ₹10,734 crore as on 31st March 2017, demonstrating 49% escalation, driven by growth across various product segments
- Gross NPA and Net NPA stood at 2.0% and 1.3%, respectively as on 31st March 2018 vis-à-vis 1.9% and 1.2% as on 31st March 2017. Gross NPA recognition changed from 120 days past due as on 31st March 2017 when the Company was an NBFC to 90 days past due as on 31st March 2018 as a Bank
- The Capital to Risk Weighed Asset Ratio (CRAR) & Tier-I CRAR stood at 19.3% and 18.4%, respectively, as on 31st March 2018 vis-à-vis 23.0% and 21.5% as on 31st March 2017

DIVISIONAL PERFORMANCE

Retail Assets

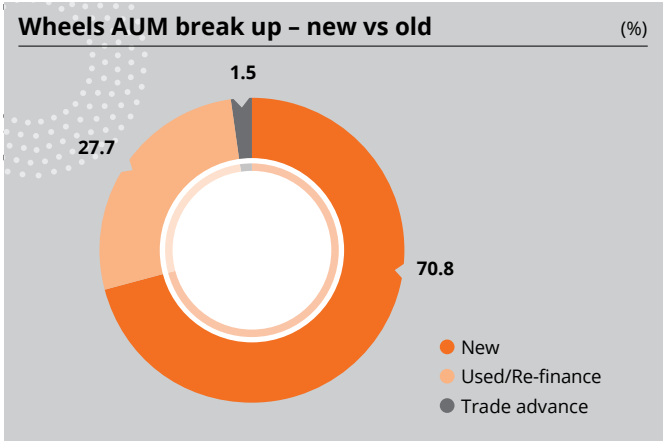
The Retail Assets continue to exhibit strong growth and comprise 81% of Gross AUM as on 31st March 2018

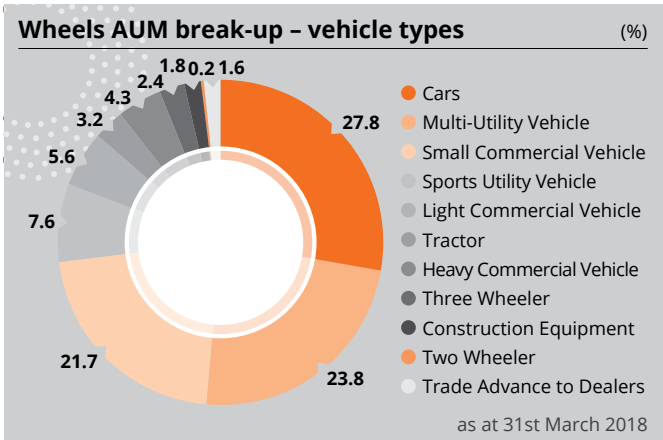
1. Wheels (Vehicle) Loans

In Wheels, we extended loans for new and pre-owned vehicles and for refinancing of vehicles across several categories including: (i) multi-utility vehicles (MUVs); (ii) cars; (iii) sports utility vehicle (SUVs); (iv) small commercial vehicles (SCV); (v) light commercial vehicles (LCV); (vi) medium- and heavy-commercial vehicles (MHCV); (vii) tractors; (viii) three-wheelers (TWH); (ix) two-wheelers (TW); and (x) construction equipment. Our Wheels loans are secured by the vehicles we finance. We have been serving first-time buyers (FTBs), first-time users (FTU), small road transport operators (SRTO) and captive users; who usually don't have formal income documents / proofs. As we transitioned into a Bank, we also started

serving customers with income proofs and also added medium- to large-fleet operators in our customer base. During FY 17-18, we also set up separate verticals for MHCV and tractors as they require specialised skillsets for originating and processing the loans. Further, we have also established separate vertical for TW, wherein we intend to digitise the loan processing to minimise the operational cost. Initially, we are focussing on our internal customer base for TW. This is reflected in the disbursement pattern of the segment, which recorded more than half of the disbursements to the existing customers.

Gross AUM for our Wheels business grew from ₹5,396 crore as on 31st March 2017 to ₹7,133 crore as on 31st March 2018 at an annual growth rate of 32%, constituting 44% of our total Gross AUM as on 31st March 2018.





2. Secured Business Loans – MSME (SBL-MSME)

In SBL-MSME, we extend loans to MSMEs primarily for business expansion, working capital and purchase of equipment. Typical customer base include are self-employed individuals who are carrying out small businesses (usually with annual turnover ranging between ₹10 lakh and ₹10 crore), having at least few years of track record in such business, generating cashflows at high frequency, having limited or no formal documented income proofs; for example: grocery/kirana stores, dairy/cattle rearing, hotel/ restaurants, etc. Our approach to such customers is to first understand their business loan requirement, estimate business cashflows and thereupon determine their loan eligibility. Such loans are secured by immoveable property. Gross AUM for our SBL-MSME loans grew from ₹3,213 crore as on 31st March 2017 to ₹4,977 crore as on 31st March 2018 (55% annual growth rate), constituting 31% of our total Gross AUM as on 31st March 2018.

3. Secured Business Loans – SME (SBL-SME)

In Secured Business Loans – SME, we extend loans to SMEs for business expansion, working capital and the purchase of equipment. Unlike MSME customers, SME customers have relatively bigger business in terms of turnover (typically annual turnover greater than ₹10 crore) and also have formal documented income proofs; for example: traders, wholesalers, distributors, retailers, manufacturers, self-employed professionals and others. Similar to MSME, our approach to such customers is to understand their business loan requirement, estimate business cashflows and in addition appraise documented income proofs and thereupon determine such customer's loan eligibility. Such loans are secured by immoveable property.

We categorise our SBL-MSME and SBL-SME loans, basis their ticket size, with the initial SBL-MSME loan disbursed for an amount up to ₹1 crore; and the initial SBL-SME loan disbursed for amounts over ₹1 crore. Gross AUM for our SBL-SME loans grew from ₹630 crore as on 31st March 2017 to ₹842 crore as on 31st March 2018, at an annual 34% growth rate. This constitutes 5% of our total Gross AUM as on 31st March 2018.

4. Agri SME Loans

During FY 2017-18, we started the Agri-SME Loans vertical to focus on the agri value chain. While product features and approach are like SBL-SME loans, we set up a dedicated team to tap into credit needs of the agriculture and allied value chain like food processing units, fertiliser/seeds wholesalers and retailers, among others. Gross AUM for Agri-SME loans stood at ₹33 crore as on 31st March 2018.

5. Home Loans

Last fiscal, we relaunched housing loans on bank platform. At the bank platform, we intend to offer home loans from ₹2 lakh to above ₹50 lakh for a maximum 30-year tenure for salaried segment; and 20 years for self-employed non-income proof/self-employed income proof profile customers. Initially, we have started from Rajasthan and we plan to gradually expand this to 7 other states. We have enrolled with a subsidy scheme to offer relevant customer benefits under the Prime Minister Awas Yojana (PMAY)/ Credit Linked Subsidy Scheme. Gross AUM for home loans stood at ₹2 crore as on 31st March 2018 (Nil as of 31st March 2017).

6. Gold Loans

We offer gold loans from our branches and we have the requisite infrastructure for it. We have institutionalised adequate systems and processes to address relevant risks. In the gold loans segment, we intend to serve our existing customer base and walk-in customers at branches. Gross AUM for gold loans touched ₹26 crore as on 31st March 2018 (nil as of 31st March 2017).

7. Consumer Durable Loans

We also launched consumer durable loans as a pilot in partnership with 'Snapmint', a digital platform, wherein we offer cashless EMI option to customers purchasing consumer durables from various online retailers. We intend to offer consumer durable loans on a fully digital platform, wherein we either have sales personnel at to execute the entire loan process digitally at point of sale or customer himself/herself executes the entire loan process digitally, thereby reducing operational processes and cost. Gross AUM for consumer durables was ₹1 crore as on 31st March 2018.

Small & Mid-Corporate Assets

Small- and mid-corporate assets represent 19% of our Gross AUM as on 31st March 2018.

1. Lending to NBFCs, HFCs and AFCs

We extend credit facilities to non-banking financial companies (NBFCs), housing finance companies (HFCs) and micro finance institutions (MFIs). Further as a Bank, we can also offer short-term credit facilities like cash credit/overdraft, which further strengthen our product proposition with such financial institutions. Gross AUM for NBFC Lending grew from ₹555 crore as on 31st March 2017 to ₹1,527 crore as on 31st March 2018, at an annual 175% growth rate, constituting 10% of our total Gross AUM as on 31st March 2018.

2. Construction Finance

Under Construction Finance segment, we primarily serve the credit requirements of small builders, who typically construct G+2/G+3 structures having 7 to 12 dwelling units, completing the project between 18 and 24 months. Gross AUM for Construction Finance grew from ₹743 crore as on 31st March 2017 to ₹808 crore as on 31st March 2018 at an annual 8% growth rate. It constituted 5% of our total Gross AUM as on 31st March 2018.

3. Business Banking

We commenced business banking vertical to extend fund-based working facilities such as overdraft, cash credit and non-fund-based facilities like letter of credit and bank guarantee, among others to MSME and SME customer segments. Our past NBFC experience, customer connect and reach are enabling us to leverage the advantages of the bank platform in terms of serving fund-based and non-fund based working capital facilities to small businesses.

In the first year of banking operation, we built a Business Banking Gross AUM of ₹691 crore as on 31st March 2018.

Retail and Small Mid-Corporate Assets Snapshot

AUM Growth (y-o-y)	Disbursement Growth (y-o-y)
Retail Bank: 40.9%	Retail Bank: 35.1%
Small & Mid-Corporate: 102.3%	Small & Mid-Corporate: 184.5%

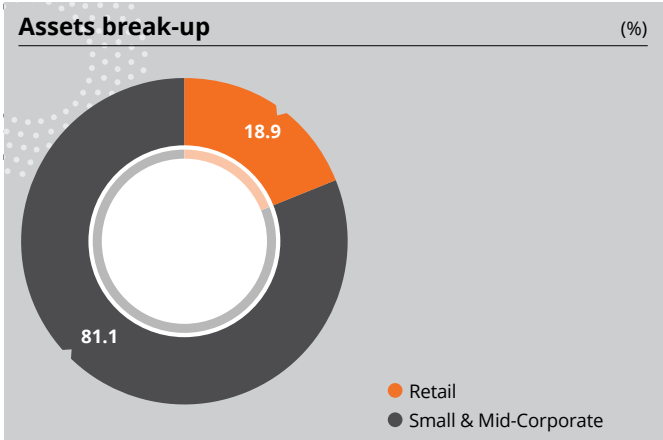
Retail Assets Snapshot

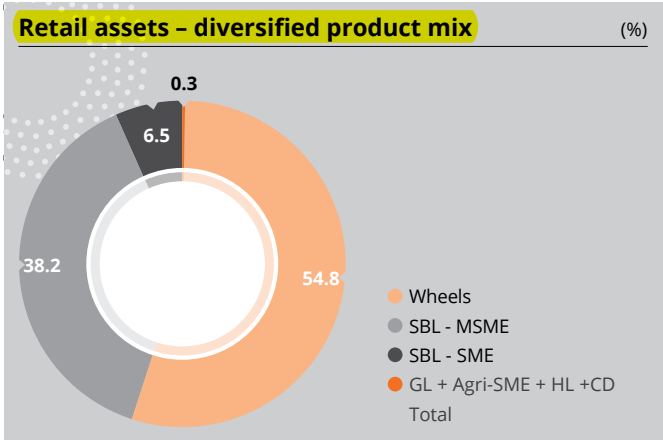
AUM Growth (y-o-y)	Disbursement Growth (y-o-y)
Retail: 40.9%	Retail: 35.1%
Wheels: 32.2%	Wheels: 25.1%
SBL - MSME: 54.9%	SBL - MSME: 57.8%
SBL - SME: 33.7%	SBL - SME: -1.7%

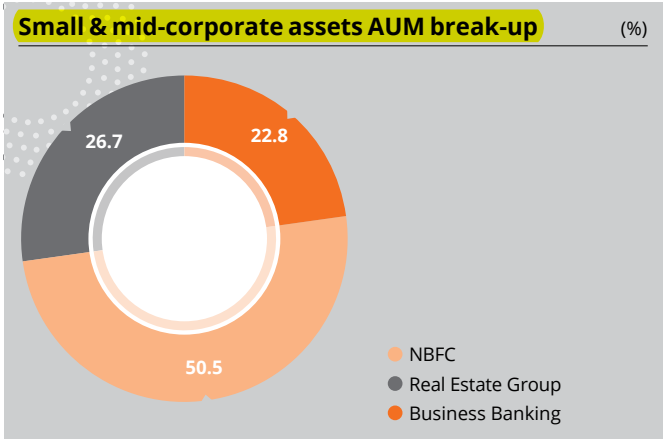
Small & Mid-Corporate Assets Snapshot

AUM Growth (y-o-y)	Disbursement Growth (y-o-y)
Small & Mid-Corporate: 102.3%	Small & Mid-Corporate: 184.5%
NBFC: 175.3%	NBFC: 148.2%
Real Estate Group: 8.6%	Real Estate Group: 79.6%
Business Banking: 249.7%	Business Banking: 607.5%

Assets break-up (%) Retail Assets-Diversified Product Mix Small- & Mid-Corporate Assets AUM Break







LIABILITIES AND BRANCH BANKING

We commenced banking operation on April 19, 2017 with more than 200 branches in the first few weeks of launch. Gradually, we opened more branches and by the end of the financial year (as on March 31st 2018) we had operationalised 306 branches, along with 71 business correspondents, 97 asset centres, 23 offices and 292 ATMs across 11 states. Our contiguous expansion model over the years and operational experience as an asset finance NBFC enabled us to develop our SFB operations into a single platform for multiple financial products and services. As a SFB, we offer entire bouquet of deposit products including Current Account, Savings Account, Term Deposit and Recurring Deposit. In the first year of operations as a Bank, we have opened 5,31,062 Deposit accounts of which about 83% were new to Bank. We garnered Deposits of ₹7,923 crore as on March 31, 2018 including Certificate of Deposits of ₹1,181 crore, excluding certificate of deposits, our branch deposits stood at ₹6,742 crore of which CASA stood at ₹2,133 crore and CASA ratio at 32%. In order to attract depositors, we introduced customer-centric initiatives to offer our customers convenience and value addition as below:

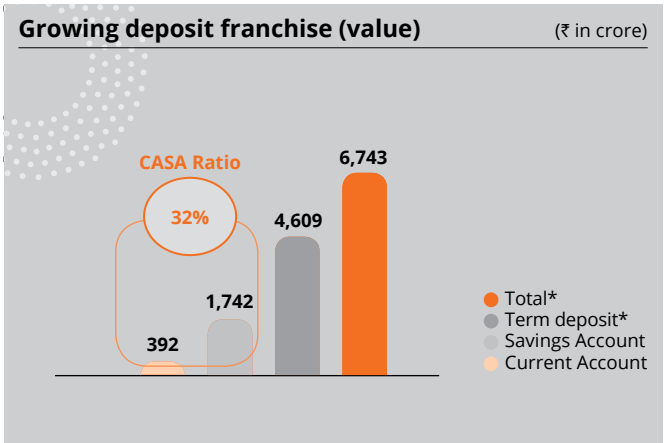
- Few product variants – easy to remember and recollect
- Top 3 Unique Selling Proposition (USP) for each product variant
- Hassle-free, paperless, digital TAB-based Savings Account opening
- Competitive interest rates
- Monthly credit of interest in savings account – compounding benefit to customers
- No home branch concept – true anywhere banking
- Extended banking hours
- Auto upgrade/downgrade of features – enabling automatic upgrade for customers maintaining higher than required average quarterly balance while no charge, only automatic downgrade for customers maintaining below threshold average quarterly balance, thereby removing fear of charges
- No deposit slips for cash withdrawal; no forms for demand draft or RTGS; less forms
- 'Customer Service Menu' form instead of 'Customer Request' form

We will continue to focus on our go-to-market approach to increase our customer base, implement customer reach programmes and will also encourage all our asset customers to open bank accounts with us. We have equipped our entire branch sales team with TABs, which has bio-metric for Aadhar validation, along with printer which in turn enable our sales team to seamlessly open Savings Account without any paper forms or documents or photographs. More than 95% of the Savings Account are being opened every month through this TAB-based equipment. We are working with our IT partner for enabling current account opening through this TAB-based equipment and should be able to launch the service in FY 2018-19. We have operationalised internet banking and mobile banking and are working to further ramp up both these channels with improvements

in user experience. We provide Debit Card offerings to our Savings Account customers in collaboration with VISA and RUPAY.

We offer locker facilities in our 238 branches and we have been able to market 5,445 lockers during FY 2017-18. We also offer payment solutions and have successfully installed more than 450 Point-of-Sale (POS) machines.

We also distribute general insurance products of Cholamandalam MS and health insurance of Aditya Birla Health Insurance. In April 2018, we tied up with Future Generali Life Insurance to distribute Life Insurance products through our distribution network. We have also partnered with 17 Asset Management Companies to distribute Mutual Fund to our customers.



***Note:** Term Deposits excludes Certificate of Deposits of ₹1,181 crore as on March 31st, 2018. Including Certificate of Deposits, the CASA Ratio will be 27% as on March 31st, 2018 respectively.

RESOURCEFUL TREASURY MANAGEMENT

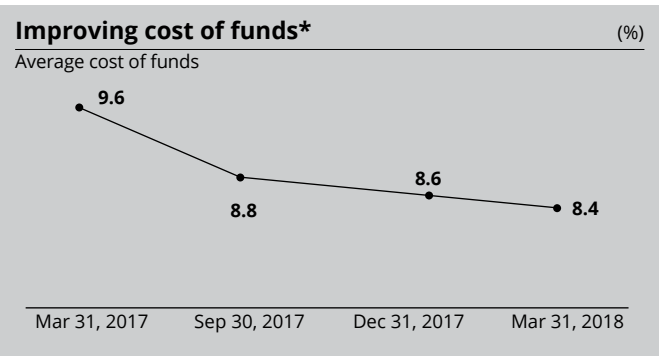
Our treasury department is responsible for fund raising and asset liability management, minimising the cost of our borrowings, liquidity management and control, diversify fund raising sources, managing interest rate risk and investing funds in accordance with the criteria set forth in investment policy. In addition to branch-based deposits, our funding sources include refinance facilities from All India Financial Institutions across India (like NABARD, SIDBI, NHB), capital market borrowings such as infrastructure bonds, tier II bonds and perpetual bonds, money market borrowings, inter-bank borrowings and liquidity adjustment facility and market stabilisation fund of the RBI.

We may also securitise or assign loans or access inter-bank participatory certificates to raise funds against our surplus priority sector loans. Our treasury department also participates in the priority sector lending certificates market to trade our right of claim for priority sector loans for a fee.

Rating Agency	Term	Current credit ratings
CRISIL Ratings	Long Term	CRISIL A+ / Positive
	Short Term	CRISIL A1+
ICRA	Long Term	[ICRA]A+ (Stable)
	Short Term	[ICRA]A1+
India Ratings	Long Term	IND AA- (Stable)
	Short Term	IND A1+
CARE Ratings	Long Term	CARE AA- / Stable
	Short Term	-
Brickwork Ratings	Long Term	BWR AA / Stable
	Short Term	-

The treasury department handles key initiatives such as raising funds, compliance with regulatory reserve requirements, judicious investment of funds, and resource management function, among others. In addition, with the Bank's evolution as an SFB, the risk-management function has become crucial to the team.

It undertakes safeguard measures to reduce market risk, liquidity risk, interest rate risk and funding risk. Our treasury team periodically submits its reports to the Asset Liability Management Committee which submits its findings to our Board.



*Average Cost of Funds represents simple average of monthly weighted average interest cost on deposits and borrowings and cost of securitisation and assignment, weights being daily average deposits and borrowings and principal outstanding of securitisation and assignment transaction as of the last day of the relevant period.

AVERAGE TICKET SIZE

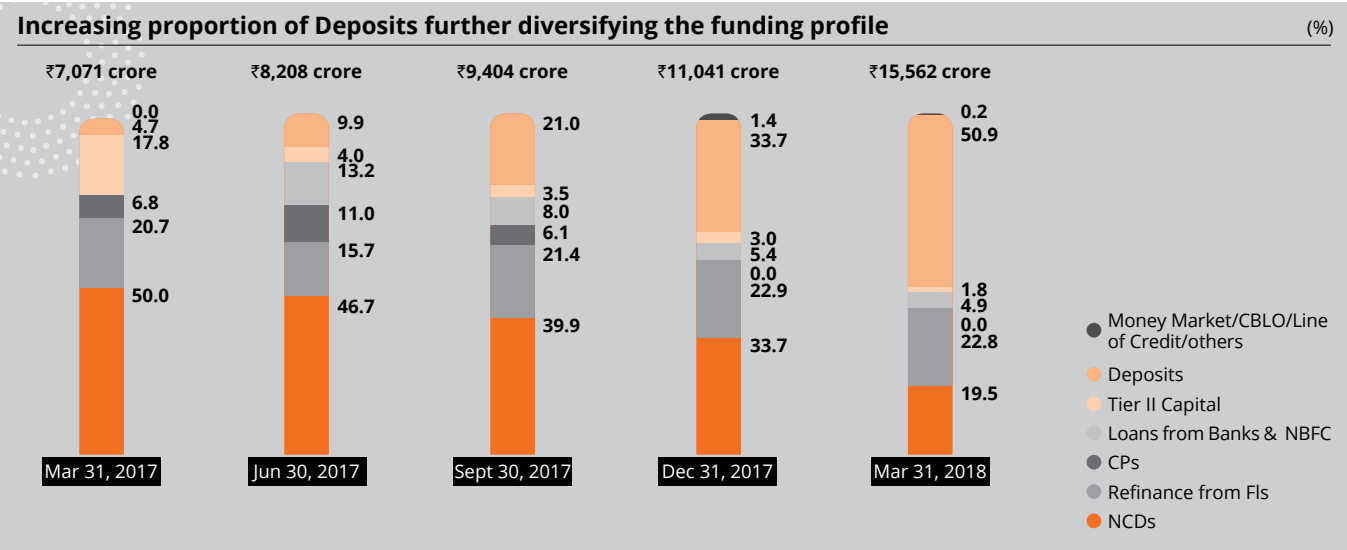
1.7 lakh
Current account

0.4 lakh
Savings account

7.9 lakh
Term deposits

1.5 lakh
Total deposits

As on 31st March 2018



CUSTOMER ENGAGEMENT

Our core value proposition is our obsession with customer wellbeing. We partner with customers to address their financial requirements and provide them valuable insights to help them achieve their aspirations.

We have undertaken the following initiatives to focus on customer-centricity:

- In-person and frequent interactions with customers
- Call centres for quick redress of customers' grievances
- Local personnel for a better connect
- Conduct referral and other programmes
- Provide simple value proposition for deposit products
- Competitive interest rates for customers
- Introduced 'anywhere banking' for customer convenience

Our marketing initiatives include product promotion activities and referral programmes. Some of our initiatives include joint marketing activities with OEMs, event sponsorships and the broadcast of short advertisements in multiplexes. We have also engaged in data collection and increased brand visibility through strategies such as providing road safety training to drivers and arranging meetings at tea stalls.

We also introduced customer retention programmes 'Dost Banaye Dost Programme', a referral programme for our existing customers. Our referral programmes offer incentives to employees who refer their family and friends to us and incentivises our sales team to cross-sell products to the same customer. In addition, we have separate tele-calling departments for each of our Wheels and SBL-MSME verticals that capture data from existing customers and generate new customers through referrals.

Our other marketing initiatives include AU on Wheels, AU Samarth, AU Chai Chopal activity, and AU Mandi activity, which enable us to generate substantial business. Several marketing initiatives like events, sponsorships and internal events – The Great Pink City Run, Jaipur Literature Festival, AU Bankotsav, and AU Samarth activity among others, have significantly helped to spread brand awareness.

WIDESPREAD RURAL AND SEMI-URBAN REACH

Around 60% of our branches are set up in rural and semi-urban markets of India. We have over 22 years of experience in the underserved regions that has enabled us to broaden our customer base in such areas as a bank. With a wide coverage in 11 states, we address the unique needs of our low and middle-income customers. Our understanding of the local markets and customers have enabled us to penetrate deeper into such markets. We focus on customers, particularly without a credit history, that offers us significant growth opportunities and customer loyalty.

Our competitive advantages:

- Decentralised model to optimise turnaround times
- Deep understanding of local markets and customers
- Personal interactive sessions with customers

306
Bank Branches

71
Business Correspondents

97
Assets Centres

292
ATMs

COMPREHENSIVE CREDIT ASSESSMENT AND RISK MANAGEMENT FRAMEWORK

To identify, monitor and manage inherent risks in our operations, we have put in place a robust and comprehensive credit assessment and risk management framework.

We have set up separate credit teams for our key business lines of vehicle finance, MSME loans and SME loans. Our credit team (comprising in-house field investigation officers) conducts an independent verification of customers, evaluates their businesses and financing needs, and analyses their loan-repaying capacity.

Our effective credit risk management is reflected in our portfolio quality indicators such as high repayment rates, lower Gross Non-performing Assets (GNPAs) and Net Non-performing assets (NNPAs) across business and economic cycles. As on 31st March 2018, our GNPAs and NNPAs were 2.0% and 1.3%, respectively.

Asset Liability Management Committee	Credit Risk and NPA Management Committee	IT & Operational Risk Management Committee
To evaluate liquidity and other risks, devise strategies to mitigate such risks and report its findings to our Board.	Set up for retail and wholesale banking to review and identify current and emerging risks, develop risk assessment and measurement systems and establish policies, practices and other control mechanisms.	To ensure rigorous monitoring and compliance.

Our key competitive advantages in risk management comprise:

- Robust policies and processes to assist people in risk-mitigation
- Loans disbursal towards revenue generating assets, resulting in lower risk
- Low ticket size (granular asset book)
- Substantially secured asset book
- Risk-based pricing
- Multi-layered system to strengthen our credit assessment process
- Deep understanding of vehicle finance and the MSMEs market
- Customised policies to cater to multiple customer requirements
- Specialised collections team to manage overdue collections

COMPLIANCE

Compliance starts at the top in the Bank. The Board of Directors of the Bank/Audit Committee/Risk Management Committee are responsible for overseeing the management of compliance risk and implementation of the Compliance risk management framework across the Bank. The compliance function is responsible for all aspects of regulatory compliance across the Bank. There are dedicated resources deployed to focus on areas like KYC/AML, regulatory reporting, review, monitoring and providing guidance on regulatory issues to the various functions. Compliance team supports top management by managing and supervising the compliance framework, along with providing compliance assistance to various businesses/support functions. The Bank has a new product approval policy and all new products or modifications to the existing products are approved by the Compliance so as to satisfy that these products are in compliance with the RBI regulations. The Compliance Department continues to approve all new products to ensure that the same are in line with the regulatory prescriptions. Chief Compliance Officer is a member of various committees, which enables him to monitor the compliance risk of the Bank effectively. The Bank uses the Knowledge Management Tools and looks at regulatory website for monitoring the changes in existing regulations as well as new regulations. Compliance also disseminates changes in regulations by way of compliance communication

to all employees. Training on compliance matters is imparted to employees on an ongoing basis both online and classroom. The Compliance Department keeps the management/Board informed about important compliance related matters through monthly, quarterly and annual compliance reviews.

MANAGING HUMAN ASSETS

At AU Bank, we are committed to build a formidable talent pool that can elevate the organisation to the next growth trajectory.

Our well-defined HR structure comprises HR managers, who report to the HR Head. The HR team at AU Bank focusses on strengthening the Bank's employee engagement and development framework with well-governed policies. The role of the HR department involves recruitment, training, engagement and performance management.

FY 2017-18 was critical in terms of recruiting people to fill the requirements at various levels and positions. With our expanding operations, the roles and responsibilities of the human resources team increased manifold. We successfully completed the task of matching the exact job requirements of the jobs with the candidates. Personnel from local communities were hired to enhance our sales force. We also employed in-house trainers and external training agencies to equip our team with better credit assessment, risk modelling and IT security skills. Bank continued to hire qualified manpower on Banking Platform and provided a range of employment opportunities to banking professionals covering liability, branch operation, treasury and for other functions. In FY 2017-18, your Bank expanded its workforce to 11,151 employees as on 31st March 2018 vis-à-vis 8,515 employees as on 31st March 2017.

We continue to invest in upskilling our people. During FY 2017-18, we conducted need-based trainings, induction, classroom sessions to help teams understand the organisational values and culture and their role in the organisation. Training and development sessions were conducted to ensure every employee undergoes trainings.

Performance management is crucial at AU Bank. We have a transparent appraisal process and incentive structure to reward the personnel. Special performers were recognised and rewarded with monthly and quarterly awards. During the year under review, our endeavour was to continuously motivate and nurture our employees, in alignment with the organisation's objectives.

BUILDING INFORMATION TECHNOLOGY FRAMEWORK

Our Best-in-class technology enhances customer convenience and streamlines operations to reduce cost. We underwent a radical transformation both in terms of business functions and hence, implementation of technology.

Going forward, we intend continuous technology upgradation with automated, digitised and other technology-enabled platforms and tools. The objective is to strengthen banking and financing initiatives and derive greater operational, cost and management efficiencies. We look forward to encouraging 24*7 convenient banking solutions, paperless onboarding, and workforce automation.

Greater adoption of our digital service delivery mechanisms and innovative applications will enable us to be more efficient, customer-friendly and over time perform more reliable data analytics. The result is profiling target customers and formulating offerings to suit diverse customer requirements.

INTERNAL CONTROL SYSTEMS

The Bank's internal audit department evaluates businesses and controls risks of all businesses and branches to create a risk-based internal audit plan, aligned to RBI's recommendation.

The annual risk-based internal audit plan is formulated, based on risk profiling of branches, businesses and departments, which is approved by the audit committee.

AU Bank's Audit Committee is appointed by the Board of Directors and it assists the Board. In review of the auditing and accounting matters and risks related thereto; and assesses the robustness, adequacy and reliability of our internal control systems.

Our Bank's internal audit function performs independent and objective assessment. It monitors adequacy, effectiveness and adherence to internal controls, processes and procedures instituted by the management and extant regulations. The function has adopted a risk-based approach of internal audit (RBIA). Following RBI's guidelines, we have adopted a robust internal audit policy, which helps us conduct RBIA across all auditable entities.

The internal audit function assesses business and controls risks of all branches and business units to formulate a risk-based internal audit plan, as recommended by the RBI. The audit frequencies are aligned with the risk profile of each unit to be audited with the objective assessment to monitor adequacy, effectiveness and adherence to the internal controls, processes and procedures instituted by Bank. The audit function also proactively recommends improvements in operational processes and service quality.

Moreover, the internal audit function conducts self-assessment of the Bank's Internal Financial Controls adequacy and operating effectiveness of such controls in terms of the Companies Act, 2013.

SWOT ANALYSIS

Strengths

- Diversified product portfolio and revenue streams
- Customer centricity
- Significant presence in rural and semi-urban markets with focus on low- and middle-income customers
- Robust and comprehensive credit assessment and risk-management framework
- Access to diversified funding sources
- Experienced management team and qualified operational personnel

Weakness

- Relatively new entrant in India's banking landscape. However, we have two decades of experience in retail lending as an NBFC and retail lending remains our primary source of asset growth as an SFB. The Bank has also made substantial investment in human resource, information technology and branch infrastructure to gain market share in assets, raise deposits and create brand awareness and recall.

- High proportion of Wheel loans and SBL-MSME segment and high concentration in the western states of India, particularly Rajasthan. The Bank is offering loans for all kinds of vehicles and have a diversified book within Wheels. Similarly, in SBL-MSME the Bank serves a wide variety of small businesses across various industries. Further, the Bank has diversified across various product segments with focus on retail customers. The Bank has expanded its footprint across 11 states in a contiguous manner.

With high-quality, new products and unexplored geographies, we will gain further market share, and thereby contribute in further diversification in product and geography base.

Opportunities

- Expanded market share in banking through greater financial inclusion and gaining market share from unorganised financiers and non-banks
- Capitalise on strong customer pull and access to cheaper and diversified source of funds
- Significant increase in consumption to further enlarge the financial market
- Leverage the Bank's distribution strength and customer reach

Threats

- Volatility in global or domestic economy may affect business
- Any political uncertainty and resultant impact on macro factors
- Inability to strengthen human resource, retain talent and imbibe AU DNA

OUR GROWTH STRATEGY

- **Leverage existing capabilities and customer base**

  We intend to leverage our capabilities as a former asset finance NBFC, including our branch network, customer base, technology architecture, and local know-how in geographical areas in which we operate for our SFB operations.

  As an SFB, we have strategically expanded our operations by offering a diverse suite of banking products and services, developed and set up additional branch architecture, improved our technology backbone in a phased manner and established our consumer branch footprint in geographical regions in which we conducted our NBFC operations. We will continue to focus on our go-to-market approach to increase our customer base, implement customer reach programmes and will encourage all our NBFC customers to open bank accounts with us.

- **Deepen our presence in the existing and unserved markets**

  AU Small Finance Bank opened more than 306 bank branches and 71 BCs in the first year of operation in addition to 97 asset centres, 292 ATMs and 23 offices. While historically most of our operations were b in Rajasthan, Gujarat and Maharashtra, we have grown our operations in relatively unexplored contiguous markets (Madhya Pradesh, Chhattisgarh, Punjab, Haryana, the National Capital Region and Himachal Pradesh).

  We intend to leverage our branch network to drive greater and deeper penetration in the western and northern states of India in which we operate, focussing on low- and middle-income individuals and businesses that have limited or no access to formal banking and finance channels, spanning rural, semi-urban and urban markets.

- **Provide a comprehensive suite of banking products and services**

  We offer a broad range of banking and financing products and services as part of our SFB business. We have expanded beyond our previous business lines to offer additional asset products such as home loans, gold loans, agriculture related SME loans, consumer durable loans, two-wheeler loans and working capital facilities to MSME and SME (business banking).

Our liability offerings include current accounts, savings accounts, term deposits and recurring deposits and collections and payments solutions for MSME and SME customers. We also intend to distribute mutual funds, general insurance, life insurance and health insurance. We intend to operate as a one-stop shop, delivering high-quality products and services, along with a standardised customer experience across branches to a diversified customer base.

- **Automation, digitisation and intensive technology use to expand business**

  We continue to upgrade our technology systems with automated, digitised and other technology-enabled platforms and tools, to strengthen our banking and financing initiatives; and derive greater operational, cost and management efficiencies. We intend to provide a differentiated technology framework, enhancing convenience for our customers and reducing operational expenditure at our branches.

  We have equipped our sales force with tablets integrated with biometric devices and Bluetooth printers to enable faster customer verification, account opening and activation. We will continue to digitise our processes to reduce turnaround times and enhance efficiencies of our employees, improve customer friendliness and perform more reliable data analytics in future. Such a strategy will result in profiling of target customers, and tailor-made products to suit diverse customer requirements.

- **Enhancing brand presence**

  We seek to leverage and enhance our brand to build our presence in the banking sector and develop new customer and industry relationships beyond our existing business lines. In this regard, we may explore opportunities to enter into strategic as well as service-level collaborations for customer aggregation and servicing, to take our SFB to the customer, and thereby build and expand our network of branches and increase our penetration of the non-institutional depositor and customer base.

  We seek to build our brand by continuing to engage with existing and potential customers through customer literacy programmes, sponsor popular events in the regions we operate and place advertisements in newspapers, on the radio and in other advertising media. We have recently launched our new logo for our SFB operations; and will continue to invest in various brand-enhancement initiatives.

Board's Report

To
The Members,
AU SMALL FINANCE BANK LIMITED

The Board of Directors are pleased to present the 23rd Annual Report on the business and operations of your Bank together with the Audited Financial Statements for the financial year ended 31st March 2018.

A. BUSINESS OVERVIEW AND FINANCIAL HIGHLIGHTS

Key Financial Highlights

- During FY 2017-18, your Bank successfully transitioned into Small Finance Bank (Bank) and continued to deliver a sound financial performance with a total income of ₹2,155 crore, up by 52% y-o-y, led by an all-round growth across retail and small & mid corporate assets, liabilities, branch banking and treasury operations.

- During FY 2017-18, your Bank's disbursement rose to ₹10,825 crore vis-à-vis last year's ₹6,730 crore; registering an increase of 61% and the Bank's Asset Under Management increased to ₹16,038 crore; up by 49% over FY 2016-17.

- As on 31st March 2018, your Bank's distribution network stood at 306 branches, 97 asset centres, 23 offices, 71 banking outlets under Business Correspondent Structure and 292 ATMs spread across 11 states.

- Besides, your Bank continued to enhance its shareholder value by delivering healthy financial performance on all key parameters. Total profit before tax was ₹443 crore in current year vis-à-vis ₹1,143 crore in the previous year (including income of ₹670 crore from stake sale in subsidiaries and associate companies net of taxes) and Earning Per Share (EPS) was ₹10.26 compared to last year of ₹11.20. Banking operations were commenced in FY 2017-18, and despite investment in information technology, branch infrastructure and hiring of human capital, the Bank maintained its earning per share with consistent asset growth, disbursement and sustained earnings.

Key Operational Highlights

- We laid a strong foundation of our liability franchise in the first year of our banking operations and liability build up has shown a strong traction in terms deposits mobilisation. Your Bank opened nearly half a million customer accounts in FY 2017-18 and adequate deposit mobilisation helped bringing down our cost of funds, thereby benefitting our customers as well.

- With the objective to serve all financial needs of our customers, we expanded our retail product suite and added new products including Agri-SME Loans, Gold Loans, Two-wheeler Loans, Home Loans, Consumer Durable Loans, Business Banking, Mutual Funds, Insurance and others. The Mutual Funds and Insurance are third-party products.

- Last year, your Bank went public with issue size of ₹1,913 crore. It was purely an Offer for Sale (OFS) IPO, which was oversubscribed by 54 times with huge traction from retail and institutional investors.

- Within seven months of starting our banking operations we became a Scheduled Bank and featured in Fortune India 500 companies with 6th rank in terms of PAT growth.

Financial Performance:

Summary of Financial Performance

(₹ in crore)

Particulars	For the year ended	
	31st March 2018	31st March 2017
Total Income	**2,155.25**	**2,089.97***
Interest Income	1,767.19	1,280.00
Other Income	388.06	809.97
Interest Expenditure	826.73	496.31
Operating Expenses		
(excluding depreciation)	699.36	347.05
Profit before Depreciation, Provisions and Tax	629.16	1,246.61
Depreciation	53. 25	5.78
Provision for Income Tax	153.08	314.94
Other Provisions and Write-offs	130.79	103.91
Net Profit	292.04	821.98
Appropriations		
Transfer to Statutory Reserve	73.01	164.39
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961	20.5	-
Proposed Dividend (in ₹)		
(Per Equity Share)	0.5	-
Surplus carried over to Balance Sheet	1,365.84	1,167.31
EPS (in ₹)		
(After excluding exceptional items not annualised)		
Basic	10.26	11.20
Diluted	10.00	10.99

*Includes Exceptional Item of profit on sale of investments in subsidiaries and associates in FY 2016-17.

The Return on Equity (RoE) stood at 13.7% and the Return on Asset (RoA) stood at 2.0%. Your Bank maintained excellent asset quality, despite a challenging macro environment and even with the AUM growing by more than half, the asset quality remained intact with our Gross NPA and Net NPA stood at 2.0% and 1.3% in current year vis-à-vis 1.9% and 1.2% in the previous year, respectively.

Please refer to the section of Financial & Operating Performance in the Management Discussion & Analysis for detailed analysis of performance.

Dividend

In view of the excellent financial performance of your Bank and listing during the year, Board of Directors proposed to reward its shareholders by way of cash dividend, after retaining sufficient profit for future growth and recommended a dividend at a rate of ₹0.50 per equity share of ₹10 each for FY 2017-18 and also recommends it for approval by the shareholders at the 23rd Annual General Meeting. This dividend shall be subject to tax on dividend to be paid by the Bank.

Change in Nature of Business during FY 2017-18

On 13th April 2017, the name of the Company was changed from Au Financiers (India) Limited to AU Small Finance Bank Limited and thereafter the Bank commenced its banking operations on 19th April, 2017 and surrendered its NBFC-ND-AFC certificate of registration no. B-10-00139 with the RBI. Except above, there was no change in the nature of business of your Bank for the year under review.

Listing

In FY 2017-18, the Bank successfully completed its Initial Public Offer (IPO) of ₹1,913 crore under 'Offer for Sale' structure and the issue was oversubscribed by 54 times with the aggregate demand of ₹72,331 crore. The equity shares of the Bank were listed and admitted for dealings with BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) on 10th July 2017.

Branch Banking and Liability Products

Our Branch Banking and Liabilities Franchise caters to a diverse set of customers including self-employed, salaried individuals, children, women entrepreneurs, senior citizens, companies, societies, trusts, educational

institutions, hospitals, government corporations and local bodies, among others. The branch network is spread across 306 Branches and 71 business correspondents in 11 states and covers Tier I urban centres, metros and all the way up to Tier V and Tier VI rural and semi-urban unbanked and unreached markets.

Our comprehensive product suite includes Savings Account, Current Account, Term Deposits, Lockers, Bank Guarantee, Gold Loan and so on. Through our empaneled partners, we also provide Point of Sale (POS), Life and Health Insurance, along with Mutual Fund investment solutions to our customers.

The focus of Branch Banking services is on providing ease of banking to our customers by offering minimum documentation, paperless banking and extended banking hours.

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

Products and services combined with our continuous focus on increasing customer convenience through innovative digital solutions and in-branch transactional conveniences aim at providing a robust banking platform to our customers. Our superior product offering coupled with our strong customer-centric approach shall translate into brighter prospects for the Bank in the coming years.

Business Correspondents

The regulatory intent of setting up Small Finance Bank was to enhance reach and financial inclusion in the country by provisions of saving vehicle and supply of credit to small business units, small and marginal farmers, micro and small industries and other unorganised entities through high-end technology and low-cost operations.

Keeping in mind above key guiding principles for setting up of Small Finance Bank, the Bank started financial inclusion initiatives by adopting business correspondent (BC) structure, an alternative for providing banking services to both urban and rural customers. The Bank provides various products and services such as Savings Accounts, Term Deposits, loans, Remittances, Loan Repayments and offers other services.

BC Structure is fully technology-enabled i.e. opening Savings Accounts through tabs via biometric authentication done by linking the accounts to Aadhaar. The focus of the Bank is on development of innovative and low-cost technology solutions for providing convenient banking services in rural areas. During FY 2017-18, we set up 71 banking outlets under BC structure and will leverage our capabilities in years to come.

Retail Assets

Your Bank provides a wide range of retail asset products including Vehicle Loan, Secured Business Loan to micro, small & medium enterprises (MSMEs) and small and medium-sized enterprises (SMEs), Gold Loan, Consumer Durable Loan, Agri-SME Loan and Home Loan to cater the entire financial lifecycle needs of customers.

As a **'New Generation Bank'**, we focus on making banking simple for masses by smart use of technology. This leads to deeper customer engagement in a cost-effective manner.

In terms of retail finance, quantum of funding is gradually increasing industry wide. To acquire mindspace of our customers and to stay ahead of competition, we continue to focus on **'customer delight'** by building strong and personalised relationships with retail clients and serving their needs with the use of emerging technologies.

The performance of your Bank's retail banking business was robust during the year under review. Total Deposit base was ₹7,923 crore and excluding certificate of deposits, Deposits stood at ₹6,743 crore and healthy CASA Ratio of 32%.

Vehicle Loan and MSME Loan account for bulk of the retail loan book and revenues. The Bank's Retail Asset Under Management were ₹13,013 crore in this period. During the year under review, with a continued focus on semi-urban and rural markets, the Bank grew its active loan accounts from 2.80 lakh in previous year to 3.58 lakh in the current year.

The Bank recently announced launch of its Home Loan product and would continue to offer and introduce new tailormade products to service home finance needs of customers.

Small & Mid Corporate Assets

The Bank's Small & Mid-corporate business caters to the diverse needs of a wide range of corporate customer segment including SMEs, Indian corporates, financial institutions, public-sector undertakings, mid-market companies and real estate businesses. The business offers a comprehensive portfolio of products and services to these customers including term loan, working capital finance, trade finance and other services including finance to non-banking financial company (NBFCs), microfinance companies, housing finance companies (HFCs) and for construction finance.

The disbursements in this segment were ₹3,303 crore against ₹1,161 crore in the previous year registering a growth of 185% and Asset Under Management stood at ₹3,025 crore with 102% increase over the previous year.

The Bank's NBFC experience empowers it to expand its loan book by focussing on development financing and ensuring deeper financial inclusion through credit extension to NBFCs/MFIs/HFCs.

Treasury Update

The Treasury Department of the Bank manages asset liability gaps, fund planning, regulatory liquidity requirements (CRR, SLR and LCR) and investments portfolio (both SLR and Non-SLR) of the Bank. The asset-liability mismatches and interest rate sensitivities of the Bank's portfolio are efficiently tracked (SLS and IRS) and managed through various market investments and money market products. On the other hand, the treasury is also responsible for managing and keeping cost of funds low for the Bank by utilising available resources and efficient planning.

The treasury also ensures that the Bank meets its regulatory requirements on Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) through efficient liquidity management and government bonds position management. The SLR portfolio durations were efficiently placed in anticipation of the interest rates movements, within the overall risk framework and under the oversight of the Bank's Investment Committee. The treasury also successfully maintained appropriate liquidity buffers as per the regulatory requirement of the Liquidity Coverage Ratio (LCR) guidelines, while keeping the business requirements under consideration.

In its first year of operation, the Bank has successfully grown its relationship with major banks both in private sector and public sector, through mutual inter-bank limit set-up and executing money market transactions actively. The treasury is responsible to manage their excess funds through various investment as per approved regulatory frameworks and internal policies to get optimum yields with minimum risks. At the same time, the treasury could achieve the optimum cost of funds by encouraging branches to mobilise sufficient deposits and to build retail liability franchise by offering attractive rate of interest keeping in view prevailing interest rate scenario.

Update on Financial Institutions Group (FIG)

Financial Institutions Group (FIG) was formed to manage the overall relationship with various financial market participants like Banks, Mutual Funds, Insurance companies, Development Finance Institutions (DFI), Multilaterals, as well as with associates and intermediaries like credit rating agencies, legal firms, stock exchanges and merchant bankers. At the same time, FIG is responsible to facilitate long-term liquidity for the Bank according the requirement and limits set up including non-fund based limits for trade transactions (in the form of LC/BG) with counter parties and market participants.

During the year under review, your Bank got a rating upgrade to AA-(Stable) from two rating agencies – India Ratings and CARE Ratings. The Bank has also been able to set up counter-party limits with most of the private and public-sector banks for ensuring various inter-bank transactions and liquidity management. Further, to provide cushion in extreme liquidity scenarios, the Bank has been able to secure Line of Credit facility from a public-sector bank as well. In this process, the Bank has tied-up with various private and public-sector banks to ensure availability of Trade and Remittance products for its clients and has successfully facilitated quite a few inward and outward foreign currency transactions including issuance of trade instruments (L/C and Bank Guarantees) and processing of trade payments.

At the SFB platform, the Reserve Bank of India (RBI) prescribed an additional capital charge of 25% on the secured borrowings brought forward in the Bank balance sheet (Grand-Fathered secured borrowings). To avoid any resulting reduction in the capital adequacy, the Bank could convert almost all its Secured Non-Convertible Debentures (NCD) and term loans to Unsecured. To reduce the overall cost of borrowing, the FIG team undertook specific projects with an aim to either pre-pay or re-price existing term loans, pre-pay and replace high-cost NCDs with alternate market borrowings and moved 90% of existing third-party secured bank guarantees to different banks on an unsecured basis and at lower pricing. This helped in optimising the cost of contingent liability on the Bank's securitisation obligations.

In terms of liquidity management, the Bank managed to enhance its relationship with domestic Development FIs (DFI) like NABARD, SIDBI, MUDRA and availed long-term, low-cost refinance facilities for substantial amount under various schemes. This helped your Bank to continue providing long-term assistance to various under-banked and under-served customers in rural and semi-urban locations and to manage its ALM.

Implementation of Treasury Software and Other Platforms

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

Investments

Treasury is required to maintain SLR investments in the form of Central and State Government Securities as per regulatory requirements of 19.50% of NDTL within approved policy criteria in terms of duration and risk profile.

Transaction Banking

Your Bank is committed to provide customers the convenient banking. Innovative thinking and increased ownership of the Bank has led to greater customer convenience through:

- **No deposit slips**
  Our customers can just walk up to our branch counters and deposit their cheque/cash without going through the mundane and tedious task of having to fill up a deposit slip and its respective counterfoil. We ourselves generate a receipt of deposit and duly hand it over to our clients. Keeping the same thought of customer convenience at the helm, we also understand that there may be some clients who may desire the use of deposit slips and that is why, the deposit slips are also made available at all our branches.

- **Biometric authentication based 'paperless' customer on-boarding**
  We have significantly reduced the use of account opening forms through our initiative of using a TAB-based application for on-boarding our customers. Through this initiative a customer is on-boarded through biometric authentication of Aadhar credentials.

- **Simpler customer instruction forms**
  In all our customer instruction forms, we have consciously eliminated details being repetitively sought from our customers, such as we have eliminated the requirement to specify amount in figures and thereafter in words as well.

- **Extended banking hours**
  We recognise the busy schedule of our customers and thus, provide formal banking services according to their convenience. We offer extended banking and locker operating hours for our customers.

- **Seeding of AU Bank account to receive Direct Benefit Transfer (DBT) benefit**

  Our clients can choose to seed their AU Bank account with the NPCI (National Payments Corporation of India) mapper to receive DBT benefits and subsidies. This feature allows us to provide a more integrated offering to our clients.

Technology and Digital Banking

Digital solutions have always been at the core of all initiatives and offerings of the Bank with an overall focus on increasing customer convenience and satisfaction. Your Bank has implemented a scalable best-in-class technology stack with 20+ advanced applications catering to the entire lifecycle of the customer engagement right from lead generation to loan satisfaction including digital on-boarding of customers, core banking system, human capital management, risk management and expense management, among others.

Some of the key digital initiatives undertaken by the Bank since its inception are:

- We offer instant account opening through a TAB-based application using biometric customer authentication. This initiative has not only increased customer convenience by providing instant account opening but has also reduced paperwork by e-validation of the customer's Aadhaar credentials. Along with customer convenience, this initiative also serves the objective of being 'eco-friendly' given that there is a significant reduction in paperwork. This initiative has been very well received by our customers and incrementally every month more than 95% of the savings account customers are being onboarded through TABs.

- Launch of our Mobile Banking application has made banking services available to our customers at their convenience.

- We have partnered with Bijli pay and India Transact Services Limited (ITSL) to provide POS solutions to our customers. This has equipped our customers (merchants) to digitally accept payments.

- We have aimed at providing utmost transactional convenience, in a completely secure environment, to our customers through our continuously evolving IPC and mobile banking based digital platforms. With facilities such as account summary, creation of Fixed Deposits, stop payments, fund transfers, NEFT, RTGS, IMPS and others, we are implementing the technological advancements for our customers' convenience.

- Your Bank implemented best-in-class technology stack including Core-Banking System, Human Capital Management, Risk management suite from Oracle.

Ratings of Debt Instruments

The Bank has been assigned by various credit rating agencies viz. India Ratings, CARE, CRISIL, ICRA and Brickworks for its Debt instruments and debentures. Credit rating of Bank was upgraded by India Ratings from 'IND A+ (Positive)' to 'IND AA- (Stable)' and by CARE Ratings from 'CARE A+/Stable' to 'CARE AA-/Stable' covering debt instruments of the Bank in view of strong consistent performance on quarter to quarter.

The Ratings of Debt Instruments are as follows :

Nature of Debt Instrument	Nature of Term	India Ratings	CRISIL	ICRA	CARE	Brickworks
Non-Convertible Debentures	Long Term	AA- /Stable	A+ /Positive	A+ /Stable	-	-
Subordinated Debt	Long Term	AA- /Stable	A+ /Positive	A+ /Stable		-
Bank Loans	Long Term	AA- /Stable	-	-	AA- /Stable	AA /Stable
Certificate of Deposits	Short Term	A1+	A1+	-	-	-

B. FINANCIAL DISCLOSURES

Dividend Distribution Policy

In terms of Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the Bank has formulated and adopted Dividend Distribution policy of Bank and dividend proposed is in line with the Dividend Distribution Policy of the Bank. The Dividend Distribution Policy as approved by the Board can be accessed at website of the Bank at **www.aubank.in/au-notice-board**

Closure of Share Transfer Books and Record Date for Dividend

The Register of Members and the Share Transfer Books of the Bank will be closed from 1st August 2018 (Wednesday) to 7th August 2018 (Tuesday) (both days inclusive) for the purpose of the 23rd Annual General Meeting of the shareholders of the Bank to be held on 7th August, 2018 and for determining the names of the Members who would be entitled to dividend, if any, declared by the Bank for the financial year ended 31st March 2018. The Record Date for payment of the said dividend has been fixed on 31st July, 2018. The said dividend shall be paid to those Members whose name appears on the Register of Members of the Bank as on 31st July, 2018.

Transfer to the Investor Education and Protection Fund

In terms of Section 125 of the Companies Act, 2013 (the Act) unclaimed dividends are required to be transferred to the Investors Education and Protection Fund. There is no dividend which is unclaimed pertaining to previous years and hence, there is no requirement of transferring the same to the Investors Education and Protection Fund for the year under the review.

Transfer to Reserve

As per requirement of RBI regulations, the Board proposed to transfer the following amounts to various reserves during the financial year ended 31st March 2018.

Transfer to Reserves

Amount transferred to	Amount (₹ in crore)
Statutory Reserve	73.01
Transfer to Special Reserve U/s 36 (1) (Viii)	20.50

Share Capital

During the FY 2017-18, there was no change in the authorised share capital of the Bank and it stood at ₹35,00,000,000 (Rupees Three Hundred and Fifty Crore Only). The paid-up Equity Share Capital of the Bank as on financial year ended 31st March 2018 stood at ₹2,85,70,36,200 (Rupees two hundred and eighty-five crore seventy lakh thirty six thousand two hundred only) divided into ₹28,57,03,620 (Twenty Eight Crore Fifty Seven Lakh Three Thousand Six Hundred Twenty) equity shares of ₹10 each.

During FY 2017-18, the Bank's issued and paid up capital increased on allotment of equity shares pursuant to exercise of ESOPs options.

The Bank added ₹1,45,27,140 to the paid up equity share capital by allotting 14,52,714 equity shares of ₹10 each to employees on exercise of options under Employee Stock Option Plan 2015 (Plan A and Plan B) as follows:

Sr. No.	Date of allotment	ESOP Plan - 2015 A	ESOP Plan - 2015 B	Equity Shares allotted on Exercise of ESOPs
1	15th November 2017	6,09,402	6,32,804	12,42,206
2	4th December 2017	54,990	74,868	1,29,858
3	2nd February 2018	8,539	47,362	55,901
4	7th March 2018	12,991	11,758	24,749
	Total No. of Shares	**6,85,922**	**7,66,792**	**14,52,714**

The detailed note pertaining ESOPs has been covered under below:

Employees Stock Option Plan (ESOP)

Employee Stock Option Plan (ESOP) for employees of the Bank for participation of employees in sharing of wealth in course of financial progress of the Bank is in place. It not only strengthens the sense of ownership but also leads to inclusive growth for employees and the Bank.

The Bank continued with its plan of rewarding long-serving employees with ESOPs, thus making them true partners in the Bank's growth and foster a culture of sustainable value creation.

The stock options are granted to employees under Employee Stock Option Schemes are presented below:

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

The details of vesting of various schemes are as follows:

The Employee Stock Option Plans are administered by the Nomination & Remuneration Committee of the Bank. The 'Employee Stock Option Scheme 2015' (ESOP 2015) and 'Employee Stock Option Scheme 2016' (ESOP 2016) — collectively referred as the Schemes — were originally approved by the shareholders at their extra-ordinary general meetings held on 31st August 2015 and 10th October 2016. Thereafter, the amendment in the said Schemes was approved by shareholders through postal ballot on 24th January 2017. In furtherance, the Schemes were ratified by shareholders at the Annual General Meeting held on 27th September 2017.

The Schemes are in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014. The source of shares is primary in nature, since the Bank has been issuing new equity shares upon exercise of options. Requisite details including option movement during the year under Schemes i.e. ESOP 2015 - Plan A, ESOP 2015 - Plan B and ESOP 2016 as on 31st March 2018 form part of this report.

ESOP Scheme

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

The Details/Summary of Existing ESOP Schemes as on 31st March 2018

Particulars	ESOP Plan A 2015	ESOP Plan B 2015	ESOP Scheme 2016
Date of shareholders' approval	31st August 2015	31st August 2015	10th October 2016
Total number of options approved	38,36,058	49,33,194	21,00,000
Total number of options outstanding at the beginning of the period	34,38,066	38,75,784	2,68,300
Total number of options granted (during FY 2017-18)	3,61,000	42,510	15,53,701
The pricing formula/price in ₹	10.11	33.37	140
Options vested (during FY 2017-18)	6,86,605	7,67,421	0
Options exercised (during FY 2017-18)	6,85,922	7,66,792	0
Total number of shares arising as a result of exercise of options	6,85,922	7,66,792	0
Options lapsed/forfeited (during FY 2017-18) (Available for re-issue)	5,124	94,961	4,34,680
Total number of options exercisable at the end of the year	683	528	0
Total number of options outstanding at the end of the year	31,08,020	30,56,541	13,87,321
Variation in terms of options	No	No	No
Money realised by exercise of options (during FY 2017-18) (in ₹)	69,34,671	2,55,87,849	0
Total number of options granted to Senior Management Personnel (SMPs)	Please refer Note 1	Please refer Note 1	Please refer Note 1
Any other employee who received a grant in any one year of options amounting to 5% or more of options granted during that year	Please refer Note 2	Please refer Note 2	Please refer Note 2
Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil	Nil	Nil
Diluted Earnings Per Share (EPS) of the Company after considering the effect of potential equity shares on account of exercise of options	Refer Note 3		
Impact of the difference between the intrinsic value of the options and the fair value of the options on profits and on EPS	Refer Note 3		
Weighted average share/exercise price of the shares exercised during the year (in ₹)	10.11	33.37	140
Weighted average fair values of the outstanding options (in ₹)	Please refer Schedule 18 (7) to Notes to accounts to Audited Financial Statements for FY 2017-18		

Note: The ESOP Scheme - 2015 (Plan A & B) & ESOP Scheme 2016 was ratified by its shareholders at Annual General Meeting held on 27th September 2017.

Note 1

Following are the total number of stock options that have been granted to Senior Management Personnel (SMP) during the financial year ended 31st March 2018:

S. No.	Name	Designation	No. of ESOP granted in ESOP Plan-A 2015	No. of ESOP granted in ESOP Plan-B 2015	No. of ESOP granted in ESOP Plan 2016
1	Manoj Tibrewal	Chief of HR - Group Head	2,28,000	-	-
2	Rishi Dhariwal	Chief of Credit & Collection - Retail	-	-	7,867
3	Vijendra Singh Shekhawat	Chief of Operations & IT	-	-	3,158
4	Yogesh Jain	Chief Treasury Officer	-	-	15,283
5	Vinay Vaish	Chief of Credit & Collection - SME and Mid Corporate	-	-	7,451
6	Nitin Gupta	Chief Audit Officer	-	-	2,912
7	Mayank Markanday	Chief Risk Officer	-	-	14,540
8	Amiya Dikshit	Chief Technology Officer	-	-	11,000

Note 2

Any other employee who received a grant in any one year of options amounting to 5% or more of options granted during that year:

S. No.	Name	Designation	No. of ESOP granted in ESOP Plan-A 2015	No. of ESOP granted in ESOP Plan-B 2015	No. of ESOP granted in ESOP Plan 2016
1	Uttam Tibrewal	Whole-time Director*	38,702	10,18,758	0
2	Manoj Tibrewal	Group Head - HR	2,28,000		
3	Bhaskar Karkera	Chief of Wheels	1,08,000	30,000	
4	Sultan Ram Jat	Sr. Vice President - Retail Banking	25,000		
5	Sharad Vishvanath	Group Head - Digital, Analytics & HR**			3,60,000

*38,702 ESOPs under ESOP Scheme 2015 - Plan A & 10,18,758 ESOPs Under ESOP Scheme 2015 - Plan B were granted to Mr. Uttam Tibrewal, WTD during the year and the same are subject to RBI approval.
**Mr. Sharad Vishvanath resigned and relieved during FY 2017-18 and No ESOPs were exercisable during the tenure of his employment with the Bank.

Note 3

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 it grants to the employees. The Bank also calculates the fair value of options at the time of grant, using Black-Scholes pricing model with the following assumptions:

Particulars	31st March 2018
Risk-free interest rate (%)	7.42%
Expected life (years)	2.58 yrs - 5.34 yrs
Expected volatility (%)	44.68%
Expected dividend rate (%)	0%

Note 4

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

(₹ in crore)

Particulars	Year ended 31st March 2018	Year ended 31st March 2017
Profit after tax as reported	292.04	821.98
Add: ESOP cost using intrinsic value method (net of tax)	9.24	2.66
Less: ESOP cost using fair value method (net of tax)	12.51	4.09
Profit after tax (adjusted)	**288.76**	**820.55**
Earnings Per Share (in ₹)		
Basic		
- As reported	10.26	30.18
- Adjusted for ESOP cost using fair value method	10.14	30.12
Diluted		
- As reported	10.00	29.61
- Adjusted for ESOP cost using fair value method	9.89	29.56

(₹ in crore)

Particulars	As on 31st March 2018	As on 31st March 2017
Stock options outstanding (gross)	94.04	14.01
Deferred compensation cost outstanding	73.76	7.86
Stock options outstanding (net)	**20.28**	**6.15**

The 3,60,000 options granted under plan C4 had a different vesting schedule, however, the options granted expired without any vesting to the grantee as the service conditions were not fulfilled. Accordingly, these options have not been considered for the purpose of computing the impact of ESOP fair value on profit before tax.

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

Deposits

Being a banking company, the disclosures required as per Rule 8(5)(v) & (vi) of the Companies (Accounts) Rules, 2014, read with Sections 73 and 74 of the Companies Act, 2013 are not applicable.

Particulars of loans, guarantees and investments

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

C. CORPORATE GOVERNANCE

The Report on Corporate Governance for FY 2017-18 along with certificate issued by Mr. Manoj Maheshwari, Practicing Company Secretary confirming the compliance to applicable requirements related to corporate governance as stipulated under Chapter IV of the Listing Regulations is forming part of this Annual Report as Annexure I.

Board & Board Committees

The Board of Directors holds fiduciary position and is entrusted with the responsibility to act in the best interests of the Bank. Board meetings are held to discuss and decide various business policies, strategies, financial matters, other businesses and review the annual financial plan, performance and strategy laid by the Bank. Committees appointed by the Board focus on specific areas and take informed decisions within the framework of delegated authority and responsibility and make specific recommendations to the Board on matters under its purview. All decisions and recommendations of the committees are placed before the Board for consideration.

Board Meetings

The Board of Directors of the Bank meet at least once in a quarter and each quarterly meeting generally includes a business and finance update and discussion. The Board met seven times during FY 2017-18 and the interval between the meetings was within time limit mentioned under the Companies Act, 2013 and Secretarial Standard-I and Listing Regulations.

Committees of the Board

The Board has constituted various Committees to take informed decisions in the interest of the Bank and to establish best corporate governance practices. The Board Committees deal with specific matters as per delegated powers and monitor the activities falling under different functional areas of the Bank in acquiescence of provisions of Companies Act, 2013, the relevant rules made thereunder, the Listing Regulations, Banking Regulation Act, 1949, other guidelines issued by RBI from time to time and the Articles of Association of the Bank.

Meetings of Independent Directors

The Report on Corporate Governance for FY 2017-18 contains the requisite information about the meeting of Independent Directors conducted without the presence of any of the Executive Directors, the Non-executive Non-independent Directors during the year.

Board of Directors and Key Managerial Personnel

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

Following appointments on the Board were made during the year.

1. **Appointment of Mr. Raj Vikash Verma as Additional Director (Independent)**

   Mr. Raj Vikash Verma (DIN: 03546341) was appointed as additional Director (Independent) on the Board at its meeting held on 30th January 2018 to hold office up to the date of ensuing Annual General Meeting (AGM) and Board recommends his appointment as Independent Director at the ensuing AGM and requisite details pertaining to regulation 36 and Secretarial Standard II has been provided with the notice of AGM.

2. **Appointment of Mr. Narendra Ostawal as Nominee Director**

   Under section 161 of the Companies Act, 2013 and Article 13(b) of the Articles of Association of the Bank as reproduced hereunder provides a right to the shareholder of the Bank to nominate one member to the Board of the Bank. The appointment of Mr. Narendra Ostawal as Nominee Director (DIN: 06530414) on behalf of Redwood Investments Ltd., fund advised by Warburg Pincus on the Board was approved by the Board at its meeting held on 30th January 2018. No remuneration was paid to Nominee Director during the period under review.

The details of Brief profile of Mr. Raj Vikash Verma & Mr. Narendra Ostawal is available on the website of the Bank at **www.aubank.in/about-us/board-directors**

Declaration of Independence

The Bank has received necessary declarations from each Independent Director under Section 149(7) of the Companies Act, 2013 and Listing Regulations, affirming that they meet the criteria of independence laid down in the Companies Act, 2013 and Listing Regulations.

Key Managerial Personnel

Mr. Sanjay Agarwal, Managing Director and CEO, Mr. Uttam Tibrewal, Whole-time Director, Mr. Deepak Jain, Chief Financial Officer and Mr. Manmohan Parnami, Company Secretary are Key Managerial Personnel of your Bank as defined under section 2 (51) of Companies Act, 2013. There was no change in composition of Key Managerial Personnel of the Bank.

Evaluation of the Board, its Directors and Committees

The Board has conducted annual evaluation of the performance of all its Directors, Committees of the Board, Non-executive Chairman and of the Board as whole in terms of Section 134(3)(p) of the Companies Act, 2013, rules made thereunder and listing regulations as applicable. Evaluation process followed by the Bank is covered in detail under report on Corporate Governance forming part of this annual report.

Familiarisation Programme for Directors

Orientation programme is organised for induction of Directors covering review of MOA & AOA, Annual Report, Code of Conduct for Directors and employees, Organisation Chart, the Board & Board-delegated Committees, their terms of reference and others. The senior management team is introduced to the Board members to familiarise and acclimatise them with operations, processes, policies and procedures of the Bank. The Report on Corporate Governance for FY 2017-18 contains the requisite information and the details of familiarisation programmes imparted to Directors are posted on the website of the Bank and can be accessed at **www.aubank.in/au-notice-board**

Retirement by Rotation

In terms of Section 152 of the Companies Act, 2013, Mr. Sanjay Agarwal, MD & CEO, being Director liable to retire by rotation, shall retire at the ensuing AGM and being eligible for reappointment, offers himself for re-appointment. The Board recommends his re-appointment at the ensuing AGM and requisite information required under Listing Regulations and Secretarial Standard II has been provided with the notice of AGM.

Corporate Social Responsibility

In compliance with Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Bank has setup a Corporate Social Responsibility (CSR) Committee.

The Bank is committed to identify and support outreach programmes aimed at developing and nurturing the community. The Bank works through partnerships with Non-Governmental Organisations (NGOs) as well as directly to create social value. The Bank has implemented Social Environment Management System in its credit and management assessment processes with respect to offering financial services to its customers. Statutory disclosures with respect to the CSR Committee and a Report on CSR Activities forms part of this Report as Annexure II.

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

Social Environment and Management System

An Environmental and Social Management System (SEMS) is a set of policies, procedures, tools and internal capacity to identify and manage a financial institution's exposure to the environmental and social risks of its customers. The Bank continuously endeavours to ensure effective social and environmental management practices in its all activities, procedures, products and services. The procedures and decision-making process of the SEMS are systematically incorporated at each stage of transaction appraisal and monitoring.

On an ongoing basis, the Bank is making the best efforts to ensure that all projects are in compliance with applicable requirements and transparency is maintained in its activities. Besides, the Bank is continuously striving to create awareness among its vendors, customers to comply with applicable social and environmental laws.

Human Capital

Your Bank has attracted the best talent from the industry to ensure sustainable growth. With ongoing banking transition during the year, the Bank provided a range of employment opportunities to banking professionals covering liability, branch operation, treasury and for other functions. During FY 2017-18, your Bank expanded its workforce to 11,151 employees as on 31st March 2018 vis-à-vis 8,515 employees as on 31st March 2017.

The Bank was awarded as **'Dream Companies to Work For - 2018'** by Times Ascent, in recognition of its efforts for providing excellent platform for employees to grow. Your Bank took significant steps for training its employees to

improve their productivity, resulting in service satisfaction among customers. To meet its ever-growing need for enriching the workforce, your Bank has also collaborated with leading academic institutions to offer skill development programmes. To digitalise HR experience, your Bank has launched Digital Human Capital Management System for simplified access to employee related information and e-learning modules that help enhance employee skillsets.

Anti-Bribery and Anti-Corruption Policy

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

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

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

The Bank has zero tolerance for any action by any executive, which may fall under the ambit of 'Sexual Harassment' at workplace. Your Bank is fully committed to uphold and maintain the dignity of every woman and other employees working in the Bank. This policy provides protection against sexual harassment of women at workplace and lays down procedure for prevention and redressal of such complaints. There is internal complaint committee, which reviews, investigate and takes suitable actions against any complaints received. During the year ended 31st March 2018, three complaints were received by the Bank and all of them were investigated and closed.

Heading	Nos.
No. of Complaints Pending at the Beginning of the year	NIL
No. of Complaints received & resolved during the year	3
No. of Complaints Pending at the End of the year	NIL

Extract of Annual Return

Pursuant to Section 134(3)(a) and Section 92(3) of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014, the extract of the Annual Return as on 31st March 2018, in the prescribed form MGT 9, forms part of this report under Annexure VI.

Remuneration Policy

Your Bank has formulated and adopted policy for Director's appointment and remuneration covering Directors, KMPs and Employees of the Bank. The objective of the Director's appointment and remuneration policy is to regulate the appointment and remuneration of Directors (including Independent Directors), Key Managerial Personnel (KMP), Senior Management personnel according to the criteria formulated by the Nomination and Remuneration Committee of the Board under the requirement of the Companies Act, 2013 read with applicable Rules and Listing Regulations.

The key objectives of the Policy on Director's appointment and remuneration are as follows:

- To institutionalise a mechanism for the appointment/ removal/dismissal of Directors and lay down selection criteria for appointment of a Director and formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board
- To formulate the criteria for evaluation of performance of the Directors on the Board
- To establish standards on compensation/remuneration including fixed and variable, which are in alignment with the applicable rules and regulations and is based on the trends, practices of remuneration prevailing in the industry; and
- To define internal guidelines for payment of perquisites to the directors, KMP and senior employees.

The Director's appointment and Remuneration Policy is available on the website of the Bank at **www.aubank.in/au-notice-board**

Employee Remuneration

The ratio of the remuneration of each Director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, form part of this report and is annexed as Annexure - III to this Report.

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

Whistle Blower Policy & Vigil Mechanism

The Whistle Blower Policy of your Bank has been formulated as part of corporate governance norms and transparency where the employees, customers, stakeholders or Non-Governmental Organisations (NGOs) are encouraged to refer any Protected Disclosures, which have not been resolved or satisfactorily resolved within the usual applicable protocols. The employees may refer any Protected Disclosures covering areas such as corruption, misuse of office, criminal offences, suspected/actual fraud, failure to comply with existing rules and regulations and acts resulting in financial loss/operational risk, loss of reputation and others detrimental to customers'/public interest.

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

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

Related Party Transactions

During FY 2017-18, the Bank has not entered any materially significant transactions with its promoters, Directors, Management, subsidiaries or relative of the Directors, which could lead to potential conflict of interest between the Bank and these parties, other than transaction entered in the ordinary course of business and transactions entered into by the Bank are on 'arm's length basis'. On quarterly basis, the Audit Committee of the Bank considers all specified details of related party transactions. Hence, pursuant to Section 134(3)(h) of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014, there are no related party transactions to be reported under Section 188(1) of the Companies Act, 2013, in form AOC-2. To ensure the transparency, substantive and procedural fairness of related party transactions, your Bank has framed the policy on Related Party Transactions & Materiality as approved by the Audit Committee and the Board of Directors. The requisite disclosure has been made under Schedule 18 of the notes forming part of audited financial statements for the year ended 31st March 2018.

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

Code of Conduct for Directors and Senior Management Personnel

In compliance with regulation 17(5) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, your Bank has Code of Conduct for the Board of Directors and the Senior Management Personnel to set forth the guiding principles on which the Bank and its Board and Senior Management Personnel for acting on behalf and with stakeholders, government and regulatory agencies, media and anyone else with whom it is connected. Declaration signed by the Chief Executive Officer stating that the members of Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct of the Board of Directors and Senior Management Personnel which is forming part of Report on Corporate Governance as Annexure I to this report.

The Code of Conduct for Directors and Senior Management Personnel as approved by the Board is available on the website of the Bank at **www.aubank.in/au-notice-board**

Code for prevention of Insider Trading

In compliance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, the Bank has formulated a code for prohibition of insider trading in the shares of the Bank, which inter alia, prohibits trading in shares of the Bank by insiders while in possession of unpublished price sensitive information in relation to the Bank.

Code of Conduct for Employees

Your Bank has adopted a Code of Conduct for employees to define business ethics, which lays down the principles and standards that govern the activities of the Bank and its employees to ensure and promote ethical behaviour within the governance framework in the Bank and attempts to set forth the guiding principles and values on which the Bank's employees shall operate and conduct its business with its stakeholders, government and regulatory agencies, media and anyone else with whom they are connected or interact with. Your Bank expects all its employees and officers to act in accordance with high professional and ethical standards and comply with all applicable laws, regulations and internal policies.

Material orders passed by Regulators or Courts or Tribunals and Penalties & Punishment

There are no material orders passed by the Regulators/ Courts/Tribunals during FY 2017-18, which would impact the going concern status of the Bank and its future operations.

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

Material changes and commitments, if any, affecting financial position of the Bank

There are no material changes and commitments, affecting the financial position of the Bank that have occurred between the end of the financial year of the Bank i.e. 31st March 2018 and the date of the Board's Report i.e. 26th April 2018.

Risk management framework

Effective risk management framework to actively manage all risks is ensured by the Board of Directors and for implementation of the same, the Board has laid down the Credit Risk management and Risk Management policies and the delegation matrix.

The Board is supported by the Risk Management committee of the Board, which is chaired by an independent Director. It is also supported by various management committees as part of the Risk Governance framework. The design and implementation of a sound risk process is largely the responsibility of Chief Risk Officer and senior Credit Risk officers of the Bank. The detailed note on Risk Management is covered under Management Discussion Analysis section, which forms part of this Annual report.

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

Credit Risk

Your Bank has a structured and standardised credit approval process including customer selection criteria, comprehensive credit risk assessment and delegation matrix thereof, which covers analysis of relevant quantitative and qualitative information to ascertain the borrower's credit worthiness.

Operational Risk

The Bank manages and controls operational risk in a cost-effective manner within targeted levels. A comprehensive system of internal controls and systems, procedures to monitor transactions, maintain key back-up procedures by undertaking regular contingency planning and providing employees with continuous training is in place to mitigate such risks.

Market Risk

Market risk is the risk in which earning or capital will decrease due to changes in market factors. The Asset Liability Management Committee (ALCO) of the Bank oversees the framework for identification, measurement and management of market risk, interest rate risk and liquidity risk in the Bank and ensures compliance with established internal and regulatory, prudential limits.

IT Risk

Your Bank ensures that business information to which they have access, including computer systems they utilise in the performance of their duties, is protected from inappropriate access, disclosure or modification. The Chief Information Security Officer (CISO) is responsible for monitoring the information security risk covering all aspects of data security for the Bank. We have also placed a Cyber Security Operation Center (CSOC) with qualified professionals who report into CISO office for monitoring of real time Cyber Security Incidents. The Chief Technology Officer of the Bank is responsible for overall IT governance covering Technology Infrastructure & Solutions, monitoring of product development & support. He is also responsible for supervision of process of network access logs, process of firewall log reports, process for port access reports for critical network devices, monitoring of Network Operations Center (NOC) and process of Change and Incident management.

Business Continuity Plan

The Business Continuity Plan (BCP) manages and supports business recovery in the event of facilities disruption or disaster. Your Bank has framed BCP, which includes policies, standards and procedures to ensure continuity, resumptions and recovery of critical business processes, at an agreed level and to limit the impact of the disaster on people, processes and infrastructure. It minimises the operational, financial, legal and other material consequences arising from such a disaster.

Cyber Security

As technology has drastically changed banking services, products, methods of operation and the way banks function, your Bank has been able to offer more products to increase customers' delight, operational efficiency and reduce operational expenses of banking services. However, it is equally true that the advent of technology has also made banks vulnerable to cyber-attacks. To combat growing cyber threats and enhancing the resilience of the banking system to address cyber risks, your Bank has set up a framework for Cyber Security in compliance of guidelines issued by Reserve Bank of India.

Cyber security is the combination of technologies, processes and practices designed to protect networks, computers, programmes and data from cyber-attacks, damage or unauthorised access. Cyber space is a complex environment consisting of interactions between people, software and services, supported by worldwide distribution of Information and Communication Technology (ICT) devices and networks.

Auditors

Statutory Auditors

The members at the 22nd Annual General Meeting (AGM) of the Bank had, subject to the approval of RBI, appointed M/s. S.R. Batliboi & Associates LLP (Firm Registration No. 101049W/E300004) as Statutory Auditors for a period of four (4) years to hold office till the conclusion of 26th AGM in connection with the audit of the books of accounts of the Bank.

The Statutory Auditors have confirmed their eligibility under Section 141 of Companies Act, 2013 for reappointment as Statutory Auditors of the Bank. Further, as required under the relevant provisions of the 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 and the Board has upon recommendation of Audit Committee, proposed the ratification of their appointment as Statutory Auditors for the FY 2018-19, subject to approval of shareholders at the ensuing AGM & of RBI.

Secretarial Auditors

The Bank had appointed M/s. V.M. & Associates, Company Secretaries (Registration No. P1984RJ039200), as its Secretarial Auditors for FY 2017-18. The Bank provided all assistance and facilities to the Secretarial Auditor for conducting their audit. The Report of Secretarial Auditor for the FY 2017-18 is annexed to this report as Annexure V. The Board has upon recommendation of Audit Committee approved their appointment as Secretarial Auditors for FY 2018-19.

Qualifications in Statutory and Secretarial Audit Reports

There were no adverse observations or qualifications made by the Statutory Auditors in the Auditor's Report and report is self-explanatory.

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

Internal Financial Controls System & their adequacy

Proper internal financial controls were in place and were operating effectively. Further, the statutory auditors have, in compliance with the requirements of Companies Act, 2013, issued an opinion with respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls details of which may be referred to in the Auditor's report attached to the audited financial statements of FY 2017-18.

Compliance

Your Bank has institutionalised a strong compliance culture and framework in line with its strategic goals of transparency and trust, among all its stakeholders. Your Bank has a dedicated Compliance Department for ensuring regulatory compliance, across all its businesses and operations. The key functions of this department include, dissemination of key regulatory updates affecting the various businesses of your Bank, review of new products and processes from a regulatory compliance perspective, provide guidance on compliance-related matters among others. Your Bank has also put in place a 'Know Your Customer' and 'Anti-Money Laundering Policy' approved by the Board of Directors and transaction monitoring procedures, as per the RBI guidelines.

D. BUSINESS RESPONSIBILITY REPORT

Pursuant to Regulation 34(2)(f) of the Listing Regulations, a Business Responsibility Report (BRR) is required to be prepared by top five hundred listed companies based on market capitalisation in a format prescribed under SEBI Circular no. CIR/CFD/CMD/10/2015 and the it is attached herewith as annexure VII to this report.

We are pleased to inform that your Bank is among Top 500 Listed Companies of India in terms of market capitalisation in first year of listing itself. As part of regulatory disclosure, the report describing the initiatives taken by the Bank from an environmental, social and governance perspective is displayed at website of the Bank at the link **www.aubank.in/investor-relations**

E. MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis Report for the financial year under review is presented in a separate section forming part of this Annual Report.

F. OTHER STATUTORY DISCLOSURES

Conservation of energy and technology absorption

The Bank's systems and processes have been aligned by adopting sophisticated technology for conservation of energy, in view of the challenges faced due to increased uses of electronic equipment and computer systems in the banking industry.

Your Bank as part of its digitalisation strategy is focussed upon building an IT architecture in a manner to achieve internal natural resource consumption efficiencies and minimising its carbon footprint and efforts made by the Bank for Conservation of energy and absorption of technology have been detailed below:

Buying energy efficient hardware

Your Bank is procuring its hardware from major hardware vendors including notebooks, workstations and servers that meet the Environmental Protection Agency's (EPA's) Energy Star guidelines for lower power consumption. Further, multicore processors increases processing output without substantially increasing energy usage.

Using power management technology and best practices

Modern operating systems running on Advanced Configuration and Power Interface (ACPI) enabled systems incorporate power-saving features that allows to configure monitors and hard disks to power down after a specified period of inactivity. Systems can be set to hibernate when not in use, thus powering down the CPU and RAM as well.

Using virtualisation technology to consolidate servers

We have reduced the number of physical servers and using

virtualisation technology to run multiple virtual machines on a single physical server. The virtualised infrastructure would decrease energy costs substantially.

Consolidating storage with SAN/NAS solutions
Consolidation of storage using storage area networks and network attached storage solutions reduces the energy consumption.

Recycling systems and supplies
To reduce the load on already overtaxed landfills and to avoid sending hazardous materials to those landfills (where they can reach into the environment and cause harm), old systems and supplies are reused, repurposed and recycled. We have started by repurposing items within the Bank; for example, in many cases, when a graphics designer or engineer needs a new high-end workstation to run resource-hungry programs, the old computer is perfectly adequate for use by someone doing word processing, spreadsheets, or other less intensive tasks. This hand-me-down method allows two employees to get better systems than they had, while requiring the purchase of only one new machine (thus saving money and avoiding unnecessary e-waste).

Reduced paper consumption
Another way to save money while reducing the Bank's impact on the environment is to reduce consumption of paper. We have done this by switching from a paper-based to an electronic workflow by creating, editing, viewing, and delivering documents in digital rather than printed form. During FY 2017-18, substantial number of Savings Accounts were opened through TABs that has enabled savings for the Bank.

Foreign exchange earnings and outgo
During the year ended 31st March 2018, there was no foreign exchange earnings and outgo.

MD & CEO and CFO Certification
The MD & CEO and the CFO of the Bank have issued certificate certifying that the financial statements do not contain any materially untrue statement and these statements represent a true and fair view of the Bank's affairs. They also certify that no transactions entered into during the year were fraudulent, illegal or violative of the Code of Conduct of the Bank. They are responsible for establishment and maintenance of the Internal Financial Controls for financial reporting and they have indicated to the auditors and the Audit Committee about any significant changes in internal control over financial reporting, significant changes in the accounting policies and instances of significant frauds, if any, which they were aware of. The certificate of MD & CEO and the CFO is forming part of this report.

G. OTHER DISCLOSURES
Your Bank continued to comply with guidelines of RBI and other applicable regulations as applicable on our Bank.

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
During the period under review, the Bank has complied with all the mandatory requirements of Regulation 17 to 27 of SEBI (LODR) and other applicable Regulations except for Regulation 24, which is not applicable to the Bank.

Accounting Treatment
The Bank has adopted accounting policies which are in line with the accounting standards and financial statements are prepared in adherence to the accounting policies, accounting standards and applicable provisions of Companies Act, 2013 and Listing Regulations.

Subsidiary Companies
During the period under review, the Bank does not have any subsidiary companies. Hence, Form AOC 1 as specified under Companies Act, 2013 is not applicable on Bank.

H. INVESTOR RELATIONS
Pursuant to the applicable compliance of Listing Regulations, your Bank publishes financial results on quarterly basis, which are duly reviewed by the Audit Committee before submission to the Board. The financial results of the Bank are also posted on the website of the Bank. The Managing Director and CEO/WTD and Chief of Investor Relations, at regular intervals comes on conference call with the analysts/shareholders and responds to the queries from investors on quarterly basis.

For share transfers, dividend payments and all other investor related activities are attended to and processed at the office of our Registrars & Share Transfer Agents, i.e. Link Intime India Private Limited, contact details of which are provided under corporate governance report section of Annual report.

The Bank's has the Board approved policy, 'Investor Grievance Redressal Policy', which lays down the simplified procedure for shareholders to submit their queries, concerns and grievances for timely resolution. Shareholders can write at **investorrelations@aubank.in** for any query and can also visit the Bank's website for more information on the Bank at **www.aubank.in**

I. DIRECTORS RESPONSIBILITY STATEMENT
Your Directors would like to inform that the audited financial statements for the financial year ended 31st March 2018 are in conformity with the requirements of clause (c) of sub-section (5) of section 134 of the Companies Act, 2013 and hereby confirm:

a. that in the preparation of the annual accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;

b. the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year and of the profit and loss of the Bank for that period;

c. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the Bank's assets and for preventing and detecting fraud and other irregularities;

d. the Directors had prepared the annual accounts on a going concern basis;

e. the Directors had laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively; and

f. the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Acknowledgment

The Board of Directors wish to place on record their gratitude to the Reserve Bank of India, Securities and Exchange Board of India, Ministry of Corporate Affairs, Indian Banks' Association (IBA), Unique Identification Authority of India (UIDAI), the Bank's Customers, Bankers and other Lenders, Members, Debenture holders, Trustees and others for their continued support and faith reposed in the Bank. The Directors would also like to thank the BSE Limited, the National Stock Exchange of India Limited, National Securities Depository Limited, Central Depository Services (India) Limited and the Credit Rating Agencies for their continued co-operation.

The Board of Directors appreciates their support and is grateful for the confidence that they have placed in the Board of Directors and the Bank's management. The Board also places on record its deep appreciation for the dedication and commitment of the employees at all levels as their hard work, co-operation and support enabled the Bank to maintain its consistent growth.

For and on behalf of the Board of Directors
AU SMALL FINANCE BANK LIMITED
Erstwhile **AU FINANCIERS (INDIA) LIMITED**

Sd/-
Sanjay Agarwal
Managing Director & CEO
DIN: 00009526

Sd/-
Uttam Tibrewal
Whole-time Director
DIN: 01024940

Date: 26th April, 2018
Place: Jaipur
CIN: L36911RJ1996PLC011381

CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members,
AU Small Finance Bank Limited,

1. We have examined the compliance of conditions of Corporate Governance of AU Small Finance Bank Limited ("the bank") for the year ended on March 31, 2018 as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46 (2) and other applicable regulations of Chapter IV pertaining to Corporate Governance and paragraphs C, D and E of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 collective referred as (SEBI Listing Regulations).

MANAGEMENT'S RESPONSIBILITY FOR COMPLIANCE WITH THE CONDITIONS OF SEBI LISTING REGULATIONS

2. The compliance with the conditions of Corporate Governance is the responsibility of the management of 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.

AUDITOR'S RESPONSIBILITY

3. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the bank for ensuring the compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the bank.

4. We have examined the relevant records and documents maintained by the bank for the purposes of providing reasonable assurance on the compliance with the Corporate Governance requirements by the bank.

5. We conducted our examination in accordance with the Guidance Note on Corporate Governance Certificate and the Guidance Manual on Quality of Audit & Attestation Services issued by the Institute of Company Secretaries of India ("ICSI").

OPINION

6. In our opinion and to the best of our information and according to the explanations given to us, and the representation made by the directors and the management, we certify that the bank has complied with the conditions of Corporate Governance as stipulated in the above mentioned SEBI Listing Regulations.

7. We further state that such compliance is neither an assurance as to the future viability of the bank nor the efficiency or effectiveness with which the management has conducted the affairs of the bank.

RESTRICTION ON USE

8. The certificate is addressed and provided to the members of the bank solely for the purpose to enable the bank to comply with the requirement of the SEBI Listing Regulations and it should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing.

Place: Jaipur
Date: April 26, 2018

For V. M. & Associates
Company Secretaries
(ICSI Unique Code P1984RJ039200)

CS Manoj Maheshwari
Partner
FCS3355
C P No. : 1971

Annexure I

REPORT ON CORPORATE GOVERNANCE

Corporate Governance is a system of rules, practices and processes by which a company is directed and run. It is about commitment to values, ethical business conduct and considering all stakeholder's interest in the conduct of its business.

Over the last few years, there have been several changes in the way corporates run their operations. One there has been tighter regulatory regime, significantly enhancing responsibilities for the Board of Directors, Independent Directors and the growing presence of shareholders' activism leading to building of a self-governed environment. Secondly, the cardinal principles such as independence, accountability, responsibility, transparency, fair & timely disclosures and credibility among others serve as the means for implementing the philosophy of corporate governance in true letter and spirit.

PHILOSOPHY ON CORPORATE GOVERNANCE

Your Bank believes in nurturing long-term relationships and encouraging an open dialog with all its key constituents and build the governance structure based on trust for becoming an admired institution. Your Bank's philosophy of Corporate Governance is always aimed at value creation, keeping interest of all stakeholders protected in most inclusive way. We as an organisation believe that timely and accurate communication with stakeholders enables building of an environment where confidence, trust and mutual respect is continuously enhanced.

Corporate Governance mechanism of your Bank is aimed at creating and nurturing a valuable bond with stakeholders to maximise stakeholders' value. Your Bank has conducted itself by adhering to the core values of transparency, accountability and integrity in all its business practices and management.

AU Bank understands and respects its fiduciary role and responsibility to enhance the long-term interest of its shareholders, customers, employees and other stakeholders, to provide good management, to adopt prudent risk management structure and comply with required standards of capital adequacy, thereby safeguarding the interest of all stakeholders. We continuously focus on upgrading Bank's governance practices and systems to effectively address the challenges that are faced by Bank under ever-evolving regulatory environment.

YOUR BANK'S INITIATIVE FOR GOOD CORPORATE GOVERNANCE

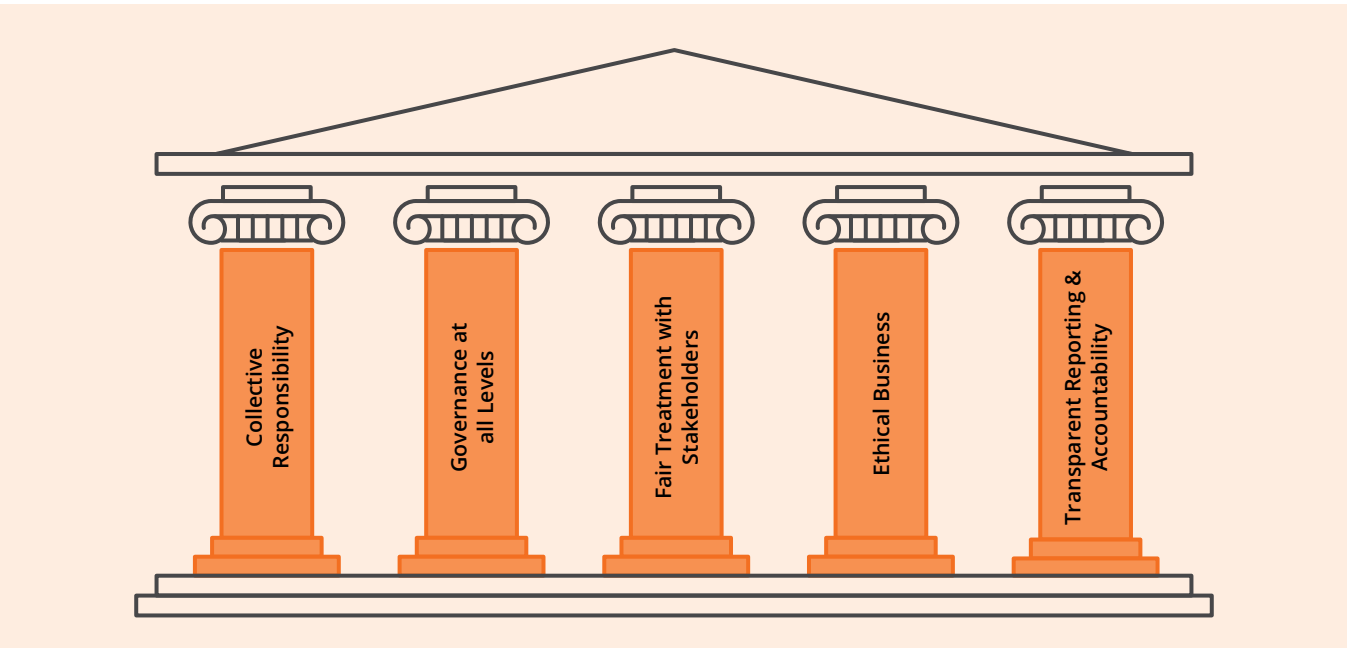
- Involvement and enthusiastic participation of Board of Directors and Committees thereof;
- Appropriate and timely checks through audits, conducted by Independent Auditors at various levels to ensure healthy governance practices and to ensure that control measures are operating effectively;
- Implementation of Internal Financial Control over financial Reporting;
- Codes, policies, process and systems are in place for sound governance in the Bank; and
- Transparent and timely disclosure that ensure compliance with all applicable statutory requirements.

Your Bank adheres with all relevant codes and standards, and simultaneously provides flexibility and accommodates new approaches and ideas that are beneficial for the long-term interests of stakeholders. Good Corporate Governance is a tool for socio economic development to enhance economic efficiency, growth and stakeholder confidence.

Your Bank believes in carrying out its operations in a sustainable manner with optimal utilisation of natural resources. The Board is collectively responsible to ensure that processes are structured to direct the Bank's actions, assets and agents to achieve the aim of maximisation of stakeholders' value.

AU CORPORATE GOVERNANCE ETHOS

Your Bank believes in Corporate Governance beyond regulatory requirements as there exists a fundamental link among businesses, corporate responsibility and shareholder's wealth maximisation. The AU Corporate Governance Ethos are mentioned below.



BOARD OF DIRECTORS

The composition of the Board of Directors of the Bank is governed by the Banking Regulations Act, 1949 and Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and consist of eminent individuals possessing professionalism, knowledge & experience in field of accountancy, economics, finance, law, small-scale industry and taxation as required in the banking industry.

As on 31st March 2018, the Board of Directors, comprising a combination of Executive and Non-Executive Directors, consisted of seven (7) Directors, of whom five (5) are Non-Executive Directors. The Chairman of the Board and three (3) other Directors are Independent (Non-Executive Director) including one (1) Women Independent Director.

The names and categories of Directors, their attendance at the Board Meetings held during FY 2017-18 and at the last Annual General Meeting, the number of Directorships and Committee positions held by them in public limited companies & private limited companies (excluding the Bank).

Seven (7) Board meetings were held during FY 2017-18 on 13th May 2017, 02nd June 2017, 14th June 2017, 03rd July 2017, 09th August 2017, 27th October 2017, 30th January 2018

All Board Meetings were held and convened by giving proper notices and within the stipulated timelines as provided under the Companies Act, 2013 and other regulatory requirements.

The Bank has a three layer structure wherein, the Board is provided with strategic inputs and operational updates by the Board committees and the Board-delegated committees report to Board Committees on operational and other matters.

BOARD

BOARD COMMITTEES

- Audit Committee
- Nomination and Remuneration Committee
- IT Strategy & Information System Security Committee
- Disciplinary Committee

Mr. Krishan Kant Rathi
Chairman

- Risk Management Committee
- Stakeholders' Relationship Committee
- Review of classification of Wilful Defaulter
- Special Committee for Fraud Monitoring (FMC)

Mr. Mannil Venugopalan
Chairman

- Corporate Social Responsibility Committee
- Customer Service Committee (CSC)

Ms. Jyoti Narang
Chairman

BOARD DELEGATED COMMITTEES

- Executive Committee
- Credit Committee
- Investment Committee (IC)
- Product Approval Committee
- Premises & Procurement Committee
- Identification of Wilful Defaulter Committee
- Asset Liability Management Committee (ALCO)
- Credit Risk and NPA Management Committee - Retail & Wholesale
- Standing Committee on Customer Service
- IT Risk Management Committee
- Operational Risk Management Committee
- Committee for Outsourcing of Financial Services

Composition of Board, Meetings held & attended by the Directors during the Financial Year 2017-18

S. no	Name of Director/ Chairman	Category	Board Meeting entitled to attend during FY 2017-18	No. of Board Meeting attended during FY 2017-18	Attendance at the last AGM held on 27th September 2017	Number of Directorship held in other companies**	No. of Committee positions held in other companies $		No. of Shares Held
							Chairman	Member	
1	Mr. Mannil Venugopalan	Chairman -Independent Director (Non-Executive)	7	6	Yes	9	1	3	NIL
2	Mr. Sanjay Agarwal	Managing Director & CEO (Executive)	7	7	Yes	Nil	Nil	Nil	5,59,82,359
3	Mr. Krishan Kant Rathi	Independent Director (Non-Executive)	7	7	Yes	12	Nil	3	94,289
4	Ms. Jyoti Narang	Independent Director (Non-Executive)	7	6	Yes	2	Nil	Nil	NIL
5	Mr. Uttam Tibrewal	Whole-time Director (Executive)	7	7	Yes	Nil	Nil	Nil	19,76,596
6	Mr. Raj Vikash Verma*	Additional Director (Independent) (Non-Executive)	1	0	NA	4	Nil	Nil	NIL
7	Mr. Narendra Ostawal*	Nominee Director# (Non- Executive)	1	1	NA	7	1	1	NIL

*Mr. Raj Vikash Verma and Mr. Narendra Ostawal have been appointed as Additional Director (Independent) and Nominee Director respectively by the Board of Directors in their meeting held on 30th January 2018.
** Excludes Directorship in Foreign Companies & Section 8 companies.
$ Chairpersonship and membership of the Audit committee and the Stakeholders' Relationship Committee has been considered.
$$ No inter-se relationship among any of the Directors.
Mr. Narendra Ostawal is representing Redwood Investments Ltd. in Capacity of Equity Investor.
None of the Directors belong to promoter & promoter group except for Mr. Sanjay Agarwal.

BOARD PROCEDURE AND FUNCTION

The Board of Directors plays a pivotal role in the organisation for ensuring transparency in decision-making. Decisions taken by the Board are based on detailed discussion and deliberations and the Board members have the absolute liberty to question and raise an issue for discussion. Apart from review and consideration of matters referred to under Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Part A of Schedule II mentioned therein, Board of Directors also review periodically matters as covered under its calendar of reviews.

CRITICAL THEMES FOR REVIEW BY THE BOARD

The Agenda items for Board meeting includes matters forming part of critical themes, which include business strategy, financial reports and their integrity, risk, compliance, customer protection, financial inclusion and human resources.

FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS

In compliance of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) 2015, the Bank has familiarised the newly appointed Independent Directors & other Directors through various programmes about the Bank inter-alia including the following:

(a) Nature of the Industry
(b) Business model of the Bank
(c) Roles, rights and responsibilities of Independent Directors

Details of familiarisation programme for Independent Directors & other Directors are available on the website of the Bank at following location and can be accessed through **https://www.aubank.in/au-notice-board**

INDUCTION PROGRAMME FOR NEW DIRECTORS

The new Directors are inducted through one-to-one meetings with the Managing Director & CEO, Whole-time Director on issues relating to business strategy, regulatory environment, business plans and key performance indicators. They are also provided with information related to the finance and operations of the Bank, the organisation structure and their roles, duties and responsibilities. On appointment, the Directors are issued a Letter of Appointment setting out the terms and conditions relating to their appointment, duties and responsibilities under applicable laws.

SELECTION AND APPOINTMENT

The selection for appointment of Directors of Bank is carried out in accordance with provision of Companies Act, 2013 and relevant rules made thereunder, Banking Regulation Act, 1949, the guidelines issued by RBI, Listing Regulations and as per Director's appointment and remuneration policy.

The Bank duly adheres to the process and methodology prescribed by RBI 'Fit and Proper' criteria applicable to private-sector banks, signing of deed of covenants, which binds the Directors to discharge their responsibilities to the best of their abilities, individually and collectively to be eligible to be appointed as a Director of a Bank. At the time of their appointment on the Board, prescribed declarations are obtained from the Directors and submitted to Nomination and Remuneration Committee (NRC) for their review and put forth for the noting of the Board. The said declaration is also obtained at the time of re-appointment in compliance of applicable laws.

The NRC reviews structure, size, composition mix of Executive and Non-executive Directors, background, their exposure, industry experience, expertise and other relevant information and documents of Directors before making recommendation to the Board for their appointment, reappointment, remuneration and assignment of duties, (viz, nomination to various committee of the Board). While reviewing the potential candidates the knowledge in the field of accountancy, agriculture, rural economy, banking, co-operation, economics, finance, law, small-scale industry, information technology, core industries, infrastructure sector, payment & settlement systems, human resource, risk management and business management as stipulated under section 10A of BR Act, 1949. This ensures that people who have relevant specialised knowledge, practical experience and skills, to serve the diverse business interests of the Bank are being inducted on the Board.

AUDIT COMMITTEE

The Audit Committee constituted by the Bank in terms of provisions of Section 177 of the Companies Act, 2013 and Regulation 18 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) 2015 and is chaired by Non-Executive Independent Director.

At present the audit committee comprises six Directors as its members all of them being financially literate and of which four are Independent Directors. The composition of the Committee is in adherence to provisions of Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) 2015.

The committee has met five (5) times during the year under review on 13th May 2017, 02nd June 2017, 09th August 2017, 27th October 2017 and 30th January 2018.

FUNCTIONING OF AUDIT COMMITTEE

The Board of Directors has formed and approved a charter for the Audit Committee setting out the roles, responsibilities and functioning of the Committee. In addition to adherence to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) 2015 and all other applicable regulatory requirements, the terms of reference of the

Audit Committee is covered by its charter. Its functioning inter alia broadly include the following:

- 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.
- Monitor the reporting of issues identified by internal auditors to the management as per the defined frequencies and ensure that corrective actions are being taken in a timely manner.
- Consider major findings of internal quarterly, semi-annual and annual audit reviews and management's response; and to promote co-ordination between the internal and external auditors and review management letter(s) and management response to the findings, recommendations of the external auditor(s).
- Ensure that the Bank properly documents the identified risks and the related policies & assesses whether awareness and identification of risks are percolating to all levels and ascertains that systems are in place for adherence to all regulations.
- Reviewing with the management the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:

  (a) matters required to be included in the Director's Responsibility Statement to be included in the Board 's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;

  (b) changes, if any, in accounting policies and practices and reasons for the same;

  (c) major accounting entries involving estimates based on the exercise of judgment by management;

  (d) significant adjustments made in the financial statements arising out of audit findings;

  (e) compliance with listing and other legal requirements relating to financial statements;

  (f) disclosure of any related party transactions;

  (g) modified opinion(s) in the draft audit report;

- Review and scrutinise matters including the inter-corporate loans and investments.
- Perform any other duties and responsibilities expressly delegated by the Board from time to time and provide the Board with such assurance as it may require regarding the reliability of financial information.

In addition to above the Audit Committee performs all such functions as specified under the provisions of section 177 of the Companies Act, 2013, relevant guidelines issued by RBI & Regulation 18 read with part C of Schedule II of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 and all other applicable regulatory requirements.

All committee meetings were held and convened by giving proper notices and within the stipulated timelines as provided under the Companies Act, 2013 and other regulatory requirements.

The composition of the committee and particulars of attendance of members at the committee meetings are given below in **Annexure A of Corporate Governance Report**.

The Chief Financial Officer and representative(s) from Auditors of the Bank are invited to be present in the meetings for responding to the observations of the Committee. The Company Secretary acts as Secretary to the Committee.

Chairman of the Audit Committee was present in the Annual General Meeting to answer the queries of the shareholders.

RISK MANAGEMENT COMMITTEE

The Bank has formed Risk Management Committee of the Board for assisting the Board to establish a risk culture and risk governance framework in the organisation. The function of the Committee is to identify management of risk inherent in all the products and services across the Bank and to ensure that the established risk culture is adopted across all levels. The responsibilities of the Committee are to review compliance of NPA management policy, review the status of Basel Norms, risk appetite framework, risk return profile of the Bank and to ensure that all systems are being implemented in Bank with adequate security controls.

Terms of Reference of the Risk Management Committee inter alia include the following :

- Review, approve/recommend, periodically update policies, strategies and risk management frameworks and seek the Board's approval for the same.
- Ensure that the procedures for identifying, measuring, monitoring and controlling risks are in place.
- Ensure appropriate risk organisation structure with authority and responsibility clearly defined, adequate staffing and the independence of the Risk Management function.

- Provide appropriate and prompt reporting to the Board of Directors to fulfil the oversight responsibilities of the Board of Directors.
- Review reports from management concerning:
    - Risk management framework (i.e. principles, policies, strategies, process and controls) and to ensure that the same is being communicated throughout the Bank.
    - Changes in the factors relevant to the projected strategy, business performance and capital adequacy.
    - Implications of new and emerging risks, legislative or regulatory initiatives and changes, organisational change and all other major initiatives.
- Review reports from management concerning changes in the factors relevant to the projected strategy, business performance or capital adequacy.
- Review reports from management concerning implications of new and emerging risks, legislative or regulatory initiatives and changes, organisational change and major initiatives, in order to monitor them.
- Ensure adherence to the extant internal policy guidelines and also regulatory guidelines published time to time.
- Review performance and set objectives for the Chief Risk Officer (CRO) and ensure the CRO has unfettered access to the Board.
- Oversee statutory/regulatory reporting requirements related to risk management.
- Monitor and review capital adequacy computation with an understanding of methodology, systems and data.
- Approve the stress testing results/analysis and monitor the action plans and corrective measures periodically in line with internal guidelines.
- Monitor and review non-compliance, limit breaches, audit/regulatory findings and policy exceptions with respect to risk management as well as frauds, potential losses.
- Reviewing and confirming orders/decisions about wilful defaulters.
- Oversee the working of the Credit Risk & NPA Management Committee (CRNPAC), Asset Liability Management Committee (ALCO).
- Review and ensure that all systems are being implemented in the Bank with adequate security controls.
- Review information security events and security-related audit items periodically.

Current composition of Risk Management committee comprises of five (5) Directors as its members and committee has met four (4) times during the year on 13th May 2017, 09th August 2017, 26th October 2017 and 29th January 2018.

The Composition of the committee and particulars of attendance of members at the committee meetings are given below in **Annexure A of Corporate Governance Report**.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee has been constituted by the Bank in terms of Provisions of Section 178 of the Companies Act, 2013 and Regulation 19 read with Part D of Schedule II of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) 2015 and is chaired by Non-Executive Independent director.

At present the Nomination and Remuneration committee comprises of four (4) Directors as its members, all of them being Non-Executive Directors. The composition of the Committee is in adherence to provisions of Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) 2015.

The committee has met four (4) times during the year on 13th May 2017, 09th August 2017, 27th October 2017 and 30th January 2018.

The Board of Directors has formed and approved a charter for the Nomination and Remuneration committee setting out the roles, responsibilities and functioning of the Committee. In addition to adherence to the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) 2015 the terms of reference of Nomination and Remuneration committee is covered by its Charter and its functioning broadly inter alia include the following:

- Identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.

- Formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board of Directors a policy relating to the remuneration of the Directors, Key Managerial Personnel and other employees.
- Devising a policy on diversity of Board of Directors.
- Conduct appropriate due diligence and scrutinise the declarations made by probable candidates at the time of appointment/re-appointment of Directors of the Board, based upon qualification, expertise, track record, integrity and 'Fit & Proper' criteria.
- Ensure that the Bank has a detailed succession and management continuity plan for key positions.
- Ensure that the policy formulated for remuneration of Directors, Key Managerial Personnel and senior management is reasonable & sufficient to attract, retain and motivate quality Directors required to run the Bank.
- Assist in defining the performance evaluation criteria for Directors and other Key Management Personnel and ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- Review and oversee the Employee Benefits' programme of the Bank including deferred benefits plans and retirement plans.
- Perform any other duties and responsibilities expressly delegated by the Board from time to time and as driven by the Directors Appointment & Remuneration Policy of the Bank.
- Perform such functions as are required to be performed by the Nomination and Remuneration Committee (Compensation Committee) under the SEBI (Share Based Employee Benefits) Regulations, 2014, including the following:
    - Administering the ESOP plans;
    - Determining the eligibility of employees to participate under the ESOP plans;
    - Granting options to eligible employees and determining the date of grant;
    - Determining the number of options to be granted to an employee;
    - Determining the exercise price under the ESOP plans; and
    - Construing and interpreting the ESOP plans and any agreements defining the rights and obligations of the Bank and eligible employees under the ESOP plans, and prescribing, amending and/or rescinding rules and regulations relating to the administration of the ESOP plans.

The Composition of the Committee and particulars of attendance of member at the Committee meetings are given below in **Annexure A of Corporate Governance Report.**

Chairman of Nomination and Remuneration Committee was present in the 22nd Annual General Meeting to answer the queries of the shareholders.

DIRECTOR'S APPOINTMENT AND REMUNERATION POLICY

On the recommendation of Nomination and Remuneration Committee, the Board of Directors of the Bank has formulated Directors Appointment and Remuneration policy. The policy is formed with the objective to regulate the appointment and remuneration of Directors (including Independent Directors), Key Managerial Personnel (KMP), Senior Management Personnel and other employees as per the criteria formulated by the Nomination and Remuneration Committee of the Board under the requirement of the Companies Act, 2013 read with applicable Rules and Regulations under the Act and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The policy of the Bank on Director's appointment and remuneration is reviewed annually by the Board of Directors and the policy is also hosted by the Bank on its website and can be accessed through the link at **https://www.aubank.in/au-notice-board**

SUCCESSION PLANNING

The Bank believes that a sound Succession Plan for the Directors and Senior Management executives is important for continuity of seamless operations and future growth. Accordingly, the Bank has put in place the policy for Succession Planning and the same can be accessed through the link at **https://www.aubank.in/au-notice-board**

PERFORMANCE EVALUATION OF DIRECTORS

Your Bank followed objectives based approach for carrying out performance evaluation of Directors.

Performance Evaluation of the Board as a whole, as well as that of its Committees, Independent Directors and Non-Independent Directors was done in accordance with the relevant provisions of the Companies Act, 2013 read with relevant rules made thereunder and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in compliance of guidance note issued by SEBI under Circular no. SEBI/HO/CFD/ CMD/CIR/P/2017/004 dated 5th January 2017.

Performance evaluation is carried out on the basis of mechanism adopted by the Board of Directors as recommended by the Nomination and Remuneration Committee for evaluating the performance for Individual Directors, the Board as a whole and of Board Committees in below manner:

A. Performance of Independent Directors was evaluated on the basis of their qualifications, experience, knowledge and competency, fulfilment of functions, ability to function as a team, initiative, availability and attendance, commitment, contribution and integrity, impartial approach and shareholders' interest, knowledge & participation.

B. Performance of the Board as a whole including the Structure of the Board, Meetings of the Board, Functions of the Board was reviewed and evaluated.

c. Evaluation of performance for Chairman, including of qualifications, experience, knowledge and competency, fulfilment of functions, initiative, attendance, contribution and integrity, effectiveness of leadership, impartial and shareholders' interest, independence.

D. Performance evaluation of Committees includes its mandate, composition & effectiveness of the committees.

E. The performance evaluation of Independent Directors of the Bank is carried out by the Board of Directors of the Bank excluding the Director being evaluated. The Directors expressed their satisfaction with the evaluation process.

In view of the guidance note on Board evaluation issued by the Securities and Exchange Board of India (SEBI) vide circular no. SEBI/HO/CFD/ CMD/CIR/P/2017/004 dated 5th January 2017 pursuant to which the Independent Directors of the Bank in their meeting:

i. reviewed the performance of non-independent Directors and the Board as a whole.

ii. reviewed the performance of the Chairperson of the Bank, taking into account the views of Executive Directors and Non-Executive Directors.

iii. assessed the quality, quantity and timeliness of flow of information between the Bank's management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

REMUNERATION OF EXECUTIVE DIRECTORS

Mr. Sanjay Agarwal, Managing Director & CEO of the Bank and Mr. Uttam Tibrewal, Whole-time Director of the Bank are categorised as Executive Directors.

RBI vide its letter dated 13th July 2017 has fixed and approved the remuneration to be paid to Mr. Sanjay Agarwal, Managing Director & CEO and Mr. Uttam Tibrewal, Whole-time Director i.e. Executive Directors of the Bank.

Remuneration paid to the Executive Directors is approved by the Board of Directors of the Bank on the recommendation of Nomination and Remuneration Committee and remuneration paid to both Executive Directors has been paid within the limit as approved by RBI and members of the Bank Employment agreement.

The remuneration paid to Executive Directors is governed by employment agreement executed between the Bank and Executive Directors.

Details of Remuneration paid to Managing Director & Chief Executive officer and Whole-time Director for Financial year 2017-18 are as under:

Sr. No.	Items	Mr. Sanjay Agarwal Remuneration (p.a.)	Mr. Uttam Tibrewal Remuneration (p.a.)
1	Salary	₹58,86,744	₹51,04,248
2	House rent allowance	₹23,54,700	₹20,41,704
3	Other allowances		
	(a) Special Allowance	₹64,38,804	₹55,78,068
	(b) Transport Allowance	₹19,200	₹19,200
	(c) Education Allowance	₹2,400	₹2,400
	(d) Medical Reimbursement	₹15,000	₹15,000
	Total	**₹1,47,16,848**	**₹1,27,60,620**
	Perquisites		
1	Free furnished house	Nil	Nil
2	Free use of bank's car - official Purpose - private purpose - Servant Allowance	 Two cars with chauffeur for each car - Reimbursement of servant expenses	 One car with chauffeur - -
3	Provident Fund/Gratuity/Pension - provident Fund - Gratuity	As applicable to all employees of bank ₹24,048 ₹2,59,104	As applicable to all employees of bank ₹24,048 ₹2,21,472
4	Travelling and Halting Allowances	On Actuals	On Actuals
5	Medical reimbursement	Ceiling of one month's basic salary annually or three months' basic salary over 3 years	Ceiling of one month's basic salary annually or three months' basic salary over 3 years
6	Other benefits - Insurance - Leave Travel Concession	 • Total of ₹5,00,00,000 for health, personal accidental insurance and Group Insurance Scheme, together • For self and family once a year incurred in accordance with Company rules	 • Total of ₹5,00,00,000 for health, personal accidental insurance and Group Insurance Scheme, together • For self and family once a year incurred in accordance with Company rules

Mr. Uttam Tibrewal, Whole-time Director of the Bank was granted 38,702 ESOPs under ESOP Scheme 2015 - Plan A & 10,18,758 ESOPs Under ESOP Scheme 2015 - Plan B during the year at exercise price of ₹10.11 & ₹33.37 each respectively, which are subject to RBI approval. During the year, 3,33,000 ESOPs under ESOP Scheme 2015 - Plan A & 4,12,385 ESOPs Under ESOP Scheme 2015 - Plan B were vested and exercised variable pay.

Your Bank follows objective based approach for performance evaluation of Executive Directors in view of their contribution to the bank's overall growth.

Variable pay is decided as a percentage of fixed pay which is recommended by the Nomination & Remuneration Committee on the basis of objective assessment of their performance.

The tenure of the office of the Managing Director & CEO and Whole-time Director is three years from their respective dates of appointments and can be terminated by either party by giving one month notice in writing. There is no provision for payment of severance fees.

REMUNERATION OF NON- EXECUTIVE DIRECTORS

The remuneration to the Non-Executive Directors is paid in form of sitting fees and commission.

The RBI vide Circular No. DBR. No.BC.97/29.67.001/2014-15 dated 1st June 2015 issued Guidelines on Compensation of Non-Executive Directors of Private Sector Banks emphasising that in order to enable banks to attract and retain professional Directors, it is essential that such Directors are appropriately compensated.

Sitting fees paid to Non-Executive Directors for attending each meeting of the Board & Committee Non-Executive Directors (Excluding Nominee Director) are paid ₹40,000 and ₹20,000, respectively for every Board and Committee meeting attended, the amount paid to Independent Director by way of sitting fees and commission are within the limits prescribed under the provisions of Companies Act, 2013.

None of the Non-Executive Directors have any pecuniary relationship or transaction with the Bank apart from receiving sitting fee and Profit related commission.

The details of Sitting fees and profit link commission paid to Non-Executive Directors is mentioned as below:

(₹ in lakh)

Name of Director	Sitting Fees	Commission	Total
Mr. Mannil Venugopalan	7.20	16.64	23.84
Mr. Krishan Kant Rathi	9.40	10.00	19.40
Ms. Jyoti Narang	5.60	10.00	15.60
Mr. Raj Vikash Verma*	Nil	1.69	1.69

* Mr. Raj Vikash Verma's profit related commission pertaining to FY 2017-18 was paid after 31st March 2018.

STAKEHOLDERS' RELATIONSHIP COMMITTEE

Pursuant to provisions of Section 178 of the Companies Act, 2013 and Regulation 20 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, The Bank has a Stakeholders' Relationship Committee for resolving the grievances of the security holders of the Bank including complaints related to transfer of shares, non-receipt of annual report.

The Board has approved Charter for Stakeholders' Relationship committee setting out roles and responsibilities of the committee. Terms of reference of the Committee are in adherence to the Provisions as stipulated under Section 178 of the Companies Act 2013 and Regulation 20 read with Part D of the Schedule II of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Terms of reference are covered in charter, which inter alia broadly includes the following:

- Change in any correspondence details of the shareholder(s).
- Develop and recommend improvements in the investor services initiatives undertaken by the Bank.
- Review and address of all matters pertaining to Depositories for dematerialisation of shares of the Bank and other matters connected therewith.
- Monitor the shareholding structure of the Bank including foreign holding in terms of FDI policy.
- Review and address of matters pertaining to Registrar and Share Transfer Agents including appointment of new Registrar and Share Transfer Agent in place of existing one.
- Perform any other duties and responsibilities expressly delegated by the Board from time to time.

Composition of Stakeholders' Relationship Committee comprises of four (4) members and Committee has met four (4) times during the year on 13th May 2017, 09th August 2017, 26th October 2017 and 29th January 2018. The details and attendance for period under review is as per **Annexure-A of Corporate Governance Report.**

INVESTORS COMPLAINTS

All shares of the Bank are in dematerialised form. Link Intime India Private Limited has been appointed and it has been acting as the Registrar and Share transfer agent of the Bank for carrying out share transfer and other ancillary work related thereto. Link Intime India Private Limited has appropriate systems to ensure that requisite service is provided to investors of the Bank in accordance with the applicable corporate and securities laws and within the adopted service standards. Mr. Manmohan Parnami, Company Secretary has been appointed as compliance officer of the Bank.

During the period complaints as stated herein below were received by the Share Transfer Agent for period under review:

Sr. No.	Nature of Complaint	Number of Complaints received during the period	Number of Complaints disposed of during the period	Number of Complaints remained unresolved
1	Non-Receipt of Dividend/Interest/Redemption Warrant	1	1	0
2	Non-Receipt of Annual Report	1	1	0
3	Non-receipt of Refund/Credit of Shares – IPO	599	599	0
4	SEBI-Scores	4	4	0
	Total	**605**	**605**	**0**

The status of investor correspondence(s)/complaint(s) received and resolved during the year was also tabled at the meeting(s) of Stakeholder Relationship Committee for its review and noting.

All complaints received during the period under review have been satisfactorily resolved by the Bank.

IT STRATEGY & INFORMATION SYSTEMS SECURITY COMMITTEE

IT Strategy & Information Systems Security Committee was formed by the Board of Directors of the Bank for facilitating and building an effective IT infrastructure and governance framework, to periodically review the IT Policy of the Bank. The Company further identifies the risks affecting operations of the Bank and managing it through Risk Control Matrix, internal controls and ensuring that management has sufficient resources for mitigation of IT and security related risks.

Composition of IT Strategy & Information Systems Security Committee comprises of six (6) members and committee has met four (4) times during the year on 13th May 2017, 09th August 2017, 27th October 2017 and 29th January 2018.

Terms of reference in addition to the regulatory requirements is governed by the charter which broadly inter-alia includes the following:

- Review the IT related strategy and policy.
- Review the investments made into IT infrastructure to sustain the Bank's growth
- Implementation of an IT governance framework covering basic principles of value delivery, IT Risk Management, IT resource management and performance management
- Ensure a governance structure shall be created for IT which will include technology and development, IT operations, IT assurance and supplier and resource management
- Review Security incidents and corrective action plans

The Composition of the Committee and particulars of attendance of members at the Committee meetings are given below in **Annexure A of Corporate Governance Report.**

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Pursuant to the provisions of Section 135 of the Companies Act, 2013 Corporate Social Responsibility (CSR) Committee was constituted and the Board has approved the Charter of the CSR Committee setting out the responsibilities, roles of the Committee, the terms of reference of the committee inter-alia include the following:

- Formulate and recommend to the Board of the Bank, a Corporate Social Responsibility (CSR) policy, which shall indicate the activities to be undertaken by the Bank as per Schedule VII of the Companies Act, 2013
- Recommend the amount of expenditure to be incurred in the activities provided for the CSR policy
- Monitor the implementation and effectiveness of the CSR policy from time to time
- Perform such other duties with respect to CSR activities, as may be required to be done under any law, statute, rules, regulations and others enacted by Government of India, Reserve Bank of India or by any other regulatory or statutory body.

The committee has met twice (2 times) during the year on 13th May 2017 & 26th October 2017. The Composition of the Committee and particulars of attendance of members at the Committee meetings are given below in **Annexure A of Corporate Governance Report.**

Report on Corporate social responsibility is annexed as Annexure II to the Board Report.

CUSTOMER SERVICE COMMITTEE

Customer Service Committee is constituted by the Board of Directors of the Bank to ensure fairness and reasonableness in all the dealings with the customers and ensuring transparent communication of information pertaining to products, services and related procedures and to resolve customer complaints quickly and empathetically and facilitate continuous improvement in quality of the customer service and to ensure overall customer satisfaction level.

Terms of reference in addition to the regulatory requirements is governed by the charter, which broadly inter alia includes the following:

- Review the effectiveness of grievance redressal mechanism within the Bank for redressing complaints received about services rendered by Business Correspondents (BC)
- Review the trend analysis of customer complaints by product categories/channels/BCs and monitor improvement plans.
- Review and approve Comprehensive Deposit Policy and seek to address issues such as treatment of death of a depositor for operations in such accounts.
- Review Banking Ombudsman awards on a periodic basis, address systemic deficiencies brought out by these awards and report cases with delayed implementation of more than three months to the Board with reasons for delay to facilitate necessary remedial action on priority.

- Statement of complaints along with an analysis of the complaints
- To review the performance of 'Standing Committee' and other Sub Committees
- Benchmarking review of turnaround time for key products offerings and monitoring improvement plans put in place

Composition of Customer Service committee comprises five (5) members and committee has met four (4 times) during the year on 13th May 2017, 09th August 2017, 26th October 2017 and 29th January 2018.

The Composition of the Committee and particulars of attendance of members at the committee meetings are given below in **Annexure A of Corporate Governance Report.**

REVIEW OF CLASSIFICATION OF WILFUL DEFAULTERS COMMITTEE

The Committee has been formed by Board for carrying out an independent review, monitoring and follow up of wilful defaults cases of ₹25 lakh and above and provide assistance to the Audit Department, Recovery Department and the relevant members of the management involved in the loan granting and recovery process.

The Committee responsibility inter-alia includes review and examining the evidence of wilful default on the part of the borrower, borrowing company and its Director/Whole-time Director and control, manage and review wilful defaulters on a Bank-wide basis as identified by the Wilful Defaulters Identification Committee.

Terms of reference in addition to the regulatory requirements is governed by the charter, which broadly inter alia includes the following:

- Identification of wilful defaulters based on thorough review and examination of the borrower, borrowing company and its Director/Whole-time Director.
- Identification of problematic areas leading to additions of wilful defaults and examine evidence of wilful default on the part of the Bank's borrowers.
- Identification of the cause of delay in detection of wilful defaults.
- Issue show cause notice to concerned borrower and the Promoter/Whole-time Director and call for their submissions and after considering their submissions, issue an order recording the details and reasons of wilful default.
- Make recommendations and assist the management to design mechanisms to improve the process and technical knowledge of the staff and to share leading practices to early identify the wilful defaulters.

Composition of Review of classification of Wilful Defaulter comprises five (5) members and committee has met four (4 times) during the year on 13th May 2017, 09th August 2017, 26th October 2017 and 29th January 2018.

The Composition of the Committee and particulars of attendance of members at the Committee meetings are given below in **Annexure A of Corporate Governance Report.**

SPECIAL COMMITTEE FOR FRAUD MONITORING (FMC)

Pursuant to the directives issued by Reserve Bank of India, The Bank has set up and formed Special Committee for Fraud Monitoring (FMC) for monitoring and follow up on cases amounting to ₹1 crore and above. The Committee identifies the systemic lacunae, if any, that facilitate perpetration of the fraud and put in place measures to plug the same and also evaluate existing systems and procedures for fraud detection and prevention.

Terms of reference in addition to the regulatory requirements is governed by the charter, which broadly inter alia includes the following:

- Monitor and review all the frauds of ₹1 crore and above
- Identify the system lacunae if any that facilitate perpetration of the fraud and put in place measures to plug the same.
- Evaluation of existing systems and procedures for fraud detection and prevention.
- Identify the reasons for delay in detection, if any, in reporting to top management of the Bank and RBI.
- Review the efficacy of the remedial action taken 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 the cases of frauds and staff side action, if required, is completed quickly without loss of time.
- Put in place other measures to strengthen preventive measures against frauds

Composition of Special Committee for Fraud Monitoring (FMC) comprises six (6) members and committee has met once (1 time) during the year under review on 30th January 2018.

The Composition of the Committee and particulars of attendance of members at the Committee meetings are given below in **Annexure A of Corporate Governance Report.**

DISCIPLINARY COMMITTEE

The Disciplinary Committee has been formed by the Board of Directors of the Bank to achieve the following key objectives:

- Approve the policy on Code of Conduct that must be followed by the employees and 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 any formal written complaint received by the Bank including sexual harassment and enforce disciplinary action against erring employees.
- Taking appropriate remedial measures to respond to any substantiated allegations of a complaint (sexual harassment or disciplinary) against an employee.
- Promote appropriate working conditions and a safe environment for all employees.

Terms of reference in addition to the regulatory requirements is governed by the charter which broadly inter alia includes the following:

- Maintaining complete confidentiality and protection of identity of the whistle blowers/complainants.
- Creating awareness of the rights of female employees with regards to sexual harassment.
- Take necessary steps to assist the affected person in terms of support and preventive action if the instance of sexual harassment occurs as a result of an act or omission by any outsider.
- Initiate disciplinary actions such as fine or suspension or termination against the responsible employee if an improper/unethical act is proved.
- Review number and nature of complaints received from the whistle-blowing platform and resolution status of the same.

Composition of Disciplinary Committee comprises of five (5) members and the Committee has met once (1 time) during the year under review on 26th October 2017.

The Composition of the Committee and particulars of attendance of members at the Committee meeting are given below in **Annexure A of Corporate Governance Report.**

ANNEXURE A

Details of Attendance of members for Committee meetings:

Name of Committee	Name of Members and Number of Meeting Attended							
	Meeting held for FY 2017-18	Mr. Mannil Venugopalan	Mr. Krishan Kant Rathi	Mr. Sanjay Agarwal	Mr. Uttam Tibrewal	Ms. Jyoti Narang	Mr. Raj Vikash Verma	Mr. Narendra Ostawal
Audit Committee	5	5	5	5	NA	5	NA	NA
Risk Management Committee	4	4	4	4	4	NA	NA	NA
Nomination and Remuneration Committee	4	4	4	NA	NA	4	NA	NA
Stakeholders' Relationship Committee	4	4	4	4	NA	NA	NA	NA
IT Strategy & Information Systems Security Committee	4	NA	4	4	4	3	NA	NA
Corporate Social Responsibility Committee	2	2	2	2	NA	2	NA	NA
Customer Service Committee	4	NA	4	4	4	NA	NA	NA
Review of classification of Wilful Defaulter	4	4	4	4	4	NA	NA	NA
Special Committee for Fraud Monitoring (FMC)	1	1	1	1	1	1	0	NA
Disciplinary Committee	1	NA	1	1	1	1	NA	NA

Audit Committee - Mr. Raj Vikash Verma and Mr. Narendra Ostawal have been appointed as members of the committee on 30th January 2018.
Risk Management Committee - Mr. Raj Vikash Verma and Mr. Narendra Ostawal have been appointed as members of the committee on 30th January 2018 and Mr. Uttam Tibrewal ceased to be member of the committee w.e.f. 30th January 2018.
Nomination & Remuneration Committee - Mr. Narendra Ostawal has been appointed as member of the committee on 30th January 2018.
Stakeholder Relationship Committee - Mr. Narendra Ostawal has been appointed as the member of the Committee on 30th January 2018.
IT Strategy & Information Systems Security Committee - Ms. Jyoti Narang has been appointed as member of the committee w.e.f. 13th May, 2017. Mr. Raj Vikash Verma and Mr. Narendra Ostawal have been appointed as members of the committee w.e.f 30th January 2018.
Corporate Social Responsibility Committee - Mr. Raj Vikash Verma has been appointed as member of the committee on 30th January 2018 and Ms. Jyoti Narang has been appointed as chairman of the committee on 30th January 2018.
Customer Service Committee - Mr. Raj Vikash Verma and Mr. Narendra Ostawal and Ms. Jyoti Narang have been appointed as members of the committee w.e.f 30th January , 2018 and Mr. Krishan Kant Rathi has ceased to be Chairman and member of the committee w.e.f 30th January 2018 and Ms. Jyoti Narang has been appointed as chairman w.e.f 30th January 2018.
Review of Classification of Wilful Defaulters Committee - Mr. Raj Vikash Verma has been appointed as member of the committee w.e.f 30th January 2018.
Special Committee for Fraud Monitoring - Mr. Raj Vikash Verma is appointed as member of the committee with effect from 30th January 2018.
Disciplinary Committee - Mr. Krishan Kant Rathi has been appointed as the chairman of the committee with effect from 30th January 2018 and Mr. Narendra Ostawal has been appointed as member of committee on 30th January 2018.

MEETING OF INDEPENDENT DIRECTORS

The Independent Directors of the Bank met 2 (Two) times on 09th August 2017 and 28th September 2017 without the presence of any Non-Independent Directors inter- alia to consider the following:

- Review of performance of Non-Independent Directors.
- Review of performance of Board as a whole.
- Review of Performance of the Chairman of the Bank, taking into account the views of Executive Directors and Non- Executive Directors excluding the chairperson being evaluated.
- Review of the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

All Independent Directors were present in the meetings held during the period under the review.

GENERAL SHAREHOLDER INFORMATION

Financial Year - 1st April, 2017 to 31st March, 2018

The details of the location and time of the last three annual general meetings are given below:

Year	Date & Time	Venue	Special Resolutions Passed
2014-15	13th July 2015 3.00 P.M.	Registered Office: 19 – A, Dhuleshwar Garden, Ajmer Road, Jaipur	1. Authorisation to borrow money in excess of paid up capital and free reserves of the company u/s Section 180(1)(c) 2. Authorisation to sell, lease or otherwise dispose of the assets of the Company for such borrowings u/s Section 180(1)(a) of the Companies Act, 2013; 3. Alteration of Existing Articles of Association of the Company.
2015-16	31st August 2016 11.00 AM	Flexible Room, B-11-E, behind CEG Building Malviya Nagar, Industrial Area, Malviya Nagar, Jaipur - 302017	1. Authorisation to Borrow money in excess of paid up capital and free reserves of company U/s 180 (1) (c) of the companies Act, 2013 2. Authorisation to sell, lease or otherwise dispose of the assets of the Company for such borrowings u/s Section 180(1)(a) of the Companies Act, 2013; 3. Alteration of Existing Articles of Association of the Company.
2016-17	27th September, 2017 02:00 PM	Suryavanshi Mahal- Ground floor, ITC Rajputana Palace Road, Jaipur - 302006	1. To confirm/ratify article no. 13(b) of Articles of association of the bank. 2. To ratify Employee Stock Option scheme 2015 of AU Small Finance Bank Limited 3. To ratify Employee Stock Option scheme 2016 of AU Small Finance Bank Limited.

During the period under review no Extra Ordinary General Meeting has been held.

POSTAL BALLOT

During the period under review no resolutions has been passed through postal Ballot.

ANNUAL GENERAL MEETING

Annual General Meeting of the Bank is scheduled to be held on 07th August 2018 at 03:30 pm at Chancellor Hall, Hotel Holiday Inn, Sardar Patel Marg, 22 Godam Circle, C –Scheme, Jaipur – 302001, Jaipur – 302001, Rajasthan, India

DATE OF BOOK CLOSURE

01st August 2018 – 7th August 2018

REGISTERED OFFICE OF BANK

19-A Dhuleshwar Garden, Ajmer Road
Jaipur-302001
Rajasthan

REGISTRAR AND SHARE TRANSFER AGENT

The Equity Shares of Bank have been admitted with both the depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Bank has appointed Link Intime India Pvt. Ltd. as the connectivity agent to provide electronic connectivity interface with NSDL & CDSL for securities of the Bank.

DETAILS OF REGISTRAR AND SHARE TRANSFER AGENT IS AS FOLLOW:

Link Intime India Private Limited
C-101, 1st floor, 247 Park, L.B.S Marg,
Vikhroli (West), Mumbai 400083
Maharashtra, India
Tel: +91 22 4918 6200, FAX: +91 22 49186195
Website: www.linkintime.co.in
Email ID: rnt.helpdesk@linkintime.co.in

DEBENTURE TRUSTEES

IDBI Trusteeship Services Ltd.
Regd. Office: Asian Building, Ground Floor,
17, R Kamani Marg, Ballard Estate, Mumbai 400001
Phone: +91 022 40807000
Fax: +91 022 66311776
Email: itsl@idbitrustee.com

ADDRESS FOR CORRESPONDENCES

The Company Secretary & Compliance Officer,
AU Small Finance Bank Limited
Registered Office: 19-A, Dhuleshwar Garden,
Jaipur - 302001
Tel: +91-141-4110060/6660666 | Fax: +91-141-4110090
Email: investorrelations@aubank.in

LISTING ON STOCK EXCHANGE(S)

BSE Limited- SCRIP CODE: 540611
P J Towers, Dalal Street, Fort, Mumbai - 400 001

National Stock Exchange of India Limited- SYMBOL: AUBANK
Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051

ISIN: **INE949L01017**

Bank has deposited the annual listing fees to the stock exchange(s) where the securities of the Bank are listed.

OTHER DISCLOSURES

1. CEO and CFO Certification

Managing Director & CEO and CFO of the Bank have issued a certificate in terms of Regulation 17(8) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, certifying that the financial statements do not contain any materially untrue statement and these statements represent a true and fair view of the Bank's affairs. The said certificate is annexed and forms part of the Annual Report.

2. Code of Conduct

In accordance with Schedule V (D) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, declaration from Managing Director & CEO of the Bank has been received confirming that all the Directors and the Senior Management Personnel of the Bank have Complied to the Code of Conduct for the financial year ended 31st March 2018 as attached with this report.

3. Code for prevention of Insider Trading

Bank has formulated a code for Prohibition of insider trading in the shares of the Bank. The Code of Conduct - Prohibition of Insider Trading Policy, inter alia, prohibits purchase / sale of shares of the Bank by Designated persons & other connected persons while in possession of unpublished price sensitive information in relation to the Bank.

The Code requires Designated Persons to obtain pre-clearance of the Compliance Officer for dealing in the Bank's securities beyond prescribed threshold limits. The Designated Persons are also prohibited from entering contra trades on the floor of the Stock Exchange(s) and from dealing in securities of the Bank's Listed Client Companies during the period(s) notified to them.

The Bank periodically reviews the efficacy of its systems, controls and processes to ensure that access to unpublished price sensitive information relating to its financial results or that of its securities is on a need to know basis.

4. Related party Transactions

All transactions entered into with Related Parties as defined under the Companies Act, 2013 and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 during the financial year were in the ordinary course of business and on arm's length pricing basis and do not attract the provisions of Section 188 of the Companies Act, 2013. There were no materially significant transactions with related parties during the financial year which conflicted with the interest of the Bank. Suitable disclosure as required by the Accounting Standards (AS-18) has been made in the notes to the Financial Statements. The details of the transactions with related parties, if any, are placed before the Audit Committee from time to time.

Further, the Board of Directors has formulated a policy on Related Party Transactions and materiality for dealing with Related Party Transactions pursuant to

the provisions of the Companies Act, 2013 and Listing Regulations. The same is displayed on the website of the Bank at **https://www.aubank.in/au-notice-board**

5. Penalties

No penalties, strictures have been imposed on the Bank by the Stock Exchange(s)/SEBI or any other statutory authorities on matters relating to capital market during the last three years.

6. Whistle Blower policy & Vigil Mechanism

The Whistle Blower Policy has been formulated as part of corporate governance norms and transparency where the employees, customers, stakeholders or Non-Governmental Organisations (NGOs) are encouraged to refer any Protected Disclosures which have not been resolved or satisfactorily resolved within the usual applicable protocols. The employees may refer any Protected Disclosures covering areas such as corruption, misuse of office, criminal offences, suspected/ actual fraud, failure to comply with existing rules and regulations and acts resulting in financial loss/ operational risk, loss of reputation etc. detrimental to customers' interest/ public interest. During the year, no person was denied access to the audit committee or its chairman to raise his/her concern under vigil mechanism.

7. Declaration of Independence

The Independent Directors have confirmed that they meet the criteria of 'Independence' as stipulated under provisions of Section 149(6) Companies Act, 2013 & Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Terms and Conditions of appointment of Independent Directors have been hosted on the Bank's website and can be accessed through link at **https://www.aubank.in/about-us/board-directors**

8. SEBI (LODR) Regulations

During the period under review Bank has complied with all the Mandatory requirements of Regulation 17 to 27 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 except for Regulation 24 which is not applicable to the Bank. Further, Bank has also adopted certain voluntary compliance requirement as stipulated in Companies Act 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other act, rules, regulations & guidelines as applicable on the Bank.

Bank has also complied with Regulation 46 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

9. Subsidiary Companies

During the period under review Bank does not have any Subsidiary Companies.

10. Accounting Treatment

Bank has adopted accounting policies which are in line with the Accounting Standards and Financials statements are prepared in adherence to the accounting policies, Accounting Standards and applicable provisions of Companies Act, 2013 and Regulations of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

11. Means of Communication

Pursuant to the applicable regulations of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, your Bank publishes financial results on quarterly basis which are duly reviewed by the Audit Committee before submission to the Board. The financial results of the Bank are also posted on the website of the Bank. The Managing Director & CEO/WTD/CFO and Chief of Investor Relations at regular intervals comes on conference call with the analysts/ shareholders and responds to the queries from investors on quarterly basis. The financial results of the Bank are generally published in the renowned dailies such as Economic Times, Punjab Kesari and Financial Express. The financial results, presentations and press releases of the Bank are also hosted on the website of the Bank at **www.aubank.in**.

For Share transfers, dividend payments and all other investor related activities are attended to and processed at the office of our Registrars & Share Transfer Agents, i.e. Link Intime India Private Limited, contact details of the agents are as specified above.

Bank has Board approved "Investor Grievance Redressal Policy" which lays down the simplified procedure for shareholders to submit their queries, concerns and grievances and process for timely resolution. In case of shareholders having any queries, they can write at **investorrelations@aubank.in** and for more information about the Bank, investors can visit the Bank's website at **www.aubank.in**.

12. Dividend Payment

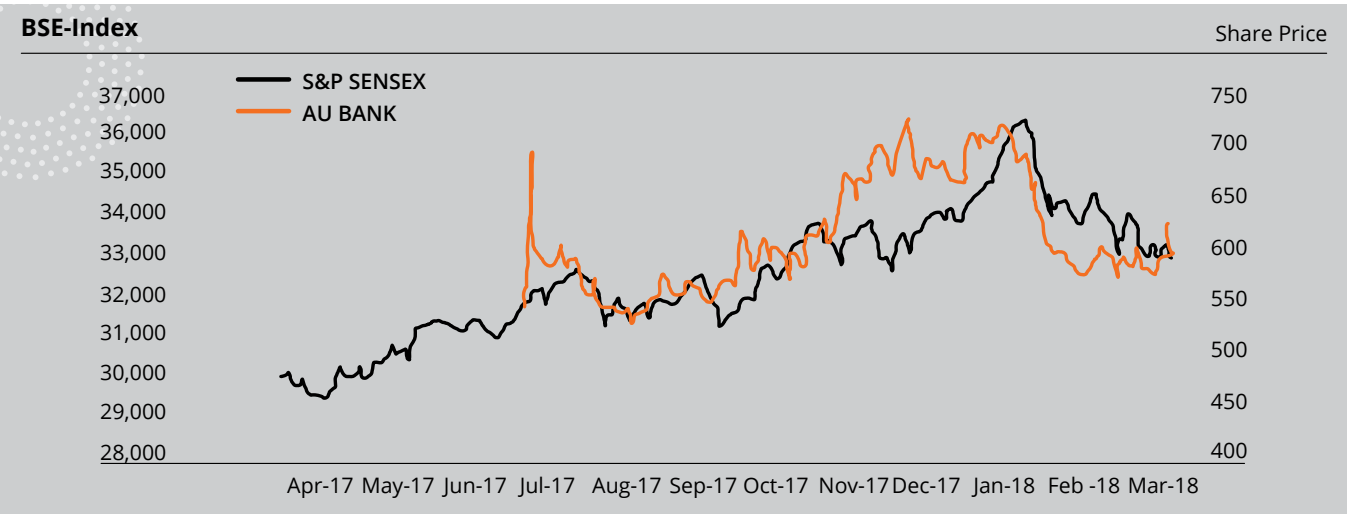
Board of Directors of Bank at its meeting held on 26th April 2018 has recommended payment of dividend of ₹0.50/- per equity shares on face value of ₹10 per equity shares subject to approval of members of the Bank in the 23rd Annual General Meeting scheduled on 07th August 2018. The payment period of dividend if approved by members will commence from 08th August 2018 and will be completed by 06th September 2018.

13. Market Price Data

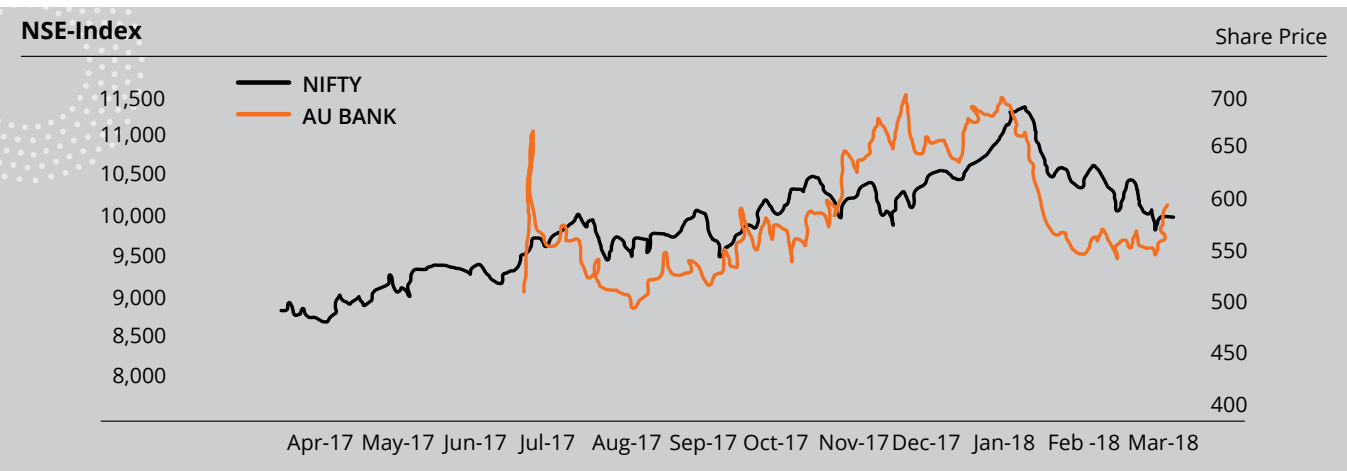
Month	NSE			BSE		
	High	Low	Volume	High	Low	Volume
Apr-17						
May-17	Unlisted			Unlisted		
Jun-17						
Jul-17	725.50	523.70	12,93,91,222	724.45	506.80	6,51,60,722
Aug-17	592.50	496.25	2,28,90,782	592.95	496.40	51,48,179
Sep-17	578.00	528.50	98,44,604	578.70	528.85	18,33,804
Oct-17	623.00	557.55	1,02,83,943	618.50	559.00	29,42,696
Nov-17	713.00	580.00	83,37,762	712.50	579.95	11,92,014
Dec-17	737.00	650.00	62,09,325	736.00	651.50	7,02,338
Jan-18	741.10	645.40	42,91,837	739.00	646.55	6,24,649
Feb-18	674.00	555.55	29,37,865	667.95	565.00	17,16,832
Mar-18	639.00	565.30	28,01,899	636.90	567.30	3,98,023

COMPARISON TO BROAD -BASED INDICES

AU BANK relative to S&P BSE SENSEX



AU BANK relative to NIFTY

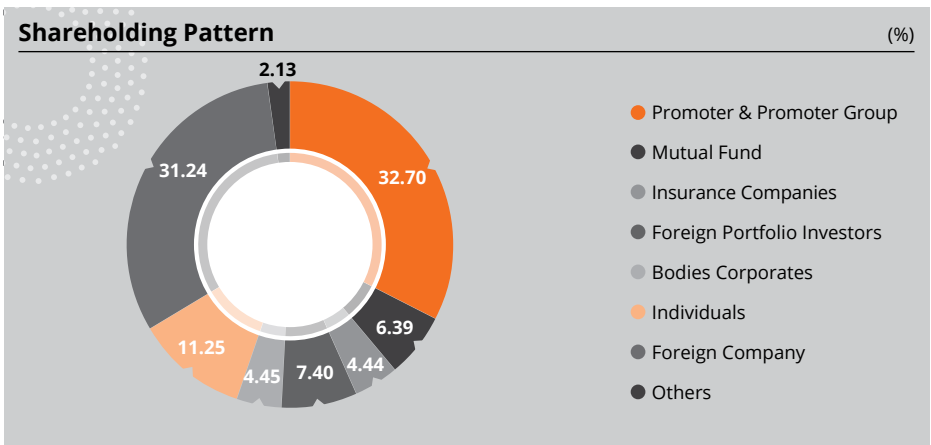


14. Distribution of Shareholding as on 31st March 2018

Distribution of Shareholding based on Nominal Value (₹) as on 31st March 2018

SR. NO.	CATEGORY (NOMINAL VALUE OF SHARES)			NUMBER OF SHAREHOLDERS	% OF TOTAL	TOTAL SHARES	SHARE AMOUNT (₹)	% OF TOTAL SHARE AMOUNT
1	10	to	5,000	92,160	95.61	72,38,946	7,23,89,460	2.53
2	5,001	to	10,000	2,416	2.51	16,33,511	1,63,35,110	0.57
3	10,001	to	20,000	854	0.89	11,43,504	1,14,35,040	0.40
4	20,001	to	30,000	283	0.29	6,88,298	68,82,980	0.24
5	30,001	to	40,000	87	0.09	3,04,273	30,42,730	0.11
6	40,001	to	50,000	64	0.07	2,98,461	29,84,610	0.10
7	50,001	to	1,00,000	163	0.17	11,89,122	1,18,91,220	0.42
8	1,00,001 & above			362	0.38	27,32,07,505	2,73,20,75,050	95.63
Total				**96,389**	**100.00**	**28,57,03,620**	**2,85,70,36,200**	**100.00**

	CATEGORY OF SHAREHOLDERS	NO. OF SHARES	IN %
I	Promoter & Promoter Group	9,34,28,304	32.70
II	Other Institution		
	Mutual Fund	1,82,52,741	6.39
	Financial Institutions/Bank	63,995	0.02
	Insurance Companies	1,26,81,602	4.44
	Foreign Portfolio Investors	2,11,54,612	7.40
III	Other Non-Institution		
	Bodies Corporates	1,27,03,691	4.45
IV	Individuals		
	(i) Individuals holding nominal share capital upto 2 lakh	1,16,87,269	4.09
	(ii) Individuals holding nominal share capital in excess of 2 lakh	2,04,50,250	7.16
V	Trusts	55,414	0.02
VI	Non- Resident Indians (Non Repat)	20,22,130	0.71
	Non- Resident Indians (Repat)	4,80,724	0.17
VII	Hindu Undivided Family	5,07,787	0.18
VIII	Clearing Members	3,06,295	0.11
IX	Foreign Companies	8,92,58,529	31.24
XI	Alternative Investment Fund	26,50,277	0.93
	Total	**28,57,03,620**	**100.00%**



LIST OF SHAREHOLDERS HOLDING MORE THAN 1% SHARES IN THE BANK AS ON 31st March,2018

S. No.	Name	No. of Shares	%
	Promoters & Promoter Group		
1	Sanjay Agarwal	5,59,82,359	19.59%
2	Shakuntala Agarwal	1,18,20,430	4.14%
3	Jyoti Agarwal	1,18,18,560	4.14%
4	Chiranji Lal Agarwal	68,29,321	2.39%
5	MYS Holdings Private Limited	68,83,722	2.41%
	Others		
6	Redwood Investment Ltd	4,49,70,794	15.74%
7	International Finance Corporation	2,27,16,509	7.95%
8	Labh Investments Limited	1,07,87,530	3.78%
9	Ourea Holdings Limited	1,07,83,696	3.77%
10	SBI Magnum Balanced Fund	99,19,937	3.47%
11	Motilal Oswal Most Focused Multicap 35 Fund	50,63,424	1.77%
12	ICICI Prudential Life Insurance Company Limited	48,57,144	1.70%
13	SBI Life Insurance Co. Ltd	48,57,144	1.70%
14	Amansa Holdings Private Limited	45,21,582	1.58%
15	Motilal Oswal Sec. Ltd	33,37,515	1.17%

15. Share Transfer System

The Bank's shares are traded under compulsory dematerialised mode and freely tradeable and the entire share transfer process is monitored by the Registrar and Share Transfer Agent of the Bank. A half-yearly certificate of compliance with the share transfer formalities as required under Regulation 40(9) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is obtained from the Company Secretary in Practice and a copy of the certificate is filed with the Stock Exchanges within the prescribed time.

16. Dematerialisation of Shares

All shares of the Bank are held in Dematerialised form.

17. Outstanding global depository receipts or American depository receipts or warrants or any convertible instruments, conversion date and likely impact on equity

During the Financial year 2017-18, there were no outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date, which would have an impact on the equity of the Bank.

18. Commodity price risk or foreign exchange risk and hedging activities

During the Financial year 2017-18, the Bank does not undertake trading in any commodity. However, the Bank may be exposed to commodity price risks of customers in its capacity as a lender and Bank is operating in India and is not directly exposed to foreign exchange risk and hedging activities.

19. Status of Compliance of Discretionary Requirements

Sr. No.	Discretionary Requirements	Status
1	A half-yearly declaration of financial performance including summary of the significant events in the last six months may be sent to each household of shareholders.	Quarterly as well as half-yearly financial results are published in the newspapers, displayed on the website of the Bank as well as disseminated to the Stock Exchanges immediately after Board approval for information of Shareholders and other Stakeholders.
2	The Company may appoint separate persons to the post of Chairperson and MD & CEO	The Bank has separate positions of a Non-Executive (Part- time) Chairman and a MD & CEO.
3	The Internal auditor may report directly to the Audit Committee.	The internal auditor reports directly to the Audit Committee.

For and on behalf of the Board of Directors
AU SMALL FINANCE BANK LIMITED

Sanjay Agarwal
Managing Director & CEO
DIN: 00009526

Uttam Tibrewal
Whole-time Director
DIN: 01024940

Date: 26th April, 2018
Place: Jaipur

CERTIFICATE ON COMPLIANCE WITH THE CODE OF CONDUCT AND ETHICS

I confirm that Bank has obtained from all the members of the Board and Senior Management Personnel, affirmation that they have complied with the 'code of Conduct' for financial year 2017-18.

Jaipur
26th April 2018

Sanjay Agarwal
Managing Director & CEO

CEO & CFO CERTIFICATION

We, Sanjay Agarwal, Managing Director & CEO and Deepak Jain, Chief Financial Officer, of AU Small Finance Bank Limited hereby certify that:

a. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2018 and that to the best of our knowledge and belief:

   i. these statements do not contain any materially untrue statement or omit any material fact or contain any statements that might be misleading.

   ii. these statements together present a true and fair view of the Bank's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b. There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent, illegal or violative of the Bank's Code of Conduct.

c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting and have disclosed to the Auditors and Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or proposed to take to rectify these deficiencies.

d. We have indicated, to the Auditors and the Audit Committee:

   i. Significant changes in internal control over financial reporting during the year;

   ii. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

   ii. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Bank's internal control system over financial reporting.

Yours faithfully

Place: Jaipur
Date: 26th April 2018

Sanjay Agarwal
Managing Director & CEO

Deepak Jain
Chief Financial Officer

Annexure II

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR)

[Pursuant to clause (o) of sub-section (3) of section 135 of the Act and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014]

Our CSR Policy

1. BRIEF OUTLINE OF THE CSR POLICY, INCLUDING OVERVIEW OF PROJECTS OR PROGRAMMES PROPOSED TO BE UNDERTAKEN AND A REFERENCE TO THE WEB LINK TO THE CSR POLICY AND PROJECTS OR PROGRAMMES

The Corporate Social Responsibility Policy (CSR Policy) of the Bank sets out the broad framework guiding the Bank's CSR activities. The Policy also sets out the principles and the rules that need to be adhered while taking up and implementing CSR activities to be undertaken as specified in Schedule VII of the Companies' Act, 2013 (excluding the activities pursued in the normal course of business) and the expenditure thereon.

Amongst several initiatives enlisted under Schedule VII of Indian Companies Act, 2013, the Bank has identified promoting opportunities for sustainable livelihood for underprivileged through vocational skilling, digital and financial literacy and promoting sporting talent by providing the right intervention in the field of nationally recognised sports, as its focus areas.

While undertaking projects related to its core focus areas or other initiatives, the Bank will universally follow the key principles of sustainability, accountability, equality and undertakes projects, which benefit a larger section of society that helps in addressing critical development issues of the communities in which we operate.

Approach towards CSR

The Bank shall have a three-tier structure for the governance of CSR responsibilities under the Companies' Act and Rules comprising the Board, CSR Committee and the Company Secretary. It would be implementing CSR activities through direct contribution and collaborate with credible implementing partners to achieve right penetration and results for the CSR efforts of the Bank.

Focus areas of CSR

1. Livelihood enhancement through vocational skilling
2. Promotion of rural, national, Paralympic & Olympic sports
3. Financial and digital literacy
4. Promoting education
5. Healthcare and social welfare
6. Environmental sustainability
7. Rural development
8. Eradicating hunger, poverty and malnutrition
9. Gender equality
10. Protection of national heritage, art and culture

The Bank's Corporate Social Responsibility policy is available at the web link: **https://www.aubank.in/au-notice-board**

2. COMPOSITION OF CSR COMMITTEE AS ON 31ST MARCH 2018

Ms. Jyoti Ishwar Chandra Narang (Independent Director)	Chairman
Mr. Mannil Venugopalan (Independent Director)	Member
Mr. Krishan Kant Rathi (Independent Director)	Member
Mr. Sanjay Agarwal (Managing Director & CEO)	Member
Mr. Raj Vikash Verma (Independent Director)	Member

Note: Mr. Raj Vikash Verma appointed as member of CSR Committee with effect from 30th January 2018 and Ms. Jyoti Narang appointed as chairman of CSR Committee with effect from 30th January 2018

3. AVERAGE NET PROFITS OF THE BANK FOR LAST THREE FINANCIAL YEARS: ₹334.69 CRORE

4. PRESCRIBED CSR EXPENDITURE (2% OF TWO PERCENT OF THE AMOUNT AS IN ITEM 3 ABOVE): ₹6.69 CRORE

5. DETAILS OF CSR SPENT DURING THE FINANCIAL YEAR

- Total amount to be spent for the financial year as per the Companies Act, 2013 was ₹7.18 crore (₹6.69 crore + ₹0.49 crore, being amount unspent of FY 2016-17)
- Amount spent during the financial year: ₹4.23 crore
- Amount unspent for the financial year: ₹2.95 crore

Manner in which the amount spent during the financial year is detailed below

Sr. No	CSR Project or Activity Identified	Sector in which the Project is covered	Project or Programmes Local Area/State where the project or programme is undertaken	Amount Outlay (₹ in lakh)	Amount Spent (₹ in lakh)	Cumulative Expenditure up to reporting period (₹ in lakh)	Amount Spent directly or through Implementing Agency
1	Promotion of Sports	Clause VII: Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports	Contribution to: - Jaipur Mahakhel - Season 2 - Podar Tennis Vikas Society - Support to Rajasthan U-14 girls team - Support to Balaji Vikas Sansthan - Grassroot level football tournament (The above-mentioned projects were carried out in Jaipur area of Rajasthan.)	292.03	122.09	144.62	Directly and through implementing agencies
2	Promotion of Preventive Healthcare	Clause I: Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water	Contribution to: - SIDART- Health camps - Shekhawati Agarwal Samaj for health & eye check-up camp - Blood donation camps through Gem City Charitable Trust - Kids Zone at J.K Lone Hospital (The above mentioned projects were carried out in Jaipur and other areas of Rajasthan.)	73.20	73.20	174.00	Through implementing agencies
3	Promotion of Art & Culture	Clause V: Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts	Contribution to: - Initiative for Moral and Cultural Training Foundation - Promotion of art & culture at Jaipur (The above mentioned projects were carried out in Jaipur area of Rajasthan.)	79.34	79.34	109.34	Through implementing agencies
4	Promotion of Education	Clause II: Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently-abled and livelihood enhancement projects	Contribution to: - Akshaya Patra Foundation – mid-day meal programme - Pratham Shiksha Charitable trust - HECARDS NGO - Muskaan Foundation - Distribution of school infrastructure, school bags, sweaters and other educational materials in government schools in and around Jaipur and Shahpura - Educational Scholarship to merit holders through Shekhawati Agarwal Samaj (The above-mentioned projects were carried out in Jaipur, Shahpura and nearby areas in Rajasthan.)	132.86	32.86	484.50	Directly and through implementing agencies

Sr. No	CSR Project or Activity Identified	Sector in which the Project is covered	Project or Programmes Local Area/State where the project or programme is undertaken	Amount Outlay (₹ in lakh)	Amount Spent (₹ in lakh)	Cumulative Expenditure up to reporting period (₹ in lakh)	Amount Spent directly or through Implementing Agency
5	Measures for promoting Animal Welfare	Clause IV: Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water	Contribution to: - Animal welfare – Goshala Renovation (The above-mentioned projects were carried out in Jaipur area of Rajasthan.)	41.99	41.99	41.99	Through implementing agencies
6	Promotion of Swachh Bharat Mission through Sanitation	Clause I: Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water	Construction of toilet at: - Public Toilet facility at Vridhjan Park at Bikaner - Girls Toilet at Adarsh Vidya Mandir - Girls Toilet at Nursing College Amarsar - Toilet at Kalyan Singh School, Shahpura (The above-mentioned projects were carried out in Jaipur and other district of Rajasthan.)	26.74	26.74	26.74	Directly
7	Making available safe drinking water	Clause I: Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water	Installation of water coolers at Jaipur, Shahpura and nearby areas of Rajasthan	25.86	25.86	41.56	Directly
8	Setting up old age homes	Clause III: Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;	Old age home at Louis Braille Drishtiheen Vikas Sansathan, Jaipur in Rajasthan	10	10	10.00	Through implementing agencies
9	Measures for the benefit of war widows and their dependents	Clause VI: Measures for the benefit of armed forces veterans, war widows and their dependents	Programme at Shahpura for measures for the benefit of war widows and their dependents in Rajasthan	0.31	0.31	0.31	Directly
10	Administrative expenditure	Administrative expenditure inclusive of staff salary for execution of CSR activities	Administrative expenditure inclusive of staff salary for execution of CSR activities	35.91	11.07	11.50	-
	Total			**718.24**	**423.46**	**1044.56**	

DETAILS OF IMPLEMENTING AGENCIES

Pratham Shiksha Charitable Trust

AU Bank is providing financial support to 'Pratham Shiksha Charitable Trust' for operating school for underprivileged children in Jaipur district. Illiteracy is a serious impediment to development and improvement in quality of life and this trust is committed to promote and support basic education for unprivileged children from backward and low-income families with special focus on improving the quality of education and to help the deprived section of the society to uplift themselves to mainstream economy. This institution is supported with funds from personal and corporate contributions.

Muskaan Foundation

Muskaan Foundation is a not-for-profit organisation (NPO) trust committed to contribute towards safety on roads through awareness, education, training, and promotions. Road safety refers to the methods and measures used to prevent road users from being killed or getting seriously injured. The NGO uses an integrated, community-centric approach towards the issue of road safety. Road accidents takes around 1.5 lakh lives every year. This year on the world Remembrance Day, AU Bank joined hands with Muskaan Foundation, to spread awareness on road safety through an event on the theme of 'Love, Hope, and Positive Action'.

Akshaya Patra Foundation

The Akshaya Patra Foundation is a not-for-profit organisation feeding millions of underserved children in India by implementing the mid-day meal scheme in the government schools and government-aided schools. Akshaya Patra Foundation is committed to eradicating the two crucial issues of hunger and malnutrition in India. Today, Akshaya Patra is the world's largest (not-for-profit run) Mid-Day Meal Programme serving wholesome food every day to over 1.6 million children from 13,839 schools across 12 states in India. In Rajasthan, it has been providing food to 2,672 schools and 1,70,729 children have benefitted under their mission.

The education sector in India has grown in leaps and bounds and there have been significant improvements across different indicators. Over the years, your Bank's persistent partnership with Akshaya Patra has made it possible to raise a generation of hunger-free, educated and nourished Indians. The mid-day meal scheme is truly one of the best interventions in promoting education, reducing dropout rates and improving overall physical and mental health of children.

Louis Braille Drishtiheen Vikas Sansthan

Louis-Braille Drishtiheen Vikas Sansthan is a non-government social service organisation based in Jaipur. It was established in 1981 on the birth date of Sir Louis Braille, father of literacy for the visually challenged. The organisation works to provide service towards the visually challenged through education and vocational training with special focus on women, socially backward and vulnerable persons. Vocational skills are also important and endeavour to build the children's social skills and confidence.

HECARDS

Human Educational Cultural Art & Rural Development Society (HECARDS) has been a NGO partner for implementing of promotion of education based CSR activities for the Bank. This year we joined hands with HECARDS for promoting sporting talent, educational activities and preventive healthcare facilities and also to organise vocational employment generating training programme for women.

Promotion of Sports

The Bank joined hands with Sports Omnibus, for promotion of football at grass root level and rural areas. Sports Omnibus, with the team of technical experts, helped in moulding and shaping the first steps of children in football. More than 200 children associated with us for the grass root football festival hosted at AU Bank Sports Village.

We also partnered with Public Charitable Trust for the second season of Jaipur Mahakhel where more than 5000 students participated in sports events covering schools of rural Rajasthan.

DIRECT INITIATIVES

Water coolers

One billion people around the world don't have access to clean, safe water. Safe water is a critical environmental and public health issue, as well as a means to lift people out of poverty and ensure human security. Yet the number of people without safe water is increasing. Providing safe water is an essential step for human health and development. By encouraging leadership and generating momentum for solutions, we can save millions of lives. Over last few years, AU Bank has installed several water coolers at various high population density areas across Rajasthan with the aim of providing chilled potable drinking water during scorching summers. AU Bank also further extends to the timely repair and maintenance of these water coolers. AU Bank has set up over 73 water coolers in and around Jaipur.

Health camps and Eye check-up camps

The Bank promotes the cause of good hygiene and sanitation practices in the community. For underprivileged and poor people receiving the right healthcare services is a tough task. AU Bank has been associated with Shekhawati Agrawal Samaj in providing affordable and free healthcare services to the poor. AU Bank has collaborated with them for providing financial assistance to organise monthly health check-up camps and eye check-up camps at Jaipur. Through eye check-up camps 5093 patients got benefit of free OPD services.

Sanitation-related Initiatives – promoting Swachh Bharat Mission

AU Bank supports the Swachh Bharat Mission through multiple initiatives focussed on promoting sanitation. Our key sanitation initiatives for the FY 2017 -18 included:

- Public toilet facility at Vridhjan Park in Bikaner for providing facility to morning walkers who frequent this public park. More than 1000+ people use this facility daily.
- AU Bank supported the construction of toilet built at Girls Nursing College, Amarsar.
- AU Bank supported Kalyan Singh School, a government school in Shahpura, in building a urinal facility for the children, thereby benefitting over 800 children

6. REASON FOR NOT SPENDING 2% OF THE AVERAGE NET PROFIT OF THE LAST THREE FINANCIAL YEARS OR ANY PART THEREOF:

AU Bank spent ₹4.23 crore in FY17-18 for CSR activities, the details of which were captured above. This amounts to 1.24% of average net profits of the last three financial years.

The lower spend in FY 2017-18 was on account of:

1) Adoption of a Collective and Sustainable CSR Framework on Bank Platform

It is pertinent to highlight that in FY 2017-18, AU transitioned from being an NBFC to a Bank and continued its mission of last 22 years of serving the unbanked and under-banked populous. In FY 2017-18, AU Bank also took a strategic call to develop a sustainable and collective CSR framework. Towards this, AU Bank developed their in-house capabilities, beefed up its CSR team.

Also, AU Bank approached RBI and received approval from it for setting up its own foundation. AU Bank is currently awaiting an approval from RBI on the names of Trustees of the foundation and post which the foundation would be set up.

2) Part diversion of management bandwidth for Bank transitioning

Given the transition into becoming a Bank, some portion of management bandwidth got consumed in key activities associated with the Bank transitioning and took their regular focus away from CSR projects. The Bank transitioning required investment of management bandwidth in hiring the entire new team of branch banking and liabilities, equipping the Bank with best-in-class technology stack to offer easy, convenient and accessible banking to its customers. Besides that, to comply with the SFB guidelines, the Bank went public and got listed on BSE and NSE.

Plan for FY 2018-19: AU Bank sincerely assumes its CSR responsibilities and is committed that all its CSR programmes cater to community needs, addressing issues of national interest through a long-term strategic approach. Therefore, AU Bank proposes to utilise the unspent amount of FY 2017-18 in due course.

7. A RESPONSIBILITY STATEMENT OF THE CSR COMMITTEE THAT THE IMPLEMENTATION AND MONITORING OF CSR POLICY IS IN COMPLIANCE WITH THE CSR OBJECTIVES AND POLICY OF THE COMPANY.

CSR Committee hereby confirms that the implementation and monitoring of CSR Policy is in compliance with the CSR objectives and CSR policy of the Bank.

For and on behalf of the Board of Directors
AU SMALL FINANCE BANK LIMITED

Sd/-	Sd/-
Sanjay Agarwal	**Jyoti Narang**
Managing Director & CEO	Chairman-CSR Committee
DIN: 00009526	DIN: 00351187

Date: 26th April, 2018
Place: Jaipur

Annexure III

The ratio of the remuneration of each director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

Sr. No.	Requirements	Disclosure
1.	Ratio of the remuneration of each Director to the median remuneration of the employees of the company for the financial year.	Mr. Sanjay Agarwal, MD & CEO 64X Mr. Uttam Tibrewal, WTD 56X Mr. Mannil Venugopalan, Non-Executive Chairman 7X The median remuneration for FY 2017-18 does not include amount of bonus for the performance of FY 2016-17 as the same was not recommended for Managing Director & CEO and approval for Whole-time Director for bonus is pending with RBI as on the reporting date.
2.	The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary, if any, in the financial year	**Name & Designation of Director's & KMP** / **Increase%/ (Decrease)%** Mr. Sanjay Agarwal, MD & CEO* — 0.16% Mr. Uttam Tibrewal, WTD* — 0.18% Mr. Mannil Venugopalan – Chairman — 129.73% Mr. Krishan Kant Rathi - Director — 78.57% Ms. Jyoti Ishwar Chand Narang - Director — 47.06% Mr. Deepak Jain, CFO** — -31.37% Mr. Manmohan Parnami, CS** — 19.13% *The remuneration for FY 2017-18 and FY 2016-17 does not include amount of Bonus for the performance of previous year to present the figure on comparable basis. **The remuneration for FY 2017-18 includes bonus figures for FY 2016-17 but excluding perquisites on ESOPs exercised by Mr. Deepak Jain - CFO and Mr. Manmohan Parnami - CS for calculation of percentage increase/decrease. Mr. Raj Vikash Verma was not paid any amount during the year FY 2017-18 and No sitting fees was payable to Mr. Narendra Ostawal.
3.	The percentage decrease/increase in the median remuneration of employees in the financial year.	There has been increase of 43.44% in median remuneration of employees. The employees have been taken as on year end and there has been increase in number of employees for 2,636 during FY 2017-18 over FY 2016-17 and median has been calculated taking employees on comparable basis and annualised remuneration arrived considering employees as on year end worked for whole year. During the year, Bank started its banking operations and hired banking staff resulting in increase in median.
4.	The number of permanent employees on the rolls of the Bank as on 31st March 2018.	There were 11,151 employees as on 31st March 2018.
5.	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.	There was average percentile increase of 36.00% (excluding perquisites on ESOP Exercise) in FY 2017-18 over FY 2016-17 for employees other than in managerial capacity. For managerial personnel, there were decrease of 13.79% (excluding perquisites on ESOP Exercise) in remuneration of managerial personnel on overall basis in FY 2017-18 over FY 2016-17. The percentage increase in the remuneration of the employees other than managerial personnel is higher than the managerial personnel. Hence, justification is not required. **Note:** Bonus for the FY 2017-18 was paid to Mr. Deepak Jain and Mr. Manmohan Parnami only amongst the KMPs.
6.	Affirmation that the remuneration is as per the remuneration policy of the Company	Yes, it is confirmed.

General Note:

- KMP's remuneration have been taken as recorded in Audited Financial Statements of the Bank and same has been annualised and taken on comparable basis.
- Remuneration includes Fixed pay + Variable paid during the year + perquisite value as calculated under the Income Tax Act, 1961 but does not include value of perquisites on ESOP options
- The Non-executive - Independent Director receive remuneration in the form of sitting fees for attending the Board/Committee meetings and in the form of an annual profit based commission.

For and on behalf of the Board of Directors
AU SMALL FINANCE BANK LIMITED

Sanjay Agarwal
Managing Director & CEO
DIN: 00009526

Uttam Tibrewal
Whole-time Director
DIN: 01024940

Date: 26th April, 2018
Place: Jaipur

Annexure IV

DISCLOSURES OF EMPLOYEES PURSUANT TO SUB RULE 2 & 3 OF RULE 5 OF COMPANIES (APPOINTMENT & REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014, AS IN FORCE

No.	Name of employee	Designation	Remuneration (₹ In crore)	Nature of employment (contractual/ otherwise)	Qualifications and experience of the employee;	Date of commencement of employment	Age of such employee	The last employment held by such employee before joining the company	The percentage of equity shares held by the employee in the Bank within the meaning of clause (iii) of sub-rule (2) above; and	Whether any such employee is a relative of any Director or manager of the Bank and if so, name of such Director or manager
1	Sanjay Agarwal	Managing Director & CEO	1.47	Contractual	FCA, B. Com, 22 years	*Appointed as Managing Director since 14th February 2008 and Appointed for a period of 3 years with effect from 19th April 2017 after receiving RBI approval.	47	NA	19.59%	No
2	*Uttam Tibrewal	Whole-time Director	1.28	Contractual	B. Com, 21 years	*Appointed as Whole-time Director since 14th February 2008 and appointed for a period of 3 years with effect from 19th April 2017 after receiving RBI approval.	47	NA	0.69%	No
3	**Deepak Jain	Chief Financial Officer	1.98	Permanent employee	FCA, 20 years	17th May 2010	44	NA	0.32%	No
4	Rishi Dhariwal	Chief of Credit & Collection Retail	3.15	Permanent employee	Postgraduate Programme in Management for Executive from IIM Ahmedabad	15th November 2013	47	Citicorp Finance (India) Limited and Ashok Leyland Limited	0.02%	No
5	Manoj Tibrewal	Group Head HR	2.75	Permanent employee	Company Secretary from Institute of Companies Secretaries of India, 25 years	1st February 2009	48	Auto Lite (India) Limited	0.49%	No
6	Sharad Vishvanath	Group Head Digital Bank Analytics & HR	2.08	Ex-employee	Master of Business Administration from the Wharton school and Master of Business Administration from Delhi University, 22 years	08th April 2017 (date of relieving – 15th December 2017)	46	Tata Steel, Hong Kong and Shanghai Banking Corporation and Aon Hewitt Middle East ltd	0.00% (negligible)	No
7	Bhaskar Vittal Karkera	Chief of Wheels	1.68	Permanent employee	Bachelor of Engineering (automobile engineering) from the University of Bombay.	17th January 2017	49	Mahindra and Mahindra Financial Services Limited, HMP Engineers Limited, Mahindra & Mahindra Limited and HDFC Bank Limited	0.00% (negligible)	No
8	Amit Malhotra	Regional Business Manager – Wheels	1.53	Permanent employee	Diploma in Mechanical Engineering from Rajasthan university, 21 years	05th June 2007	41	Bikaner Motors Private Limited, Nicco Corporation Limited and Bobshell Electrodes Limited.	0.02%	No
9	Yogesh Jain	Chief Treasury Officer	1.52	Permanent employee	Chartered accountant from the institute of chartered accountants of India, 11 years	01st April 2010	38	Panchratna Motels and Resorts Private Limited (KGK Group)	0.02%	No
10	Sanjay Singh Rajawat	Group Head Liabilities	1.46	Ex- employee	Chartered Accountant from the Institute of Chartered Accountants of India and Master of Philosophy from Rajasthan University, 26 years	01st August 2016 (date of relieving - 6th December 2017)	50	Deutsche bank, ICICI Bank Limited and IDBI Bank Limited	0.00% (negligible)	No

No.	Name of employee	Designation	Remuneration (₹ In crore)	Nature of employment (contractual/ otherwise)	Qualifications and experience of the employee;	Date of commencement of employment	Age of such employee	The last employment held by such employee before joining the company	The percentage of equity shares held by the employee in the Bank within the meaning of clause (iii) of sub-rule (2) above; and	Whether any such employee is a relative of any Director or manager of the Bank and if so, name of such Director or manager
11	Sumit Madan	Chief of Branch Banking	1.36	Permanent employee	Completed postgraduate Diploma in Management from Lal Bahadur Shastri Institute of Management, Delhi, 18 years	12th September 2016	41	Citibank, State Bank of India Cards And Payments Services Private Limited, J.L.. Morison (India) Limited and HDFC Bank Limited	0.00% (negligible)	No
12	Vijendra Singh Shekhawat	Chief of Operations & Technology	1.32	Permanent employee	Chartered Accountant from the Institute of Chartered Accountants of India, 14 years	02nd May 2012	36	Religare Enterprise Limited (formerly known as Fortis Securities limited)	0.02%	No
13	Pankaj Sharma	National Business Manager - MSME	1.29	Permanent employee	Masters of Business Administration from Mohanlal Sukhadia University, Jaipur, 18 years	03rd March 2012	43	DSP Merrill lynch Capital Limited, Indiabulls Housing Finance Limited, ICICI Bank Limited and BOB Housing Finance Limited	0.01%	No
14	Priyam Alok	Chief of Business Banking	1.26	Permanent employee	Masters of Business Administration from Bharathidasan University, 15 years	22nd March 2016	37	Kotak Mahindra Primus Limited, Citibank India, ING Vysya Bank Limited and Reliance Broadcast Network Limited	0.03%	No
15	Vivek Tripathi	Chief of SME and Mid Corporate	1.19	Permanent employee	Postgraduate diploma in Management for Executives from Indian Institute of Management Society, Lucknow and Masters of Textiles from the University of Mumbai, 16 years	09th April 2014	39	ICICI Bank Limited, Reliance Capital Limited, Grasim Industries Limited and Sintex Industries Limited	0.01%	No
16	Ankur Tripathi	Senior Vice President - Information Technology	1.16	Permanent employee	Bachelor of Technology (chemical engineering) from Indian Institute of Technology, Bombay, 11 years	31st March 2014	34	WKI Solutions Private Limited	0.00% (negligible)	No
17	Naveen Vashisht	National Business Manager - Wheels used	1.13	Permanent employee	Completed the senior management Programme from Indian Institute of Management, Kolkata, 26 years	06th November 2014	50	Equitas Micro Finance Limited, Development Credit Bank Limited, Cholamandalam Investment and Finance Company Limited and India Bulls Infrastructure Credit Limited	0.00% (negligible)	No
18	Vimal Jain	Chief of Finance and Accounts	1.09	Permanent employee	Chartered Accountant from the Institute of Chartered Accountants of India, 13 years	16th January 2010	37	Gera Developments Private Limited, Videocon Industries Limited and Videocon Appliances Limited	0.01%	No

No.	Name of employee	Designation	Remuneration (₹ In crore)	Nature of employment (contractual/ otherwise)	Qualifications and experience of the employee;	Date of commencement of employment	Age of such employee	The last employment held by such employee before joining the company	The percentage of equity shares held by the employee in the Bank within the meaning of clause (iii) of sub-rule (2) above; and	Whether any such employee is a relative of any Director or manager of the Bank and if so, name of such Director or manager
19	Shekhar Shukla	Chief of Operations - Liabilities and Assets	1.09	Permanent employee	Chartered Accountant from the Institute of Chartered Accountants of India, 24 years	20th August 2016	49	ICICI Bank Limited and Transamerica Apple Distribution Finance Limited	0.00% (negligible)	No

Note: For KMPs the remuneration as recorded in Audited Financial Statement for FY 2017-18 has been mentioned hereinabove.
*The remuneration of Mr. Uttam Tibrewal – Whole Time Director of the Bank does not include perquisites on ESOP amounting to ₹ 41.38 crore which were exercised during the period under review.
** The remuneration of Mr. Deepak Jain – Chief Financial Officer of the Bank does not include perquisites on ESOP amounting to ₹ 5.79 crore which were exercised during the period under review.

For and on behalf of the Board of Directors
AU SMALL FINANCE BANK LIMITED

Sanjay Agarwal
Managing Director & CEO
DIN: 00009526

Uttam Tibrewal
Whole-time Director
DIN: 01024940

Date: 26th April, 2018
Place: Jaipur

Annexure V

FORM NO. MR-3

Secretarial Audit Report

For the Financial Year Ended 31st March 2018

[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
[Erstwhile Au Financiers (India) 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 [Erstwhile Au Financiers (India) Limited]** (hereinafter called **'the Bank'**). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Bank's books, papers, minute books, forms and returns filed and other records maintained by the Bank and also the information provided by the Bank, its officers, agents and authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Bank has, during the audit period covering the Financial Year ended on March 31, 2018 (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, 2018 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 (SCRA) and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (SEBI Act):

(a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

(d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

(e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

(f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **(Not applicable to the Bank during the Audit Period);**

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; **(Not applicable to the Bank during the Audit Period)**;

(i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

(vi) As confirmed, following other laws are specifically applicable to the Bank for which the Management has confirmed that the Bank has devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively:

(a) The Reserve Bank of India Act, 1934;

(b) The Banking Regulation Act, 1949;

(c) Guidelines issued by Reserve Bank of India ("RBI") on Small Finance Bank dated 27th November 2014 and Operational Guidelines issued dated 6th October 2016;

(d) Other Applicable RBI Guidelines to a 'Banking Company'; and

(e) Master Circulars/Circulars/Press Releases issued by the RBI from time to time.

We have also examined compliance with the applicable clauses of the following:

i. Secretarial Standards issued by The Institute of Company Secretaries of India;

ii. The Listing Agreements entered into by the Bank with BSE Ltd. and National Stock Exchange of India Limited.

During the period under review, the Bank has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards and others mentioned above ***except expense on CSR activities below the prescribed limit***.

We further report that the Board of Directors of the Bank is duly constituted with proper balance of Executive Directors, Non-executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and 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. Changed its name from Au FINANCIERS (INDIA) LIMITED to AU SMALL FINANCE BANK LIMITED and has received Certificate of Incorporation pursuant to Change of Name dated April 13, 2017 from the Registrar of Companies, Rajasthan and has commenced its banking business with effect from April 19, 2017;

b. Consequently surrendered its NBFC Licence bearing no. B.00.139 to Department of Non-Banking Supervision (DNBS) of RBI on April 19, 2017;

c. Completed the Initial Public Offering (IPO) by way of an Offer for Sale of 5,34,22,169 (Five crore Thirty Four Lakh Twenty Two Thousand One Hundred and Sixty Nine) equity shares of ₹10 (Rupees Ten) each at a price of ₹358 (Rupees Three Hundred and Fifty Eight) per share by selling shareholders, vide Prospectus dated 03rd July 2017 and the equity shares of the Bank were listed at BSE Ltd. and National Stock Exchange of India Ltd. and admitted to dealings with effect from 10th July 2017;

d. Allotted 6,85,922 (Six Lakh Eighty Five Thousand Nine Hundred and Twenty Two) equity shares under Plan A and 7,66,792 (Seven Lakh Sixty Six Thousand Seven Hundred and Ninety Two) equity shares under Plan B of Employee Stock Option Scheme 2015;

e. Allotted 4900 (Four Thousand Nine Hundred) secured, rated, Listed, Redeemable Non-Convertible Debentures (NCDs) at a face value of ₹10,00,000/- (Rupees Ten Lakh) each at par aggregating to ₹4,90,00,00,000/- (Rupees Four Hundred and Ninety Crores Only) to Asian Development Bank (ADB).

f. Granted 14,60,970 (Fourteen Lakh Sixty Thousand Nine Hundred and Seventy) equity stock options under Employee Stock Option Scheme 2015 and 15,53,701 (Fifteen Lakh Fifty Three Thousand Seven Hundred and One) equity stock options under Employee Stock Option Scheme 2016 at different prices;

g. Ratified the Employee Stock Option Scheme 2015 and Employee Stock Option Scheme 2016 in the Annual General Meeting of the Bank held on September 27, 2017.

For **V. M. & Associates**
Company Secretaries
(ICSI Unique Code P1984RJ039200)

CS Manoj Maheshwari
Partner
FCS 3355
C P No. : 1971

Place: Jaipur
Date: 26th April, 2018

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
(Erstwhile Au Financiers (India) Limited)
19-A, Dhuleshwar Garden
Jaipur – 302 014 (Rajasthan)

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Bank. Our responsibility is to express an opinion on these secretarial records based on our audit.

2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.

3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Bank.

4. 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)

CS Manoj Maheshwari
Partner
FCS 3355
C P No. : 1971

Place: Jaipur
Date: 26th April, 2018

Annexure VI

FORM NO. MGT-9

Extract of Annual Return

As on the financial year ended on 31st March 2018

[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

CIN	L36911RJ1996PLC011381
Registration Date	10th January, 1996
Name of the Company	AU SMALL FINANCE BANK LIMITED Formerly known as "Au FINANCIERS (INDIA) LIMITED"
Category	Company limited by shares
Sub-Category of the Company	Non-govt Company (Banking Company)
Address of the Registered office and contact Details	19-A, Dhuleshwar Garden, Ajmer Road, Jaipur - 302001, Rajasthan Phone no. 0141-4110060 Fax: 0141-4110090 Website: www.aubank.in Email id: Investorrelations@aubank.in
Whether listed company	• Bank's Equity Shares are listed on National Stock Exchange of India Ltd. and BSE Ltd. with effect from 10th July 2017. • Privately Placed Debentures are listed at WDM segment of BSE Ltd.
Name, Address and Contact details of Registrar and Share Transfer Agent	Link Intime India Pvt. Ltd. C 101, 247 Park, L B S Marg, Vikhroli West, Mumbai 400 083 Tel No: +91 22 49186000 Fax: +91 22 49186060 Website: www.linkintime.co.in Email id: rnt.helpdesk@linkintime.co.in

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated—

Sr. No.	Name and description of main products/services	NIC Code of the Product/service	% to total turnover of the company
1.	Banking Services	64191	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANY:

Sr. No.	Name and address of the company	CIN/GLN	Holding/Subsidiary/ Associate	% of shares held	Applicable section
Not applicable (The Bank is not having any Holding/Subsidiary/Associate)					

IV. SHARE HOLDING PATTERN (EQUITY SHARE CAPITAL BREAKUP AS PERCENTAGE OF TOTAL EQUITY)

i. Category wise Shareholding

Category of Share holders	No. of Shares held at the beginning of the year*				No. of Shares held at the end of the year*				% of Change During in FY 2017-18
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoter/Promoter Group									
(1) Indian									
a) Individual/HUF	9,49,65,360	-	9,49,65,360	33.41	8,65,44,582	-	8,65,44,582	30.29	(3.12)
b) Central Govt	-	-	-	-	-	-		-	-
c) State Govt(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	74,60,466	-	74,60,466	2.62	68,83,722	-	68,83,722	2.41	(0.21)
e) Banks/FI	-	-	-	-	-	-	-		-
f) Any Other....	-	-	-	-	-	-	-	-	-
Sub-total (A)(1)	**10,24,25,826**	**-**	**10,24,25,826**	**36.03**	**9,34,28,304**	**-**	**9,34,28,304**	**32.70**	**(3.33)**
(2) Foreign									
a) NRIs –Individuals	-	-	-	-	-	-	-	-	-
b) Other –Individuals	-	-	-	-	-	-	-	-	-
c)Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any Other	-	-	-	-	-	-	-	-	-
Sub-total A.(A)(2):-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	**-**
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	**10,24,25,826**		**10,24,25,826**	**36.03**	**9,34,28,304**	**-**	**9,34,28,304**	**32.70**	**(3.33)**
B. Public Shareholding									
1.Institutions	-	-	-	-		-	-	-	-
a) Mutual Funds	-	-	-	-	1,82,52,741	-	1,82,52,741	6.38	6.38
b) Banks/Financial Institutions	-	-	-	-	63,995	-	63,995	0.02	0.02
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Fund	-	-	-	-	-	-	-	-	-
f) Insurance Companies	1,45,81,602	-	1,45,81,602	5.13	1,26,81,602	-	1,26,81,602	4.44	(0.69)
g) FIIs	3,02,88,678	-	3,02,88,678	10.66	2,15,249	-	2,15,249	0.08	(10.58)
h) Foreign Venture Capital Funds	-	-	-	-		-	-	-	-
i) Foreign Portfolio Investor	-	-	-	-	2,09,39,363	-	2,09,39,363	7.33	7.33
j) Alternate Investment Funds	8,86,806	-	8,86,806	0.31	26,50,277	-	26,50,277	0.93	0.62
k) Provident Funds/Pension Funds	-	-	-	-	-	-	-	-	-
l) Others-Trust	-	-	-	-	-	-	-	-	-
Sub-total(B)(1):-	**4,57,57,086**		**4,57,57,086**	**16.10**	**5,48,03,227**	**-**	**5,48,03,227**	**19.18**	**3.08**
2. Non- Institutions									
a) Bodies Corp.	-	-	-	-		-	-	-	-
i) Indian	83,68,266	-	83,68,266	2.94	1,27,03,691	-	1,27,03,691	4.45	1.51
ii) Overseas	10,34,57,388	-	10,34,57,388	36.40	8,92,58,529	-	8,92,58,529	31.24	(5.15)
b) Individual	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital up to ₹1 lakh	25,98,000	-	25,98,000	0.91	1,08,24,365	-	1,08,24,365	3.79	2.88
ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	1,93,32,900	-	1,93,32,900	6.80	2,13,13,154	-	2,13,13,154	7.45	0.65
c) Other (Specify)									
Trusts	83,004	-	83,004	0.03	55,414	-	55,414	0.02	(0.01)
Hindu Undivided Family	85,572	-	85,572	0.03	5,07,787	-	5,07,787	0.18	0.15
LLP	21,42,864		21,42,864	0.75	-	-	-	-	(0.75)
Non- Resident Indians (Non Repat)	-	-	-	-	20,22,130	-	20,22,130	0.71	0.71
Non- Resident Indians (Repat)	-	-	-	-	4,80,724	-	4,80,724	0.17	0.17
Clearing Member	-	-	-	-	3,06,295	-	3,06,295	0.11	0.11
Sub-total (B)(2):	**13,60,67,994**	**-**	**13,60,67,994**	**47.87**	**13,74,72,089**	**-**	**13,74,72,089**	**48.12**	**0.25**
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**18,18,25,080**	**-**	**18,18,25,080**	**63.97**	**19,22,75,316**	**-**	**19,22,75,316**	**67.30**	**3.33**
C. Non- Promoter - Non- Public									
a) Custodian/DR Holder	-	-	-	-	-	-	-	-	-
c. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	**28,42,50,906**	**-**	**28,42,50,906**	**100.00**	**28,57,03,620**		**28,57,03,620**	**100.00**	**-**

Note: All above shares are having face value of ₹10 each.

*The shareholders covered under Promoter Group post listing of Equity Shares of the Bank on applicability of SEBI (ICDR) Regulations, 2009 and the shareholding as on 31st March 2017 and 31st March 2018 has been accordingly presented herein above.

(ii) Shareholding of Promoter/Promoter Group

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change in the Shareholding during the year
		No. of Shares	% of total shares of the company	% of shares pledged/ encumbered to total shares	No. of Shares	% of total shares of the company	% of shares pledged/ encumbered to total shares	
1	Sanjay Agarwal	5,84,77,128	20.57	5.61	5,59,82,359	19.59	-	(0.98)
2	Jyoti Agarwal	1,41,82,272	4.99	-	1,18,18,560	4.14	-	(0.85)
3	Shakuntala Agarwal	1,40,94,756	4.96	-	1,18,20,430	4.14	-	(0.82)
4	Chiranji Lal Agarwal	8,119,770	2.86	-	68,29,321	2.39	-	(0.47)
5	MYS Holdings Private Limited*	74,60,466	2.62	-	68,83,722	2.41	-	(0.21)
6	Chanda Devi Kedia*	28,572	0.01	-	28,817	0.01	-	0.00 (Negligible)
7	Srikant Kedia*	28,572	0.01	-	28,768	0.01	-	0.00 (Negligible)
8	Suresh Chand Kedia*	28,572	0.01	-	28,767	0.01	-	0.00 (Negligible)
9	Manoj Kumar Agarwal*	5,718	0.00 (Negligible)	-	7,560	0.00 (Negligible)	-	0.00 (Negligible)
	Total	**10,24,25,826**	**36.03**	**5.61**	**9,34,28,304**	**32.70**	**0.00**	**(3.33)**

*These shareholders covered under Promoter Group post listing of Equity Shares of the Bank in compliance of SEBI (ICDR) Regulations, 2009.

(iii) Change in shareholding of Promoter/Promoter Group

1. Mr. Sanjay Agarwal

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		5,84,77,128	20.57	5,84,77,128	20.57
	Transfer (Shares offered in Initial Public Offer via Offer for Sale)	23rd June 2017	(24,94,769)	(0.88)	5,59,82,359	19.69
	At the end of the year		**5,59,82,359**	**19.59**	**5,59,82,359**	**19.59**

2. Ms. Jyoti Agarwal

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		1,41,82,272	4.99	1,41,82,272	4.99
	Transfer (Shares offered in Initial Public Offer via Offer for Sale)	23rd June 2017	(23,63,712)	(0.83)	1,18,18,560	4.16
	At the end of the year		**1,18,18,560**	**4.14**	**1,18,18,560**	**4.14**

3. Ms. Shakuntala Agarwal

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		1,40,94,756	4.96	1,40,94,756	4.96
	Transfer (Shares offered in Initial Public Offer via Offer for Sale)	23rd June 2017	(22,74,326)	(0.80)	1,18,20,430	4.16
	At the end of the year		**1,18,20,430**	**4.14**	**1,18,20,430**	**4.14**

4. Mr. Chiranji Lal Agarwal

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		81,19,770	2.86	81,19,770	2.86
	Transfer (Shares offered in Initial Public Offer via Offer for Sale)	23rd June 2017	(12,90,449)	(0.45)	68,29,321	2.40
	At the end of the year		**68,29,321**	**2.39**	**68,29,321**	**2.39**

5. MYS HOLDINGS PRIVATE LIMITED

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		74,60,466	2.62	74,60,466	2.62
	Transfer (Shares offered in Initial Public Offer via Offer for Sale)	23rd June 2017	(5,76,744)	(0.20)	68,83,722	2.42
	At the end of the year		**68,83,722**	**2.41**	**68,83,722**	**2.41**

6. Ms. Chanda Devi Kedia

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		28,572	0.01	28,572	0.01
	Transfer	21st July 2017	245	0.00	28,817	0.01
	At the end of the year		**28,817**	**0.01**	**28,817**	**0.01**

7. Mr. Srikant Kedia

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		28,572	0.01	28,572	0.01
	Transfer	07th July 2017	41	0.00	28,613	0.01
		21st July 2017	155	0.00	28,768	0.01
	At the end of the year		**28,768**	**0.01**	**28,768**	**0.01**

8. Mr. Suresh Chand Kedia

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		28,572	0.01	28,572	0.01
	Transfer	21st July 2017	195	0.00	28,767	0.01
	At the end of the year		**28,767**	**0.01**	**28,767**	**0.01**

9. Mr. Manoj Kumar Agarwal

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		5,718	0.00	5,718	0.00
	Transfer	7th July 2017	1,042	0.00	6,760	0.00
	Transfer	14th July 2017	(200)	0.00	6,560	0.00
	Transfer	15th December 2017	1000	0.00	7560	0.00
	At the end of the year		**7,560**	**0.00**	**7,560**	**0.00**

Note: During the year under review, there is change in percentage of capital because of shares were offered by the promoters in Initial Public Offering of the Bank via Offer for Sale and purchase and sale made by the promoters group as mentioned hereinabove. The variation in terms of percentage is due to increase in paid up share capital of the Bank on account of allotment of shares during the year ended 31st March 2018.

(iv) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

1. REDWOOD INVESTMENT LTD

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		5,97,70,794	21.03	5,97,70,794	21.03
	Transfer	23rd June 2017	(1,48,00,000)	(5.21)	4,49,70,794	15.82
	At the end of the year		**4,49,70,794**	**15.74**	**4,49,70,794**	**15.74**

2. INTERNATIONAL FINANCE CORPORATION (IFC)

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		3,02,88,678	10.66	3,02,88,678	10.66
	Transfer	23rd June 2017	(75,72,169)	(2.65)	2,27,16,509	7.99
	At the end of the year		**2,27,16,509**	**7.95**	**2,27,16,509**	**7.95**

3. LABH INVESTMENTS LIMITED

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		2,25,37,530	7.93	2,25,37,530	7.93
	Transfer	23rd June 2017	(1,12,50,000)	(3.96)	1,12,87,530	3.97
	Transfer	29th June 2017	(5,00,000)	(0.17)	1,07,87,530	3.80
	At the end of the year		**1,07,87,530**	**3.78**	**1,07,87,530**	**3.78**

4. OUREA HOLDINGS LIMITED

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		2,11,49,064	7.44	2,11,49,064	7.44
	Transfer	23rd June 2017	(1,03,65,368)	(3.65)	1,07,83,696	3.79
	At the end of the year		**1,07,83,696**	**3.77**	**1,07,83,696**	**3.77**

5. SBI MAGNUM BALANCED FUND

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		0	0.00	0	0.00
	Transfer	07th July 2017	8,86,289	0.31	8,86,289	0.31
	Transfer	12th July 2017	89,29,959	3.13	98,16,248	3.45
	Transfer	13th July 2017	41	0.00	98,16,289	3.45
	Transfer	21th July 2017	(17,669)	0.01	97,98,620	3.45
	Transfer	11th August 2017	5,15,000	0.18	1,03,13,620	3.63
	Transfer	08th September 2017	(20,962)	(0.01)	1,02,92,658	3.62
	Transfer	06th October 2017	9,803	0.00	1,03,02,461	3.62
	Transfer	27th October 2017	(5,000)	(0.00)	1,02,97,461	3.62
	Transfer	03rd November 2017	(5,16,000)	(0.18)	97,81,461	3.44
	Transfer	17th November 2017	23,941	0.01	98,05,402	3.43
	Transfer	24th November 2017	1,02,391	0.04	99,07,793	3.47
	Transfer	08th December 2017	(23,962)	(0.01)	98,83,831	3.46
	Transfer	16th February 2018	45,000	0.02	99,28,831	3.48
	Transfer	31th March 2018	(8,894)	(0.00)	99,19,937	3.47
	At the end of the year		**99,19,937**	**3.47**	**99,19,937**	**3.47**

6. MOTILAL OSWAL MOST FOCUSED MULTICAP 35 FUND

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		0	0.00	0	0.00
	Transfer	07th July, 2017	5,96,343	0.21	5,96,343	0.21
	Transfer	12th July 2017	22,31,000	0.78	28,27,343	0.99
	Transfer	13th July 2017	1,00,000	0.04	29,27,343	1.03
	Transfer	21st July 2017	6,30,000	0.22	35,57,343	1.25
	Transfer	11th August 2017	2,32,569	0.08	37,89,912	1.33
	Transfer	18th August 2017	85,370	0.03	38,75,282	1.36
	Transfer	25th August 2017	80,359	0.03	39,55,641	1.39
	Transfer	15th September 2017	1,75,184	0.06	41,30,825	1.45
	Transfer	22nd September 2017	2,50,000	0.09	43,80,825	1.54
	Transfer	29th September 2017	1,00,000	0.04	44,80,825	1.58
	Transfer	06th October 2017	2,43,049	0.09	47,23,874	1.66
	Transfer	20th October 2017	25,000	0.01	47,48,874	1.67
	Transfer	03rd November 2017	79,818	0.03	48,28,692	1.70
	Transfer	10th November 2017	33,740	0.01	48,62,432	1.71
	Transfer	24th November 2017	(46,439)	(0.02)	48,15,993	1.69
	Transfer	22nd December 2017	99,950	0.03	49,15,943	1.72
	Transfer	29th December 2017	50	0.00	49,15,993	1.72
	Transfer	26th January 2018	(2,00,000)	(0.07)	47,15,993	1.65
	Transfer	09th February 2018	1,00,000	0.04	48,15,993	1.69
	Transfer	23rd February 2018	5,00,000	0.18	53,15,993	1.86
	Transfer	16th March 2018	1,52,569	(0.05)	51,63,424	1.81
	Transfer	23rd March 2018	1,00,000	(0.04)	50,63,424	1.77
	At the end of the year		**50,63,424**	**1.77**	**50,63,424**	**1.77**

7. SBI LIFE INSURANCE CO. LTD

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		48,57,144	1.71	48,57,144	1.71
	Transfer	07th July 2017	2,95,631	0.10	51,52,775	1.81
	Transfer	13th July 2017	(2,95,631)	(0.10)	48,57,144	1.71
	At the end of the year		**48,57,144**	**1.70**	**48,57,144**	**1.70**

8. ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		48,57,144	1.71	48,57,144	1.71
	Transfer	-	0	0.00	0	0.00
	At the end of the year		**48,57,144**	**1.70**	**48,57,144**	**1.70**

9. AMANSA HOLDINGS PRIVATE LIMITED

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		0.00	0.00	0	0.00
	Transfer	07th July 2017	5,67,312	0.20	5,67,312	0.20
	Transfer	18th August 2017	10,92,426	0.38	16,59,738	0.58
	Transfer	25th August 2017	3,24,494	0.11	19,84,232	0.70
	Transfer	01st September 2017	1,71,925	0.06	21,56,157	0.76
	Transfer	22nd September 2017	2,26,614	0.08	23,82,771	0.84
	Transfer	29th September 2017	10,73,747	0.38	34,56,518	1.22
	Transfer	06th October 2017	3,65,740	0.13	38,22,258	1.34
	Transfer	20th October 2017	4,665	0.00	38,26,923	1.35
	Transfer	27th October 2017	4,08,729	0.14	42,35,652	1.49
	Transfer	23rd February 2018	2,85,930	0.10	45,21,582	1.58
	At the end of the year		**45,21,582**	**1.58**	**45,21,582**	**1.58**

10. MOTILAL OSWAL SEC. LTD

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		32,81,796	1.15	32,81,796	1.15
	Transfer	12th July 2017	1,88,323	0.07	34,70,119	1.22
	Transfer	13th July 2017	(40,537)	(0.01)	34,29,582	1.21
	Transfer	14th July 2017	(28,888)	(0.01)	34,00,694	1.20
	Transfer	21st July 2017	1,17,299	0.04	35,17,993	1.24
	Transfer	28th July 2017	(93,523)	(0.03)	34,24,470	1.20
	Transfer	04th August 2017	(20,206)	(0.00)	34,04,264	1.20
	Transfer	11th August 2017	2,31,915	0.08	36,36,179	1.28
	Transfer	18th August 2017	(62,183)	(0.02)	35,73,996	1.26
	Transfer	25th August 2017	(1,93,683)	(0.07)	33,80,313	1.19
	Transfer	01st September 2017	(9,304)	(0.00)	33,71,009	1.19
	Transfer	08th September 2017	(11,287)	(0.01)	33,59,722	1.18
	Transfer	15th September 2017	42,460	0.01	34,02,182	1.20
	Transfer	22nd September 2017	(37,280)	(0.01)	33,64,902	1.18
	Transfer	29th September 2017	(16,556)	(0.01)	33,48,346	1.18
	Transfer	06th October 2017	38,760	0.01	33,87,106	1.19
	Transfer	13th October 2017	9,396	0.00	33,96,502	1.19
	Transfer	20th October 2017	43,002	0.02	34,39,504	1.20
	Transfer	27th October 2017	(23,931)	(0.01)	34,15,573	1.20
	Transfer	03rd November 2017	36,593	0.01	34,52,166	1.21
	Transfer	10th November 2017	(64,851)	(0.02)	33,87,315	1.19
	Transfer	17th November 2017	11,160	0.00	33,98,475	1.19
	Transfer	24th November 2017	(47,781)	(0.02)	33,50,694	1.17
	Transfer	01st December 2017	17,489	0.01	33,68,183	1.18
	Transfer	08th December 2017	(15,512)	(0.01)	33,52,671	1.17
	Transfer	15th December 2017	3,280	0.00	33,55,951	1.17
	Transfer	22nd December 2017	9,173	0.00	33,65,124	1.18
	Transfer	29th December 2017	(16,335)	(0.01)	33,48,789	1.17
	Transfer	05th January 2018	22,372	0.01	33,71,161	1.18
	Transfer	12th January 2018	(15,913)	(0.01)	33,55,248	1.17
	Transfer	19th January 2018	(5,806)	(0.00)	33,49,442	1.17
	Transfer	26th January 2018	(5,254)	(0.00)	33,44,188	1.17
	Transfer	02nd February 2018	(4,485)	(0.00)	33,39,703	1.17
	Transfer	09th February 2018	(15,080)	(0.01)	33,24,623	1.16
	Transfer	16th February 2018	3,877	0.00	33,28,500	1.17
	Transfer	23rd February 2018	12,581	0.00	33,41,081	1.17
	Transfer	02nd March 2018	(4759)	(0.00)	33,36,322	1.17
	Transfer	09th March 2018	3,388	(0.00)	33,39,710	1.17
	Transfer	16th March 2018	1,183	0.00	33,40,893	1.17
	Transfer	23rd March 2018	(9,946)	(0.00)	33,30,947	1.17
	Transfer	31st March 2018	6,568	0.00	33,37,515	1.17
	At the end of the year		**33,37,515**	**1.17**	**33,37,515**	**1.17**

Note: during the year under review, there is change in percentage of capital because of shares were offered by the investors selling shareholders in Initial Public Offering of the Bank via Offer for Sale. Further, purchase and sale made by the Shareholders as mentioned hereinabove. The variation in terms of percentage is due to increase in paid up share capital of the Bank on account of allotment of shares during the year ended March 31, 2018.

(v) Shareholding of Directors and Key Managerial Personnel

1. Mr. Sanjay Agarwal – Managing Director & CEO

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		5,84,77,128	20.57	5,84,77,128	20.57
	Transfer (Shares offered in Initial Public Offer via Offer for Sale)	23rd June 2017	(24,94,769)	0.88	5,59,82,359	19.69
	At the end of the year		**5,59,82,359**	**19.59**	**5,59,82,359**	**19.59**

2. Mr. Uttam Tibrewal – Whole-time Director

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		25,19,790	0.89	25,19,790	0.89
	Transfer	07th July 2017	1,042	0.00	25,20,832	0.89
	Transfer	06th October 2017	(40,861)	(0.01)	24,79,971	0.87
	Transfer	09th October 2017	(50,000)	(0.02)	24,29,971	0.85
	Transfer	10th October 2017	(50,000)	(0.02)	23,79,971	0.84
	Transfer	11th October 2017	(1,00,000)	(0.04)	22,79,971	0.80
	Transfer	12th October 2017	(35,107)	(0.01)	22,44,864	0.79
	Transfer	13-Oct-17	(1,00,000)	(0.04)	21,44,864	0.75
	Transfer	3-Nov-17	(1,00,000)	(0.04)	20,44,864	0.72
	Transfer	6-Nov-17	(64,352)	(0.02)	19,80,512	0.70
	Transfer	7-Nov-17	(65,416)	(0.02)	19,15,096	0.67
	Transfer	20-Nov-17	(23,173)	(0.01)	18,91,923	0.67
	Transfer	21-Nov-17	(5,17,553)	(0.18)	13,74,370	0.48
	Transfer	24-Nov-17	7,45,385	0.26	21,19,755	0.74
	Transfer	27-Nov-17	(97,284)	(0.03)	20,22,471	0.71
	Transfer	29-Nov-17	(45,875)	(0.02)	19,76,596	0.69
	At the end of the year		**19,76,596**	**0.69**	**19,76,596**	**0.69**

3. Mr. Krishan Kant Rathi- Independent Director

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		1,14,288	0.04	1,14,288	0.04
	Transfer	02nd June 2017	(19,999)	(0.01)	94,289	0.03
	At the end of the year		**94,289**	**0.03**	**94,289**	**0.03**

4. Mr. Deepak Jain - Chief Financial Officer

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		11,40,438	0.40	11,40,438	0.40
	Transfer	07th July 2017	1,041	0.00	11,41,479	0.40
	Transfer	03rd October 2017	(3,500)	0.00	11,37,979	0.40
	Transfer	06th October 2017	(45,526)	(0.02)	10,92,453	0.38
	Transfer	09th October 2017	(72,000)	(0.03)	10,20,453	0.36
	Transfer	11th October 2017	(1,35,000)	(0.05)	8,85,453	0.31
	Transfer	13th October 2017	(65,000)	(0.02)	8,20,453	0.29
	Transfer	24th November 2017	1,01,912	0.04	9,22,365	0.32
	Transfer	12th December 2017	(8,742)	0.00	9,13,623	0.32
	At the end of the year		**9,13,623**	**0.32**	**9,13,623**	**0.32**

5. Mr. Manmohan Parnami - Company Secretary

Sr. No	Particulars	Date	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year		48,888	0.02	48,888	0.02
	Transfer	07th July 2017	1,041	0.00	49,929	0.02
	Transfer	24th November 2017	5,381	0.00	55,310	0.02
	At the end of the year		**55,310**	**0.02**	**55,310**	**0.02**

Note: During the year under review, there is change in percentage of capital because of shares offered in Initial Public Offering of the Bank via Offer for Sale and shares were purchased and sold during the reporting period. Further, variation in terms of percentage is due to increase in paid up share capital of the Bank on account of allotment of shares during the year ended 31st March 2018.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(₹ in lakh)

	Secured Loans excluding deposits	Unsecured Loans	Deposits*	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	5,23,122.26	1,83,975.44	-	7,07,097.70
ii) Interest due but not paid	16.89	0.00	-	16.89
iii) Interest accrued but not due	16,647.59	1,847.60	-	18,495.19
Total (i+ii+iii)	**5,39,786.75**	**1,85,823.04**	**-**	**7,25,609.79**
Changes in Indebtedness during the financial year				
Addition	5,50,839.03	6,27,298.19	-	11,78,137.21
Reduction	5,96,300.47	5,25,047.98	-	11,21,348.45
Net Change	**(45,461.44)**	**1,02,250.21**	**-**	**56,788.77**
Indebtedness at the end of the financial year				
i) Principal Amount	4,77,660.82	2,86,225.65	-	7,63,886.47
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	5,682.65	15,912.51	-	21,595.16
Total (i+ii+iii)	**4,83,343.46**	**3,02,138.16**	**-**	**7,85,481.63**

Note: (i) During the FY 2017-18 status of some NCDs & Term Loan were changed from Secured to Unsecured.

(ii) The effect of the same has been taken in Addition/Reduction Column by deducting the Opening Balance amount from Secured Borrowings in Reduction Column and Added in Unsecured Borrowings in Addition Column.

(iii) Deposits received by the Bank are in the ordinary course of banking business, which does not amount to deposit in terms of the provisions of the Companies Act, 2013, hence, not included hereinabove.

VI) REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager

Sl. No	Particulars of Remuneration	Name of MD/WTD/Manger		Total Amount (₹ in lakh)
		Mr. Sanjay Agarwal MD & CEO	Mr. Uttam Tibrewal WTD**	TOTAL
1.	Gross salary	147.41	127.84	275.25
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961			
	(b) Value of perquisites u/s 17(2) Income-tax Act,1961			
	(c) Profits in lieu of salary under section 17(3) Income tax Act, 1961			
2	Stock Option	-	10,57,460 ESOP*	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	as % of profit			
	others specify			
5	Others please specify	-	-	-
	Total (A)@	**147.41**	**127.84**	**275.25**
	Ceiling as per the Act:	Being 10% of the net profits of the Bank calculated as per Section 198 of the Companies Act, 2013		

*Mr. Uttam Tibrewal, Whole-time Director of the Bank was granted 38,702 ESOPs under ESOP Scheme 2015 - Plan A & 10,18,758 ESOPs Under ESOP Scheme 2015 - Plan B during the year at exercise price of Rs. 10.11 & Rs. 33.37 each respectively, which are subject to RBI approval.
@The total remuneration consist of basic salary, taxable allowances including special allowance and annual performance linked bonus and exclusive of perquisites on ESOPs. ESOPs granted during the year have been mentioned hereinabove. The detailed terms of employment of MD & CEO and WTD are governed by RBI approval.
**The remuneration of Mr. Uttam Tibrewal – Whole Time Director of the Bank does not include perquisites on ESOP amounting to ₹ 41.38 crore which were exercised during the period under review.
Note: As recorded in Audited Financial Statements of the Bank.

B. Remuneration to other Directors

(₹ in lakh)

Sl. No.	Particulars of remuneration		Name of Directors				Total amount
			Krishan Kant Rathi	Mannil Venugopalan	Jyoti Narang	Raj Vikash Verma	
1.	Independent Directors For attending board committee meetings	Director's Sitting Fees	9.40	7.20	5.60	-	22.20
	Commission Others, Please specify	Profit related Commission	10.00	16.64	10.00	1.69	38.33
	Total (1)*		**19.40**	**23.84**	**15.60**	**1.69**	**60.53**
			Name of Directors				Total amount
			Narendra Ostawal				-
2.	Other Non-executive Directors Fee For attending board committee meetings					-	-
	Commission						
	Others, Please specify						
	Total (2)					**-**	**-**
	Total (B)=(1)+(2)		**19.40**	**23.84**	**15.60**	**1.69**	**60.53**
	Total managerial remuneration						
	Ceiling as per the Act		**Note:** In terms of provisions of Companies Act, 2013, the remuneration payable to directors other than executive directors shall not exceed 1% of the net profit of the Bank. The remuneration paid to directors was within prescribed limits during the year.				

*₹79.02 lakh were recorded as expenditure in books of accounts pertaining to Director sitting fees, profit related commission and Mr. Raj Vikash Verma profit related commission was paid in FY 2018-19.
Mr. Raj Vikash Verma as Independent Director and Mr. Narendra Ostawal as Nominee Director appointed on Board of Bank with effect from 30th January 2018 and no sitting fee was payable to them.

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

(₹ in lakh)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel		
		Deepak Jain (CFO)*	Manmohan Parnami (Company Secretary)*	Total
1.	Gross Salary Salary as per provisions contained in Section 17(1) of the income tax act,1961 Value of perquisites u/s 17(2) Income tax act,1961 Profits in lieu of salary u/s 17(3) Income tax Act,1961	97.93	34.23	132.16
2.	Stock Option (granted during the year @ Exercise Price of ₹140 each)	-	2,491	2,491
3.	Sweat Equity	-	-	-
4.	Commission -as a % of profit -others, specify	-	-	-
5.	Others, please specify (It includes amount of Bonus and arrear appraisal for FY 2016-17)	100.00	10.45	110.45
	Total@	**197.93**	**44.68**	**242.61**

@ The total remuneration consist of basic salary, taxable allowances including special allowance and annual performance linked bonus and exclusive of perquisites on ESOPs. ESOPs granted during the year have been mentioned hereinabove.
* The remuneration of Mr. Deepak Jain – Chief Financial Officer & Mr. Manmohan Parnami - Company Secretary of the Bank does not include perquisites on ESOP amounting to ₹5.79 crore & ₹0.30 crore respectively which were exercised during the period under review.

VII) PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief description	Details of penalty /punishment / compounding fees imposed	Authority {RD/ NCLT/COURT}	Appeal made, if any
A. Bank					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
B. Directors					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
C. Other Officers in Default					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

Note: There were neither any Penalties levied on the Company nor any punishment was granted and no compounding of offences was carried out during the year under Companies Act, 2013, RBI, SEBI and other authorities.

For and on behalf of the Board of Directors
AU SMALL FINANCE BANK LIMITED

Sanjay Agarwal
Managing Director & CEO
DIN: 00009526

Uttam Tibrewal
Whole-time Director
DIN: 01024940

Date: 26th April 2018
Place: Jaipur

ANNEXURE VII

BUSINESS RESPONSIBILITY REPORT

At AU Small Finance Bank (AU Bank), the practices pertaining to Environment, Social and Governance (ESG) are an integral component of our business and of other support functions. These practices are well integrated within our systems and processes.

Our commitment to the ESG practices goes beyond the statutory requirements and therefore we follow the best ESG practices in carrying out our business operations. While conducting our business, we strive to continuously improve our internal management system, products and services to make a more positive and meaningful impact on society and the environment.

In this report, we have enlisted our activities in sync with the principles of the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released by the Ministry of Corporate Affairs in 2011.

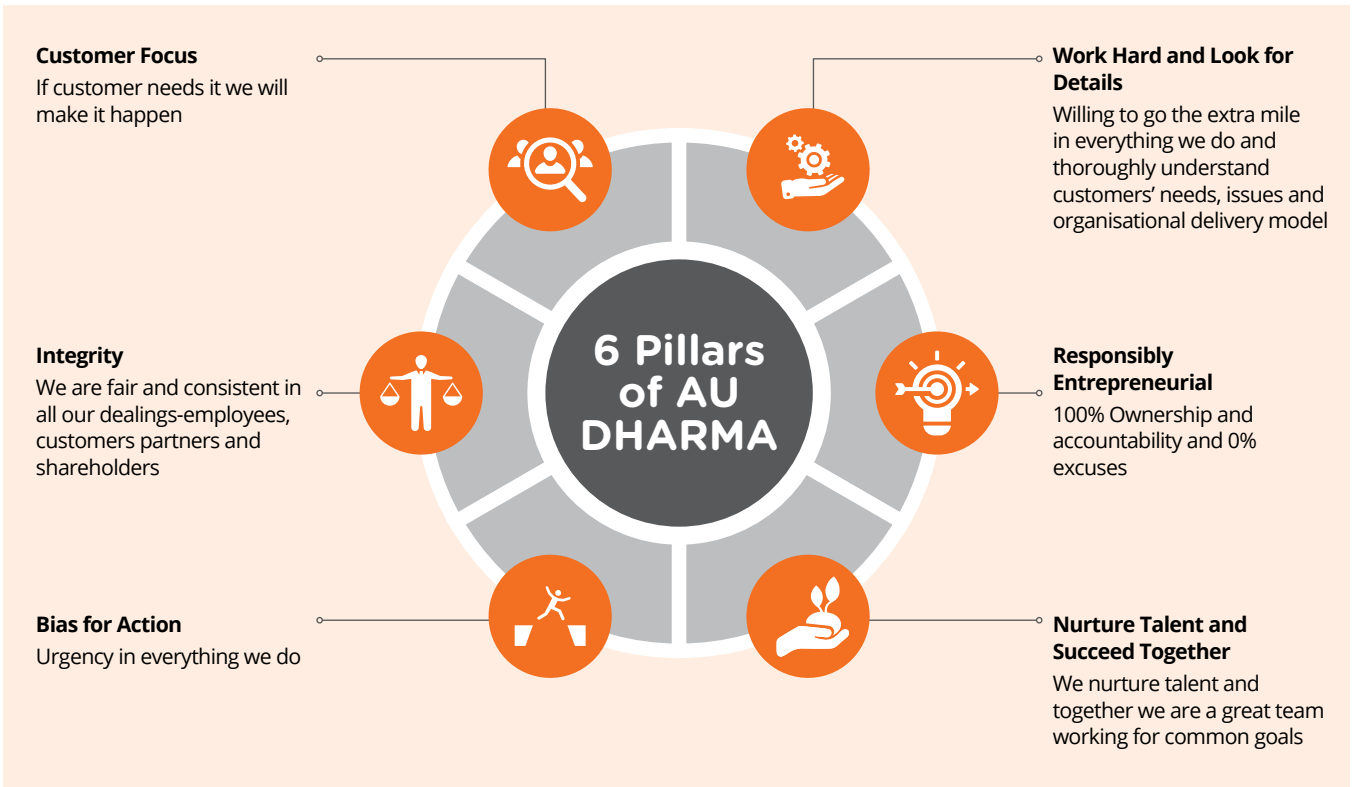
We have prepared this report in accordance with the clause (f) of sub regulation (2) of regulation 34 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in a format prescribed under SEBI Circular no. CIR/CFD/CMD/10/2015 Section 135, Schedule VII of the Companies Act, 2013, and the subsequent relevant notifications issued by the Ministry of Corporate Affairs, Government of India.

AU DHARMA – AU BANK'S APPROACH TO BUSINESS RESPONSIBILITY

At AU Bank, we conduct our business operations and activities in a fair, transparent and accountable manner, which is also backed by a strong policy framework and an internal Code of Conduct. We have implemented suitable monitoring mechanisms and controls to ensure adherence to all our ethical business practices.

We lay special attention on the fact that even in all our day-to-day workings our governance framework and predefined business practices are adhered to without any compromises. Therefore, we have defined and designed our working practices in the form of AU Dharma.

Our thoughtfully devised 'AU Dharma' guides the entire team of the Bank in discharging their everyday duties in a fair and professional manner.



PRINCIPLE WISE PERFORMANCE

PRINCIPLE 1: ETHICS, TRANSPARENCY AND ACCOUNTABILITY

AU Bank has established lasting relationships with its customers, investors and all other stakeholders on the foundation of integrity, ethics and right governance. Our Board has laid a special emphasis on establishing the culture of transparency and accountability at every level within the Bank.

For discharging the responsibility on financial disclosures, the Bank has formulated the following mechanism:

The Bank has following policies in place viz. Compliance Policy, Fraud Risk Management Policy, Anti-Bribery and Anti-Corruption Policy, Code of Conduct for employees, Code of Conduct for Insider Trading, Related party and Materiality policy and other codes/policies and a charter that helps the Bank to govern itself in an ethical environment and enriching the transparency and accountability in its operations.

Policies/codes/charter exclusively designed for internal management is accessible only to the Bank's personnel and other policies are hosted by the Bank on its website.

In addition to this, all our employees are empowered with a Whistle Blower Policy, which allows them to share a feedback with the Bank and its management team on anything which they deem unethical or inappropriate.

1. Does the policy relating to ethics, bribery and corruption cover only the company? Yes/ No. Does it extend to the Group/Joint Ventures/Suppliers/ Contractors/NGOs/Others?

   This Policy applies to all employees working at all levels and grades, including Directors and any other person directly associated with the Bank including Business Correspondents of the Bank.

   This Policy also applies in all dealings/transactions of the Bank's staff inter se or with customers, regulators, investors, Vendors or other agencies.

   The Bank is not part of any other group nor it has any Joint Ventures/NGOs under its belt.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

   The Bank received four Stakeholder's complaints in FY 2017-18 from Scores and 100% complaints were resolved satisfactorily and no complaint was outstanding on 31st March 2018.

PRINCIPLE 2: PRODUCTS AND SERVICES DESIGNED WITH ENVIRONMENTAL AND SOCIAL OPPORTUNITIES

AU Bank's products and services are developed to meet the constantly evolving needs of our customers. The Bank undertakes every such change keeping in view the prevailing regulations, customer convenience and its sustainable impact on our socio-economic environment.

Since, our inception in the year 1996 and erstwhile as Au Financiers, we have remained focussed on helping our lakhs of unserved and underserved customers in realising their dreams in rural and semi-urban India.

The case study of one of our customer Smt. Hema Rathore is an appropriate example of that.

Mrs. Hema Rathore

Brief description
Motor Driving Learning Business

Loan Amount
₹2,75,000, ₹2,15,000 and ₹2,36,000

2016 was not a happy new year for Hema Rathore surely. "When my 32 years old son passed away due to heart attack in the beginning of year 2016, I thought it was a very bad year, not realising that it was going to get worse. I lost my younger son in the next 2 months and eventually my husband by the end of that year. Suddenly, within a couple of months, my life was over" says a teary-eyed Hema.

It has been one year since this avalanche happened in her life, but Hema has regained control and hopes. This is the story of transformation of a docile woman into a fiery lady who went to work for the first time after she had lost everything in life. Even age was not on her side, she was 54. "I had not even finished grieving completely when I realised that I was the head of this delicate family of two young widows and four grandchildren. My husband had a motor driving school and within a month we were struggling to even pay the EMI of vehicles, leave aside running the business. That is when I decided to take control," says Hema.

Hema contacted Au Financiers (now AU Small Finance Bank) as she was unable to pay the EMI for the vehicles' funded by AU. She requested them for loan transfer in her name and a few months to get things in order. To her surprise, they agreed and assured her all kind of assistance in this difficult time, Slowly and steadily, she found her ground and developed an understanding of the business. She started paying the EMIs after two months. With the help of this loan and flexibility given by AU SFB, she took loan for more vehicles to run her motor driving business well.

One year later, today, Hema has a fleet of 4 vehicles and she employs 4 drivers in her motor driving school. The business is running better than ever. She is earning sufficient amount every month, paying her employees well and her EMIs on time, providing good education to her grandchildren. Furthermore, she is inducting her daughters-in-law in the business, as she wants them to be self-reliant before any circumstances push them.

Details about the business including products/ services offered by the unit:

Hema runs a motor vehicle driving school in Jaipur area and is currently operating four vehicles through drivers. Now, she is planning to expand this and get her daughters-in-law involved in this business.

The success achieved

As briefed above, after the demise of her husband and sons, in a very short span, she was able to realign the motor driving school business where no male member was there for support and they had no capital to survive. Even, they had no money to pay EMIs of loans. With the help of AU, she first gained control of the business and hired people to run her vehicles. Her monthly income has grown manifold and she is giving good education and life to grandchildren.

Employment generated

Hema provides employment to four drivers in her motor driving school (employees with her) which further generates livelihood for their families. She is now planning for more vehicles, which will further generate employment opportunities for more drivers.

AU Bank has taken several initiatives for maximising the Stakeholders' value. For example, with customer-centric approach, we uniquely designed our products and services keeping in the mind the interest of our customers. Our product features such as monthly interest pay-out, no cash deposit/withdrawal slips, minimum documentation and digital onboarding of customers reflect our understanding of our social fabric and speak of our mission of making banking simple and accessible for all. Our customer-centric policies viz customer grievance policy, customer service policy, customer compensation policy ensures that every customer is provided equal and highest quality service at the Bank.

AU Bank has a Social and Environmental Management System policy that outlines the procedures/workflow that is to be followed by the Bank in its operations.

The Bank and its borrower comply with its Social & Environmental Management System requirements by adhering to the IFC Exclusion List and ADB Prohibited Investment Activity List (ADB PIAL), the applicable national laws on environment, health, safety, social issues and any standards established therein.

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

All our products and services are designed keeping in mind the profile our customers and their impact on environmental concern, risk and opportunities.

Product Example – Secured Business Loans to MSME/SMEs

Since FY 2011-12, AU Bank (erstwhile as Au Financiers) has been systematically providing credit to smaller businesses and self-employed individuals segment, a section usually ignored by other banks, even without any formal data availability around them. AU Bank has been relentlessly supporting these businesses with its collateral backed loans and has been helping them in growing their operation. AU Bank sensed their potential and supported them through devising a way to informally assess them in the absence of reliable formal data. Similarly, AU Bank has strongly pushed on digital onboarding of customers with no paper work.

Example of a Service – No Deposit/Withdrawal Slip

Keeping in mind the lower literacy level in majority of our operational geographies, we allow customers to directly deposit cash even without filling a deposit slip, rather we issue a computer generated and filled slip to our rural customers.

Example of Service - Extended Banking Hours: Keeping in mind the requirements of our customers, AU Bank allows flexible business hours as per customer's needs.

In terms of our product suite, we have a full spectrum of retail loan, MSMEs, SME & Mid-corporate, branch banking, transaction banking and mobile & digital banking.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):

(a) Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?

AU Bank is focussed on efficient use of natural resources and reducing carbon footprint in the environment.

The Bank's products and processes are directed towards digitisation of our banking services in a customer friendly manner, thereby empowering our customers to carry out banking with more ease, less paper work and reduction in waste generation, and improved waste management.

(b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?

The Bank is rapidly adopting technology to digitise its operations and product offerings and has witnessed a strong growth in adoption of TAB-based account opening, android-based mobile banking, and internet banking, thus minimisaing paper usage. Through digitisation and door-to-door hassle-free services, we have reduced the customers' travel time and expenses, thereby reducing the fuel consumption and carbon emissions.

3. Does the company have procedures in place for sustainable sourcing (including transportation)?

(a) If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

Being in the banking industry, the resources of the Bank are intangible/fungible in nature. Adequate and timely measures are being adopted by the Bank to ensure that its resources are utilised in an efficient and optimum manner leading to sustainable use of its resources. The Bank does not utilise raw materials/resources directly, yet in procurements of electrical equipment ESP star ratings are taking into consideration while procuring products for its branches/offices to save electricity.

4. **Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?**

(a) **If yes, what steps have been taken to improve their capacity and capability of local and small vendors ?**

The Bank believes that best quality products and services should be provided to the customers. AU Bank carefully selects its vendors keeping in mind development of the local economy. AU Bank directly procures a lot of marketing, promotional, stationary, consumable materials from local SME vendors.

Being in service industry, the Bank always conduct proper checks before appointing any consultants/ service providers and ensures to select the best. The Bank's Code of Conduct enumerates its expectations from vendors/suppliers and partners.

Through extending credit and banking facilities, AU Bank majorly contributes in development of capacity and capability of thousands of smaller businesses, quite a few of them being vendors of AU Bank.

5. **Does the company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as<5%, 5-10%,>10%). Also, provide details thereof, in about 50 words or so.**

The above principle description is not applicable for a banking company.

PRINCIPLE 3: EMPLOYEE WELL BEING

EMPLOYEE VALUE PROPOSITION

AU Bank has always been an employee-centric bank and employees are an integral part of its growth and success strategy.

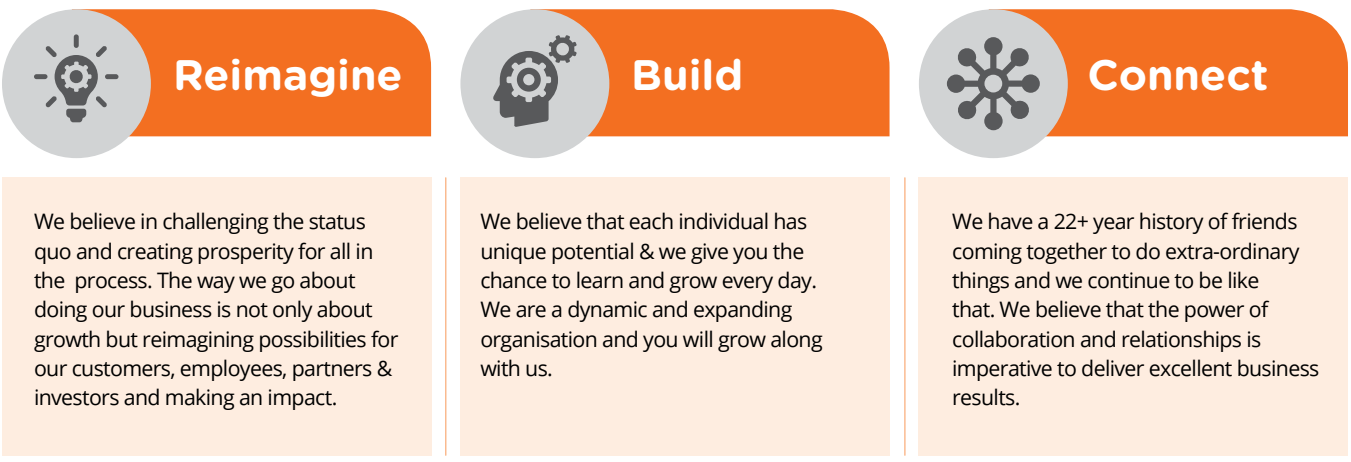
AU Bank is an equal opportunity employer and selects employees purely on merit and keeping in mind the job requirement, required skillsets and provides equal opportunities to all sections of society irrespective of the caste, creed, gender, race religion. At AU Bank, we develop our employees with regular trainings on products and services, behavioral and leadership development among others.

AU Bank also invested in a world-class human capital management system for its employees to redress their concerns, queries and to disseminate information. The system also offers e-learnings modules for enhancement of employee skillset at work, which leads to greater employee satisfaction.

The Bank's operations do not promote any child labour, forced labour or any form of involuntary labour and discrimination.

The Bank views employees as the paramount asset for an organisation and believe in nurturing them. Its approach towards its employees revolved around the following polices viz., Code of Conduct for the employees, Maternity Leave policy, Whistle Blower Policy, Employee leave policy, prevention of Sexual Harassment policy and other policies, codes and charter.

The polices, codes and charter are accessible for review by the Bank employees.



1. **Please indicate the Total number of employees.**
The total number of employees as on 31st March 2018 is 11151.

2. **Please indicate the Total number of employees hired on temporary/contractual/casual basis.**
Employees are being hired for Bank's operations.

3. **Please indicate the Number of permanent women employees.**
The total number of permanent women employees is 679.

4. **Please indicate the Number of permanent employees with disabilities.**
The total number of permanent employees with disabilities is six.

5. **Do you have an employee association that is recognised by management?**
The Bank does not have any association.

6. **What percentage of your permanent employees is members of this recognised employee association?**
Not Applicable.

7. **Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.**

No.	Category	No of complaints filed during the financial year	No of complaints Pending as on end of the financial year
1	Child labour/forced labour/involuntary	NIL	NIL
2	Sexual harassment	3	0
3	Discriminatory employment	NIL	NIL

8. **What percentage of your undermentioned employees were given safety & skill up-gradation training in the last year?**

I.	Permanent Employees	94%
II.	Permanent Women Employees	95%
III.	Causal/Temporary/Contractual Employees	NA
IV.	Employees with Disabilities	83%

PRINCIPLE 4: STAKEHOLDER ENGAGEMENT

As a bank that has just started banking operations and an entity, which has also got listed about a year back, we are engaging with number of new stakeholders. Hence, stakeholder engagement has assumed a greater importance.

AU Bank regularly and timely engages with all its stakeholders and earnestly addresses their valuable feedback. At AU Bank, we have devised a comprehensive and periodic stakeholder engagement framework keeping in the mind the nature, criticality, urgency and priority of stakeholder engagement.

The Bank has formulated Investor Grievance Redressal Policy with an objective to address the grievances of the Investors. Investors being one of the core constituent for our Bank, it is important to ensure that investors' concerns are properly addressed.

The Bank has designed policy on customer rights that protects the basic rights of its customers. It was pertinent for the Bank to follow the standard banking practices while dealing with individual customers. The said policy contains the right to review, appeal and complaint; to privacy, confidentiality, and to see information related to the service or user.

1. **Has the company mapped its internal and external stakeholders? Yes/No**
Yes, the Bank has mapped its internal and external Stakeholders.

2. **Out of the above, has the company identified the disadvantaged, vulnerable & marginalised stakeholders?**
Yes, as part of compliance with Small Finance Bank guidelines as prescribed by RBI and our strategic focus, a very large portion of all our loans are extended to disadvantaged, vulnerable and marginalised customers in the priority sector.

AU's journey, both as an NBFC earlier and now as a Bank has had several first's to its credit including:

- Creation of income generation opportunities for over 68% of our customers;
- Focussed priority sector lending; ~80% of The Bank's lending book is classified as priority sector loans

Sector-specific lending since it focusses on rural and semi-urban geographies providing financial services in unbanked and underbanked regions

- Over 45% branches in rural & semi-urban areas;
- Focussed on serving low-income populous;
- Over 3 lakh customers are with an average loan ticket size of less than ₹10 lakh;
- Solutions for customers with 'no CIBIL' history (new entrepreneurs) and
- Over 44% of our customers did not have a CIBIL or credit history, which means these customers were new to any formal credit platform.

Additionally, our home loans products are being offered with the key USP that focusses on the affordable housing segment i.e. Loan up to ₹30 lakh, providing access to formal finance channels for the first-time purchaser, providing interest subsidy through Pradhan Mantri Awas Yojana (PMAY)/Credit Linked Subsidy Scheme (CLSS) and funding for renovation of house.

3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalised stakeholders? If so, provide details thereof, in about 50 words or so.

Yes, covered in point 2 above.

PRINCIPLE 5: BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS.

AU Bank strongly advocates respecting and promoting basic human rights. Besides, the Bank has inherently adopted an exhaustive compliance mechanism at multiple levels, which minimises the slightest probability of any abuse of the fundamental human-rights principle. As an internal yardstick and a check mandated in the Fair Practice code, the Bank does not practice any bias in offering its products and services. Child labour is prohibited at AU Bank. Besides just conveying the contractual and statutory obligations, AU Bank conveys its humane approach to all its contractors and vendors. Similarly, all employees are provided complete freedom of choice in associating and expressing themselves at AU Bank.

AU Small Finance Bank believes in giving equal employment opportunities to employees from all walks of life and helping them with necessary tools to seamlessly do their jobs. In addition, AU Small Finance Bank also supports several institutions and organisations, including through its CSR initiatives, in furtherance of their objectives of helping people with disabilities.

Sr. No	Name of the Employee	Employed Since	Disability	Job Responsibilities	Support and Empowerment
1	Mr. Peeyush Bardia	Working from 2002 with AU Bank Lost vision in 2011 while on the job	Visually Impaired	Used to work in Marketing department as BM auto branch. Now works in Repayment operations department	Screen reader software on the laptop
2	Mr. Bharat Mali	2015	Visually Impaired Ex-student at Rajasthan Netraheen Kalyan Sangh	Gangapur Branch - CIBIL reporting, collection follow-ups and others	Screen reader software on the laptop
3	Mr. Alok Sharma	2016	Visually Impaired Ex-student at Rajasthan Netraheen Kalyan Sangh	Ajmer branch - CIBIL reporting, collection follow-ups and others	Screen reader software on the laptop
4	Mr. Pawan Kumar Mali	2016	Visually Impaired Ex-student at Rajasthan Netraheen Kalyan Sangh	Sardarsher branch - CIBIL reporting, collection follow-ups and others	Screen reader software on the laptop
5	Mr. Abhishek Verma	2017	Polio – Lower Body	Legal Ops at Bank House	-
6	Ms. Saraswati	2017	Visually Impaired	Tele Sales - Branch Banking	Screen reader software on laptop

AU Small Finance Bank – Supporting Organisations
Through its Corporate Social Responsibility initiatives, AU Bank supports several causes and issues of national and local interest. AU Bank's notable contribution in the field of disabilities include the work done for following institutions.

- Rajasthan Netraheen Kalyan Sangh
- School for Blind in Jaipur
- Louis Braille Drishtiheen Vikas Sansthan

1. Does the policy of the company on human rights cover only the company or extend to the Group/Joint Ventures/Suppliers/Contractors/ NGOs/Others?
Yes. At AU Bank all banking and related activities are undertaken in compliance of applicable laws. AU Bank does not promote any abuse/compromise of human rights for all its stakeholders.

All operations related policies having an impact on the stakeholders are hosted on the website of the Bank for creating awareness among stakeholders about their rights and process followed by the Bank for its operations.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?
During the financial year the Bank has not received any complaint(s) on human right violation.

PRINCIPLE 6: ENVIRONMENT
The Bank firmly believes that its resources should be utilised sustainably and optimally. AU Bank conducts its day-to-day business operations with the aim of minimising any harm to the environment. It ensures to reduce the usage of paper, use the right waste disposal procedures and optimises water usage.

We have always functioned towards the betterment of our community and the environment in which we work. Corporate Social Responsibility initiatives of the Bank primarily focusses on several other issues that impact community life such as healthcare, sanitation and literacy and others.

Through our Social and Environmental Management System policy, we function in responsible manner.

Initiatives for energy efficiency and carbon footprint reduction:
a. Installed LED lights across all offices and branches

b. Fitted capacitors at the chiller end of the HVAC systems within office premises and all branches

c. Use of Video Conferencing (VC) at big offices, to maximise interactions across the premises without having to travel between locations; similarly, conducting recruitment HR interviews through VCs

d. Equipped specific office premises with rain water harvesting structure

e. Fitted electric saver (timer) at various branches with glow-sign boards to turn off electricity at set times

f. Set up of APFC capacitors in electric panel across all branches

g. Designed branch architecture to maximise the use of natural light

h. Set a policy for double-sided printing as a default option for printing across locations/offices and

i. Communicated to all internal stakeholders on the importance of responsible use of resources periodically

1. Does the policy related to Principle 6 cover only the company or extends to the Group/ Joint Ventures/Suppliers/Contractors/NGOs/ others?
There are several policies that directly and indirectly focus on adherence of Principle 6.

The Bank endeavors to create strong, consistent value for stakeholders and live up to the trust and confidence reposed in its institution. The Bank, through its CSR initiatives, will continue to enhance value creation in the society and in the community in which it operates. The Bank shall promote growth for the society and community to fulfil its role as a socially responsible corporate with an environmental concern.

Bank endeavor to create awareness about among its vendors, suppliers about the policies that governs the Bank and the compliance to be ensured in this regard. Bank also promote that it vendors to adopt environment friendly measures in their operations.

2. Does the company have strategies/initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for web page etc.
No

3. Does the company identify and assess potential environmental risks? Y/N
The Bank assesses its environmental risk in multiple ways. It has implemented an in-house social environment and management system and a fair practice code, which helps the Bank to assess the

potential environmental risks in its operations covering loans and banking in transactions of the customers.

The Bank's credit policy and financial inclusion plans set out the guidelines for sanctioning, managing and monitoring the credit facilities in an environmentally responsible manner.

Being custodian of the public deposits, the Bank follows a stringent approach in investing and lending, thereby protecting the potential risk in the sector in which it operates.

4. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

Being a banking company and nature of operations comprising financial services this information is not applicable.

5. Has the company undertaken any other initiatives on clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.

The Bank's systems and processes ensure optimum energy usage by continuous monitoring of all forms of energy and increasing the efficiency of operations. Energy efficiency and conservation is a part of our business planning.

The Bank's branches and offices have optimum use of glass, which ensures maximum utilisation of day light, resulting in reduced consumption of electricity. Moreover, it procures star rated electric equipment, auto monitors, installation of LED lights that enhance resource efficiency at the Bank.

6. Are the emissions/waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?

Being a banking company and nature of operations comprising financial services this information is not applicable.

7. Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.

Nil.

PRINCIPLE 7 –BUSINESSES, WHEN ENGAGED IN INFLUENCING PUBLIC AND REGULATORY POLICY, SHOULD DO SO IN A RESPONSIBLE MANNER.

To responsibly discharge its duties and serve its customers, AU Bank regularly engages with multiple regulatory agencies, organisations, management institutes, and others. It also participates in several thought leadership and brainstorming workshops to upgrade its understanding on all critical matters. The Bank is an Associate Member of Indian Banking Association, CII and the Compliance & Secretarial function of the Bank keeps disseminating the important RBI, SEBI and other critical industry and regulatory circulars, updates on a regular basis to ensure Bank's operations are run in accordance with regulatory framework.

The Bank's partnership with various associations and organisations helps it to understand & address industry-wide issues and thus develop policies that are beneficial to the Bank as well as its stakeholders.

1. Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:

1. Confederation of Indian Industry (CII)
2. Indian Banks Association
3. Indian Institute of Banking and Finance (IIBF)
4. Society of Indian Automobile Manufactures (SIAM)

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good?

No.

PRINCIPLE 8 – CORPORATE SOCIAL RESPONSIBILITY – INCLUSIVE GROWTH

The Corporate Social Responsibility Policy (CSR Policy) of the Bank sets out the broad framework guiding the Bank's CSR activities. The Policy also sets out the principles and the rules that need to be adhered to while taking up and implementing CSR activities to be undertaken as specified in Schedule VII of the Companies' Act, 2013 (excluding the activities pursued in the normal course of business) and the expenditure thereon.

Amongst several initiatives enlisted under Schedule VII of Companies Act, 2013 and supported by The Bank, it has identified opportunities for sustainable livelihood for underprivileged through vocational skilling, digital and financial literacy and promoting sporting talent by providing the right intervention in the field of Olympic and Paralympic

event, as its focus areas. While undertaking projects related to its core focus areas or other initiatives, the Bank will universally follow the key principles of Sustainability, Accountability, Equality and will undertake projects which benefit a larger section of society and help address critical development issues of communities in which it operates.

1. **Does the company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8 ? If yes details thereof**
   AU Small Finance Bank has always functioned with a strong commitment towards the improvement of the community and complement through its efforts by focussing on the development activities as per local and national level priorities. To ensure that its initiatives are aligned with the overall CSR objectives, the Bank has identified the following core focus areas for its CSR:

   The Bank has CSR policy and CSR committee in place wherein social development programme projects and priorities are decided and implemented. Main priority area under schedule VII of the Companies Act, 2013 are as follows.

   - Financial Inclusion through Livelihood Enhancement & Vocational Skill training;
   - Promotion of Rural, National, Paralympic & Olympic sports; and
   - Educating society at large through Financial & Digital literacy.

   The detailed description is available in the CSR report section of the annual report.

2. **Are the programmes/projects undertaken through in-house team/own foundation/ external NGO/government structures/any other organisation?**
   Programmes are undertaken by the Bank on its own and through credible implementing agencies.

3. **Have you done any impact assessment of your initiative?**
   Yes, at periodic intervals, CSR Committee and Board of the Bank is presented with progress and impact updates of critical CSR initiatives undertaken under schedule VII of the Companies Act, 2013.

   CSR initiatives undertaken by the Bank are included in the Corporate Social Responsibility section of Annual Report.

4. **What is your company's direct contribution to community development projects- amount in INR and the details of the projects undertaken?**
   This is covered in detail under the Corporate social responsibility report of the Bank.

5. **Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.**
   AU Bank makes sincere efforts in promoting sustainable community development initiatives. AU Bank is duly incorporating ways and means to permeate the successful adoption of its community development initiatives.

PRINCIPLE 9: CUSTOMER VALUE

Customer focus is one of the key pillars of AU Dharma.

We have always focussed on offering simple, assessible, cost-effective, best-in-class products and solutions to our valued customers. At AU Bank, our mission goes beyond the customer servicing and we only aim for Customer Delight and going beyond his imagination.

AU Bank's deep customer centricity is strongly reflected through its uniquely designed product features viz. monthly interest pay-outs, minimal paper work, digital onboarding, true anywhere banking, and others. Besides that, our extended banking hours, multiple engagement channels including mobile and digital banking allow great freedom, flexibility and choice to our customers.

Customers being at the focal point for organisation always have significant impact on the growth of any organisation. To provide value to their customers, the Bank has adopted robust mechanism and has formed several customer-centric policies with an array of basic consumer services to redressal mechanism.

1. **What percentage of customer complaints/ consumer cases are pending as on the end of financial year?**
   For the Financial Year 2017-18, the Bank has resolved 99% of complaints.

2. **Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A./ Remarks (additional information)**
   - As a bank our products are intangible, thus product label requirement is not applicable on us. We promptly communicate all the features, charges, terms and conditions for all of products

and services to all our customers through display on website, at branches via collaterals and notice boards;

- Detailed on welcome letter/receipts to customers;
- Key applicable conditions are shared with customers at the time of account opening as MITC (Most Important Terms & Conditions) and
- Any changes are shared via email/SMS/physical communications.

3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year? If so, provide details thereof, in about 50 words or so.

No cases are pending as on the end of financial year pertaining to unfair trade practices irresponsible advertising and/or anti-competitive behaviour during the last five years.

4. Did your company carry out any consumer survey/consumer satisfaction trends?

The Bank is in process of setting up an internal agency for carrying out annual consumer survey/consumer satisfaction trends. For Financial year 2017-18 bank has not carried out any consumer survey.

SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1.	Corporate Identity Number (CIN) of the Company	L36911RJ1996PLC011381
2.	Name of the Company	AU SMALL FINANCE BANK LIMITED
3.	Registered address	19-A, Dhuleshwar Garden, Ajmer Road, Jaipur Rajasthan - 302001
4.	Website	www.aubank.in
5.	E-mail id	investorrelations@aubank.in
6.	Financial Year reported	1st April, 2017 to 31st March, 2018
7.	Sector(s) that the Company is engaged in (industrial activity code-wise)	Division 64 – Code 64191 (Banking Services) AU Small Finance Bank Limited is a banking company governed by the Banking Regulation Act, 1949
8.	List three key products/services that the Company manufactures/provides (as in balance sheet)	Being a banking company, it is engaged in banking and financial services including retail banking, corporate banking and treasury operations. Following is the bouquet of products offered by the Bank. **Liability Products** • Savings Accounts • Current Accounts • FD/RD • Trade & Forex • Insurance • Mutual Funds • Gold Loans • Lockers **Asset Products** • Wheels Loan, • Secured Business Loans to MSME, SME and Mid Corporate, • Gold Loan, • Agri-SME Loan • Home Loans • Other Products
9.	Total number of locations where business activity is undertaken by the Company	(a) Number of International Locations- NIL (Provide details of Major 5) (b) Number of National Locations – 497 as on 31st March 2018

10.	Markets served by the Company	Local	State	National	International
		✓	✓	✓	NA

SECTION B: FINANCIAL DETAILS OF THE COMPANY

1.	Paid up Capital	₹285,70,36,200/- as on 31st March 2018
2.	Total Turnover	₹2155.25 crore as on 31st March 2018
3.	Total profit after taxes	₹292 crore as on 31st March 2018
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	1.45%
5.	List of activities in which expenditure in 4 above has been incurred: -	**1. Promotion of Sports through** Jaipur Mahakhel - Season 2, Grassroot level football tournament at AU Bank Sports Village etc. **2. Promotion of Preventive Healthcare through** Sidart C/O society for integrated development for Health camps, Shekhawati Agarwal Samaj for Health & Eye check- up camp, Blood Donation Camps through Gem City Charitable Trust, Indian Association of Muscular Dystrophy, Kids Zone at J.K Lone Hospital **3. Promotion of Art & Culture** Initiative for Moral and Cultural Training Foundation, Promotion of art & culture at Jaipur, Hare Krishna Movement **4. Promotion of Education through** Pratham Shiksha Charitable Trust, HeCards NGO, Muskaan Foundation, distributing sweaters to children to government schools in Shahpura, Distribution of school infrastructure, school bags and other educational materials in goverment schools in & around Jaipur and Shahpura. Educational Scholarship to merit holders through Shekhawati Agarwal Samaj **5. Promotion of Swachh Bharat Mission through Sanitation** Construction of Toilet at ● Public Toilet facility at Vridhjan Park at Bikaner ● Girls Toilet at Adarsh Vidya Mandir ● Girls Toilet at Nursing College Amarsar ● Toilet at Kalyan Singh School, Shahpura ● Toilet at AU Bank Sports Village **6. Making available safe drinking water** Installation of water coolers at Jaipur, Shahpura and nearby areas

SECTION C: OTHER DETAILS

1. Does the Company have any Subsidiary Company/ Companies?
The Bank does not have any subsidiary company as on 31st March 2018.

2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s).
Not Applicable as on 31st March 2018.

3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]
No other entity participates in the BR initiatives of Bank.

SECTION D: BR INFORMATION

1. Details of Director/Directors responsible for BR

a) Details of Director responsible for implementation of the BR policy/policies

1. DIN Number : 00009526
2. Name : Mr. Sanjay Agarwal
3. Designation : Managing Director & CEO

b) Details of the BR Head:

No.	Particulars	Details
1.	DIN Number	Not Applicable
2.	Name	Mr. Sunil Parnami
3.	Designation	Chief of Investor relations & CSR Initiatives
4.	Telephone number	0141- 4110060/6660666
5.	E-mail id	sunil.parnami@aubank.in

2. Principle-wise (as per National Voluntary Guidelines) BR Policy/policies

(a) Details of compliance (Reply in Y/N)

S. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have a policy/policies for	Y	Y	Y	Y	Y	Y	Y	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3.	Does the policy conform to any national/international standards? If yes, specify? (50 words)	Y	Y	Y	Y	Y	Y	Y	Y	Y
4.	*Has the policy being approved by the Board? If yes, has it been signed by MD/owner/CEO/appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5.	Does the company have a specified committee of the Board/ Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6.	Indicate the link for the policy to be viewed online?	**www.aubank.in, https://www.aubank.in/au-notice-board**								
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	**The policies have been posted on the Bank's website for information of all stakeholders.**								
8.	Does the company have in-house structure to implement the policy/policies.	Y	Y	Y	Y	Y	Y	Y	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10.	Has the company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

*The policies are being put up to Board for approval after signature of respective process owner(s).

(b) If answer to the question at serial number 1 against any principle, is 'No', explain why: (Tick up to 2 options)

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	The company has not understood the Principles	-	-	-	-	-	-	-	-	-
2	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	-	-	-	-	-	-	-	-	-
3	The company does not have financial or manpower resources available for the task	-	-	-	-	-	-	-	-	-
4	It is planned to be done within next six months	-	-	-	-	-	-	-	-	-
5	It is planned to be done within the next one year	-	-	-	-	-	-	-	-	-
6	Any other reason (please specify)	-	-	-	-	-	-	-	-	-

3. Governance related to BR

(a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year.

This is the first time Bank is publishing the Business Responsibility Report. In future, the Bank will assess the BR performance annually.

(b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

BR/Sustainability Report Report will be published by the Bank annually. Report can be viewed at **https://www.aubank.in/investor-relations**

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Independent Auditor's Report

To
The Members of AU Small Finance Bank Limited (formerly Au Financiers (India) Limited)

Report on the Financial Statements

1. We have audited the accompanying financial statements of AU Small Finance Bank Limited (formerly Au Financiers (India) Limited) (the" Bank"), which comprise the Balance Sheet as at March 31, 2018, the Profit and Loss Account and the Cash Flow statement for the year then ended, and a summary of significant accounting policies and notes to the financial statements.

Management's Responsibility for the Financial Statements

2. The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 (the "Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank and the guidelines issued by the Reserve Bank of India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

5. In our opinion and to the best of our information and according to the explanations given to us, the financial statements together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Bank as at March 31, 2018, its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

6. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014.

7. As required sub section (3) of section 30 of the Banking Regulation Act, 1949 and the appointment letter dated September 30, 2017, we report that:

   (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

   (b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

   (c) The financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches; we have visited 10 branches for the purpose of our audit.

8. Further, as required by section 143(3) of the Companies Act, 2013, we further 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 purpose of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;

   (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;

   (d) In our opinion, the aforesaid financial statements comply with the Companies (Accounting Standards) Rules, 2006 (as amended) specified under section 133 of the Act, read with the Companies (Accounts) Rules, 2014;

   (e) On the basis of written representations received from the directors as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164 (2) of the Act;

   (f) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure 1" to this report; and

   (g) 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 does not have any pending litigations which would impact its financial position;

      ii. The Bank did not have any long-term contracts, including derivative contracts, for which there were any material foreseeable losses.

      iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per **Amit Kabra**
Partner
Membership Number: 094533
Place of Signature: Jaipur
Date: April 26, 2018

Annexure 1

to the Independent Auditor's Report of Even Date on the Financial Statements of AU Small Finance Bank Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (the "Act")

To the Members of AU Small Finance Bank Limited (formerly Au Financiers (India) Limited)

We have audited the internal financial controls over financial reporting of AU Small Finance Bank Limited (formerly Au Financiers (India) Limited) (the "Bank") as of March 31, 2018 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with

authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

per **Amit Kabra**
Partner
Membership Number: 094533
Place of Signature: Jaipur
Date: April 26, 2018

Balance Sheet

as at March 31, 2018

(Amount in '000)

	Schedule	As at March 31, 2018	As at March 31, 2017
Capital & Liabilities			
Capital	1	28,57,036	28,42,509
Employees stock options outstanding		1,74,959	61,524
Reserves & Surplus	2	1,97,79,832	1,69,71,893
Deposits	3	7,92,33,193	-
Borrowings	4	7,63,88,647	7,11,98,854
Other Liabilities and Provisions	5	98,94,060	67,37,459
Total		**18,83,27,727**	**9,78,12,239**
Assets			
Cash and Balances with Reserve Bank of India	6	49,21,236	1,34,304
Balances with banks and Money at Call and Short Notice	7	1,26,90,951	61,15,253
Investments	8	3,05,05,944	2,15,03,143
Advances	9	13,31,21,307	6,55,09,357
Fixed Assets	10	38,60,867	27,58,442
Other Assets	11	32,27,422	17,91,740
Total		**18,83,27,727**	**9,78,12,239**
Contingent Liabilities	12	51,60,692	54,43,910
Bills for Collection		-	-
Significant accounting policies and notes to accounts forming part of financial statements	17 & 18		

The Schedules referred to above form an integral part of the Balance Sheet.
As per our attached Report of even date.

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration No.: 101049W/E300004

per **Amit Kabra**
Partner
Membership No. 094533

Place: Jaipur
Date : April 26, 2018

For and on behalf of the Board of Directors
AU Small Finance Bank Limited
(Formerly Au Financiers (India) Limited)

Mannil Venugopalan
(Non-Executive Independent Part Time Chairman)

Sanjay Agarwal
(Managing Director and CEO)

Uttam Tibrewal
(Whole Time Director)

Deepak Jain
(Chief Financial Officer)

Manmohan Parnami
(Company Secretary)

Statement of Profit and Loss

for the year ended March 31, 2018

(Amount in '000)

	Schedule	Year Ended March 31, 2018	Year Ended March 31, 2017
I. Income			
Interest earned	13	1,76,71,899	1,27,99,986
Other income	14	38,80,601	80,99,613
Total Income		**2,15,52,500**	**2,08,99,599**
II. Expenditure			
Interest expended	15	82,67,285	49,63,078
Operating expenses	16	75,26,092	35,28,323
Provisions & contingencies (refer note 9- schedule 18A)		28,38,727	41,88,437
Total Expenditure		**1,86,32,104**	**1,26,79,838**
III. Profit/Loss			
Net profit/ (loss) for the year		29,20,396	82,19,761
Add: Balance in Profit/Loss Account brought forward from previous year		1,16,73,069	50,97,259
Total		**1,45,93,465**	**1,33,17,020**
IV. Appropriations			
Transfer to Statutory Reserves		7,30,099	16,43,951
Transfer to Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 (refer schedule 2.III)		2,05,000	-
Balance carried over to Balance Sheet		1,36,58,366	1,16,73,069
Total		**1,45,93,465**	**1,33,17,020**
V. Earning Per Share (Refer Note 5- Schedule 18B)			
Basic (₹)		10.26	30.18
Diluted (₹)		10.00	29.61
Nominal value per share (₹)		10.00	10.00
Significant accounting policies and notes to accounts forming part of financial statements	17 & 18		

The Schedules referred to above form an integral part of the Profit and Loss Account.
As per our attached Report of even date.

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration No.: 101049W/E300004

per **Amit Kabra**
Partner
Membership No. 094533

Place: Jaipur
Date : April 26, 2018

For and on behalf of the Board of Directors
AU Small Finance Bank Limited
(Formerly Au Financiers (India) Limited)

Mannil Venugopalan
(Non-Executive Independent Part Time Chairman)

Sanjay Agarwal
(Managing Director and CEO)

Uttam Tibrewal
(Whole Time Director)

Deepak Jain
(Chief Financial Officer)

Manmohan Parnami
(Company Secretary)

Cash Flow Statement

for the year ended March 31, 2018

(Amount in '000)

Particulars	As at March 31, 2018	As at March 31, 2017
Cash Flow from Operating Activities		
Profit after tax	**29,20,396**	**82,19,761**
Add: Provision for tax	15,13,083	32,13,657
Net Profit Before Taxes	**44,33,479**	**1,14,33,418**
Adjustments for :-		
Employee Stock Options Expense	1,41,263	40,746
Depreciation on Bank's Property	5,32,456	57,831
Amortization of Premium on HTM Investments	57,651	-
Provision for Employee Expenses	95,877	32,320
Provision for Non Performing Assets, Standard Assets and Other Provisions	9,31,297	2,23,700
Loss/(Profit) on sale of Fixed Assets	6,041	(568)
Operating profit before working capital changes	**61,98,064**	**1,17,87,447**
Movement in working capital		
Decrease/ (Increase) in Investments (other than Subsidiaries, Joint Ventures and Other HTM Investments)	81,94,119	(2,72,76,792)
Increase in Advances	(6,81,75,428)	(78,24,221)
Decrease / (Increase) in Other Assets	(13,23,416)	2,37,814
(Decrease) / Increase in Deposits	7,92,33,193	-
Increase/ (Decrease) in Other Liabilities and Provisions	24,62,734	22,31,067
Cash Flow from/ (used in) Operating Activities	**2,65,89,266**	**(2,08,44,685)**
Direct Taxes Paid (Net of refunds)	(15,41,584)	(32,03,895)
Net Cash Flow from/ (used in) Operating Activities (A)	**2,50,47,682**	**(2,40,48,580)**
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(16,49,722)	(25,71,563)
Proceeds from Sale of Fixed Assets	8,801	1,839
Investments in Subsidiaries/ Joint Ventures	-	-
Sale of investment in subsidiaries / associate (net of related expenses)	-	80,94,108
Investments in HTM securities	(1,72,54,572)	-
Dividend from Subsidiaries/ Joint Ventures	-	-
Net cash flow from/ (used in) Investing Activities (B)	**(1,88,95,493)**	**55,24,384**
Cash Flow from Financing Activities		
Proceeds from long-term borrowings	3,04,04,684	3,34,39,954
Repayment of long-term borrowings	(1,88,99,848)	(1,04,55,359)
Net proceeds/(repayment) of short-term borrowings	(63,15,043)	(1,25,297)
Money received on exercise of Stock Options/Issue of Shares	32,523	17,15,225
Debenture Issue Expenses	(11,875)	(94,873)
Net cash flow from/ (used in) in Financing Activities (C)	**52,10,441**	**2,44,79,650**

Cash Flow Statement

for the year ended March 31, 2018

(Amount in '000)

Particulars	As at March 31, 2018	As at March 31, 2017
Net Increase In Cash And Cash Equivalents (A + B + C)	1,13,62,630	59,55,454
Cash And Cash Equivalents At The Beginning Of The Year (Refer Note Below)	**62,49,557**	**2,94,103**
Cash And Cash Equivalents At The End Of The Year (Refer Note Below)	**1,76,12,187**	**62,49,557**
Note:		
Balance with Banks in India in Fixed Deposit (As per Sch 7 I (i) (b))	36,86,181	55,95,392
Balance with Banks in India in Current Account (As per Sch 7 I (i) (a))	3,55,731	5,19,861
Money at Call and Short Notice in India (as per Sch 7 I (ii))	86,49,039	-
Cash in hand (including foreign currency notes) (As per Sch 6 I.)	9,24,148	1,34,204
Balance with RBI in Current Accounts (As per Sch 6 II.)	39,97,088	100
Cash And Cash Equivalents At The End Of The Year	**1,76,12,187**	**62,49,557**

As per our attached Report of even date.

For **S. R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm Registration No.: 101049W/E300004

per **Amit Kabra**
Partner
Membership No. 094533

Place: Jaipur
Date : April 26, 2018

For and on behalf of the Board of Directors
AU Small Finance Bank Limited
(Formerly Au Financiers (India) Limited)

Mannil Venugopalan
(Non-Executive Independent Part Time Chairman)

Sanjay Agarwal
(Managing Director and CEO)

Uttam Tibrewal
(Whole Time Director)

Deepak Jain
(Chief Financial Officer)

Manmohan Parnami
(Company Secretary)

Schedules

forming part of the Balance Sheet as at March 31, 2018

Schedule 1 : Capital

(Amount in '000)

	Particulars	As at March 31, 2018	As at March 31, 2017
	Authorized shares		
	350,000,000 (P.Y. 350,000,000) equity shares of ₹ 10/- each	35,00,000	35,00,000
	Issued Subscribed and paid up capital		
I.	284,250,906 equity shares of ₹ 10/- each (March 31, 2017: 44,080,752 equity shares)	28,42,509	4,40,807
II.	Add: 1,452,714 equity shares of ₹ 10/- each (March 31, 2017: Nil equity share) in pursuant to exercise of employee stock option	14,527	-
III.	Add: Nil equity share of ₹ 10/- each (March 31, 2017: 11,544,399 equity shares) fully paid up shares issued during the year	-	1,15,444
IV.	Add: Nil equity share of ₹ 10/- each (March 31, 2017: 228,625,755 equity shares) fully paid up bonus shares issued during the year	-	22,86,258
	Total	**28,57,036**	**28,42,509**

Schedule 2 : Reserves and Surplus

(Amount in '000)

	Particulars	As at March 31, 2018	As at March 31, 2017
I.	**Statutory Reserve**		
	Opening Balance*	29,18,886	12,74,935
	Additions during the year under the Banking Regulation Act, 1949	7,30,099	16,43,951
	Deductions during the year	-	-
	Sub- Total	**36,48,985**	**29,18,886**
	* Opening balance of Statutory Reserve 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	23,79,938	32,60,572
	Add: Allotment of equity shares	45,823	15,99,781
	Less: Utilised for debenture redemption premium/issue expenses (net of tax)	1,58,280	1,94,158
	Less: Utilised for bonus share	-	22,86,257
	Sub- Total	**22,67,481**	**23,79,938**
III.	**Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961**		
	Opening Balance	-	-
	Additions during the year	2,05,000	-
	Deductions during the year	-	-
	Sub- Total	**2,05,000**	**-**
IV.	**Balance in Profit and Loss Account**		
	Balance in Profit and Loss Account	1,36,58,366	1,16,73,069
	Sub- Total	**1,36,58,366**	**1,16,73,069**
	Total	**1,97,79,832**	**1,69,71,893**

Schedules

forming Part of the Balance Sheet as at March 31, 2018

Schedule 3 : Deposits

(Amount in '000)

Particulars	As at March 31, 2018	As at March 31, 2017
A.I Demand Deposits		
(i) From Banks	3,19,779	-
(ii) From Others	35,98,196	-
Sub- Total	**39,17,975**	**-**
A.II Savings Bank Deposits	**1,74,16,874**	**-**
A.III Term Deposits		
(i) From Banks	1,84,40,782	-
(ii) From Others	3,94,57,562	-
Sub Total	**5,78,98,344**	**-**
Total	**7,92,33,193**	**-**
B.I Deposits of branches in India	7,92,33,193	-
B.II Deposits of branches outside India	-	-
Total	**7,92,33,193**	**-**

Schedule 4 : Borrowings

(Amount in '000)

Particulars	As at March 31, 2018	As at March 31, 2017
I. Borrowings in India		
(i) Reserve Bank of India	-	-
(ii) Other Banks	93,33,112	1,71,83,657
(iii) Other Institutions and Agencies	6,70,55,535	5,40,15,197
Sub Total	**7,63,88,647**	**7,11,98,854**
II. Borrowings outside India	-	-
Total	**7,63,88,647**	**7,11,98,854**
Secured Borrowings other than CBLO and Repo Borrowings included in I above	4,77,66,082	5,23,12,226
Tier II Debt included in I above	27,50,000	33,00,000
Tier II Debt included in II above	-	-

Schedule 5 : Other Liabilities and Provisions

(Amount in '000)

Particulars	As at March 31, 2018	As at March 31, 2017
I. Bills Payable	5,45,944	15,228
II Inter-office adjustments (net)	-	-
III. Interest Accrued	24,46,418	18,51,209
IV. Standard Asset provision (refer note 4.6 - schedule 18A)	5,64,000	2,28,234
V. Others (including Provisions)	63,37,698	46,42,788
Total	**98,94,060**	**67,37,459**

Schedules

forming part of the Balance Sheet as at March 31, 2018

Schedule 6 : Cash and Balances with Reserve Bank of India

(Amount in '000)

Particulars		As at March 31, 2018	As at March 31, 2017
I.	Cash in Hand	9,24,148	1,34,204
	(including Foreign Currency Notes - NIL)		
II.	Balances with Reserve Bank of India		
	a. in Current Account	39,97,088	100
	b. in Other Account	-	-
	Total	**49,21,236**	**1,34,304**

Schedule 7 : Balances with Banks & Money at Call & Short Notice

(Amount in '000)

Particulars		As at March 31, 2018	As at March 31, 2017
I.	**In India**		
	i) Balances with banks in		
	(a) Current Accounts	3,55,731	5,19,861
	(b) Other Deposit Accounts	36,86,181	55,95,392
	ii) Money at call and Short Notice		
	(a) with Banks	65,00,000	-
	(b) with Other Institutions	21,49,039	-
	Sub Total	**1,26,90,951**	**61,15,253**
II.	**Outside India**		
	i) in Current Accounts	-	-
	ii) in Other Deposit Accounts	-	-
	iii) in Money at Call and Short Notice	-	-
	Sub Total	**-**	**-**
	Total	**1,26,90,951**	**61,15,253**

Schedule 8 : Investments

(Amount in '000)

Particulars		As at March 31, 2018	As at March 31, 2017
I.	**Investments in India in (net of Provision)**		
	i) Government Securities	2,23,89,212	49,38,510
	ii) Other Approved Securities		
	iii) Shares	4,49,764	1,59,781
	iv) Debentures and Bonds	11,06,124	-
	v) Subsidiaries and /or Joint Venture	-	-
	vi) Others [Units, Certificate of Deposits (CD), Commercial Paper (CP), Pass Through Certificates (PTC)]	65,60,844	1,64,04,852
	Sub Total	**3,05,05,944**	**2,15,03,143**
II.	**Investments outside India (net of provision)**	-	-
	Total	**3,05,05,944**	**2,15,03,143**

Schedules

forming Part of the Balance Sheet as at March 31, 2018

Schedule 9 : Advances

(Amount in '000)

Particulars			As at March 31, 2018	As at March 31, 2017
A	i)	Bills Purchased and Discounted	3,750	-
	ii)	Cash Credits Overdrafts and Loans repayable on Demand	1,51,08,760	-
	iii)	Term loans	11,80,08,797	6,55,09,357
	Total		**13,31,21,307**	**6,55,09,357**
B	i)	Secured by Tangible Assets (includes advances against Book debts)	12,92,98,131	6,48,23,872
	ii)	Covered by Bank / Government Guarantees (includes Advance to Banks)	3,750	-
	iii)	Unsecured	38,19,426	6,85,485
	Total		**13,31,21,307**	**6,55,09,357**
C. I	**Advances in India**			
	i)	Priority Sectors (refer note 17 - schedule 18A)	1,53,61,465	-
	ii)	Public Sector	1,24,681	-
	iii)	Banks	3,07,181	-
	iv)	Others*	11,73,27,980	6,55,09,357
	Total		**13,31,21,307**	**6,55,09,357**
C. II	**Advances outside India**		-	-
	Total		**13,31,21,307**	**6,55,09,357**

*The Company was operating as an NBFC till March 31, 2017 and accordingly all loans and advances as at March 31, 2017 are categorised as "Others". Upon commencement of business as a small finance bank, such loans have been suitably reclassified in C.I. at March 31, 2018.

Schedule 10 : Fixed Assets

(Amount in '000)

Particulars		As at March 31, 2018	As at March 31, 2017
I.	**Premises (Including Land)**		
	Gross Block		
	At Cost as on 31st March of the preceding year	96,129	80,542
	Additions during the year	-	15,587
	Deductions during the year	-	-
	Sub Total	**96,129**	**96,129**
	Depreciation		
	As at 31st March of the preceding year	9,582	8,547
	Add: charge during the year	1,207	1,035
	Deduction during the year	-	-
	Sub Total	**10,789**	**9,582**
	Net Block	**85,340**	**86,547**
II.	**Other Fixed Assets (including Furniture & Fixtures)**		
	Gross Block		
	At Cost as on 31st March of the preceding year	5,62,150	4,06,804
	Additions during the year	39,91,287	1,61,253
	Deductions during the year	14,842	5,905
	Sub Total	**45,38,595**	**5,62,152**

Schedules

forming part of the Balance Sheet as at March 31, 2018

Schedule 10 : Fixed Assets (Contd.)

(Amount in '000)

Particulars	As at March 31, 2018	As at March 31, 2017
Depreciation		
As at 31st March of the preceding year	2,88,904	2,36,744
Add: charge during the year	5,31,250	56,796
Deduction during the year	-	4,633
Sub Total	**8,20,154**	**2,88,907**
Net Block	**37,18,441**	**2,73,245**
III. Capital Work in Progress	57,086	23,98,650
Total	**38,60,867**	**27,58,442**

Schedule 11 : Other Assets

(Amount in '000)

Particulars	As at March 31, 2018	As at March 31, 2017
i) Inter-Office Adjustment (Net)	-	-
ii) Interest Accrued	12,54,340	5,84,846
iii) Tax paid in Advance / Tax Deducted at Sources (Net of Provisions)	1,32,197	34,484
iv) Deferred Tax Assets (Net)	1,37,085	1,19,359
v) Advance for expenses	1,05,057	93,924
vi) Security Deposits	2,22,212	2,85,167
vii) Others	13,76,531	6,73,960
Total	**32,27,422**	**17,91,740**

Schedule 12 : Contingent Liabilities

(Amount in '000)

Particulars	As at March 31, 2018	As at March 31, 2017
I. Claims against the Bank not acknowledged as Debts	3,37,534	2,81,546
II. Guarantees given on behalf of Constituents		
a) In India	11,48,324	12,80,400
b) Outside India	-	-
III. Acceptances Endorsements and Other Obligation	88,382	-
IV. Other items for which the Bank is Contingently Liable		
(a) Credit enhancements provided by the Company towards assets assignment /securitisation	32,26,228	30,41,771
(b) Capital commitments not provided	2,76,633	8,40,193
(c) Other Guarantees	83,591	-
Total	**51,60,692**	**54,43,910**

Schedules

forming part of the Profit and Loss Account for the year ended March 31, 2018

Schedule 13 : Interest Earned

(Amount in '000)

Particulars		Year ended March 31, 2018	Year ended March 31, 2017
I.	Interest / Discount on Advances / Bills	1,25,07,217	98,09,762
II.	Income on Investments	12,84,550	89,596
III.	Interest on Balances with RBI and Other Inter-Bank Funds	4,16,664	-
IV.	Others	34,63,468	29,00,628
	Total	**1,76,71,899**	**1,27,99,986**

Schedule 14 : Other Income

(Amount in '000)

Particulars		Year ended March 31, 2018	Year ended March 31, 2017
I.	Commission Exchange and Brokerage	16,78,820	9,81,485
II.	Profit / (Loss) on sale of Investments (net) (refer note 47- schedule 18A)	3,82,051	67,57,985
III.	Profit / (Loss) on sale of Land Building & Other Assets (net)	(6,041)	568
IV.	Income earned by way of Dividends etc. from subsidiaries / associates and / or others in India	-	13,455
V.	Miscellaneous Income (refer note 45- schedule 18A)	18,25,771	3,46,120
	Total	**38,80,601**	**80,99,613**

Schedule 15 : Interest Expended

(Amount in '000)

Particulars		Year ended March 31, 2018	Year ended March 31, 2017
I.	Interest on Deposits	15,57,478	-
II.	Interest on Reserve Bank of India /Inter Bank Borrowings	8,82,737	10,80,854
III.	Others	58,27,070	38,82,224
	Total	**82,67,285**	**49,63,078**

Schedule 16 : Operating Expenses

(Amount in '000)

Particulars		Year ended March 31, 2018	Year ended March 31, 2017
I.	Payments to and Provision for Employees	42,48,908	19,27,781
II.	Rent Taxes and Lighting	7,99,680	1,19,788
III.	Printing and Stationery	1,07,696	11,473
IV.	Advertisement and Publicity	1,02,207	44,874
V.	Depreciation on Bank's Property	5,32,456	57,831
VI.	Directors' fees- allowances and exp	7,902	1,613
VII.	Auditors' Fee	9,324	6,526
VIII.	Law charges (incl. Professional Fees)	1,21,618	1,12,201
IX.	Postages Telegrams Telephones etc.	1,88,975	54,064
X.	Repairs and Maintenance (include AMC)	3,94,729	95,670
XI.	Insurance	28,316	3,965
XII.	Direct marketing expenses (Payout expense)	4,01,171	2,57,311
XIII.	Travelling & Conveyance	2,48,883	1,86,386
XIV.	Other Expenditure	3,34,227	6,48,840
	Total	**75,26,092**	**35,28,323**

Schedules

forming part of the Profit and Loss Account for the year ended March 31, 2018

Schedule 17 : Basis of Preparation and Significant Accounting Policies

1 Background

AU Small Finance Bank Limited (formerly known as Au Financiers (India) Limited) ("AUSFBL" or "the Company" or "the Bank") is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956.

The Company had originally obtained its license from Reserve Bank of India ('RBI') to operate as a non deposit accepting Non Banking Financial Company (NBFC-ND) on November 7, 2000 vide certificate of registration no. B-10-00139.

The Company has changed its name to AU Small Finance Bank Limited with effect from April 13, 2017 and commenced its operations as a Small Finance Bank from April 19, 2017 pursuant to the approval received from the Reserve Bank of India dated December 20, 2016.

The Company is engaged in providing a range of banking and financial services including retail banking, wholesale banking and treasury operations and other services. The Bank operates in India only and does not have presence in any foreign country.

The Bank is governed by the Banking Regulation Act, 1949, banking guidelines issued by RBI on Small Finance Bank 2016, and the Companies Act, 2013.

2 (a) Basis of preparation

The financial statements have been prepared under the historical cost convention and on the accrual basis of accounting, unless otherwise stated, and complying with the requirements prescribed under the Third Schedule of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank which is used in the preparation of financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by RBI from time to time, the accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014, Companies (Accounting Standards) Amendment Rules, 2016 in so far as they apply to banks and guildelines issued by RBI. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year, except for the change in accounting estimates explained below.

(b) Comparatives

The financial statements of AUSFBL for the previous year ended March 31, 2017 were prepared under the relevant requirements of Schedule III to the Companies Act, 2013, since at that time, the entity was not covered by the provisions applicable to banks. As mentioned in Note 17(1), the Company commenced its operations as a Small Finance Bank from April 19, 2017. Accordingly, the current year's financial statements have been prepared and presented in accordance with the requirements prescribed under Section 29 and Third Schedule of the Banking Regulation Act, 1949. On account of the foregoing, since banking operations were not carried out during the previous year, the figures for the previous year are not strictly comparable with those of the current year. Previous year figures have been reclassified/regrouped by the management, wherever necessary, to conform to the current year presentation. Further, the RBI guidelines on "Disclosure in financial statements – Notes to accounts" were not applicable for the year ended March 31, 2017 and accordingly, comparative disclosures are not provided to that extent.

(c) 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.

3 Change in Accounting Policies / Estimates

Change in provisioning for loan portfolio

Consequent to commencement of operations as a SFB, the Bank has revised its estimates related to provisioning and write off of loan portfolio. As a result of such change, the profit for the current period is

Schedules

forming part of the Profit and Loss Account for the year ended March 31, 2018

higher by ₹ 21.24 crore. The Bank has adopted a policy for maintaining higher provisioning and write offs as compared to the minimum provision requirements of the RBI Master Circular on Prudential Norms issued vide Notification No. RBI/2015-16/101 DBR. No.BP.BC.2/21.04.048/ 2015-16 dated July 01, 2015 as applicable to banks.

4 Significant accounting policies

(a) Advances

i) Classification

Advances are classified as Performing Assets and Non-Performing Assets ('NPAs') in accordance with the RBI guideline on Income Recognition and Asset Classification (IRAC). Further, NPAs are classified into substandard, doubtful and loss assets based on the criteria stipulated by RBI. The Advances are stated net of specific provisions made towards NPAs and unrealised interest on NPAs. Interest on NPAs is transferred to an interest suspense account and not recognised in the Profit and Loss Account until received.

ii) Provisioning

Provision for non-performing advances comprising Sub-standard, Doubtful and Loss Assets is made at a minimum in accordance with the RBI guidelines. In addition, the Bank considers accelerated specific provisioning that is based on past experience, evaluation of security and other related factors. Specific loan loss provision in respect of non-performing advances are charged to the Profit and Loss Account. Any recoveries made by the Bank in case of NPAs written off are recognised in the Profit and Loss Account. The Bank has applied following provisioning rates in respect of its NPAs.

Overdue bucket	% of Provision as per Bank policy (Secured)	% of Provision as per Bank policy (Unsecured)
0-90	As mentioned below	
91-180	15%	25%
181-364	30%	30%
365-455	60%	60%
456-729	60%	100%
>729	100%	100%
Loss asset	100%	100%

The Bank considers a restructured account as one where the Bank, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of terms of the advance / securities, which would generally include, among others, alteration of repayment period / repayable amount / the amount of installments / 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.

In accordance with RBI guidelines, the Bank has provided general provision on standard assets at levels stipulated by RBI from time to time - direct advances to sectors agricultural and SME at 0.25%, commercial real estate at 1.00%, restructured standard advances progressively to reach 5.00%, commercial real estate-residential housing at 0.75% 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) Investment

Classification and valuation of 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

f) Others Investments

All Investment Purchase and Sale including Equity shares are recorded under "Settlement Date" Accounting.

ii) **Acquisition cost**

The cost of investments is determined on weighted average basis. Broken period interest on debt instruments and government securities are considered as a revenue item. The transaction costs including brokerage, commission, 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 will be accounted 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 will be transferred to the provisions for depreciation against the HFT securities or vice-versa.

iv) **Valuation**

Investment Classified Under HTM need not be marked to market and will be carried at acquistion cost, Unless it is more than face value, in which case the premium should be amortised over the period remainning to maturity by applying constant price method (Straight Line Method). Bank Should recognise any diminution in the value of thier investment under HTM and make provision 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 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 Primary Dealers Association of India ("PDAI") 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) declared by the FIMMDA in consultation with PDAI 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.

In case of unquoted bonds, debentures and preference shares where interest / dividend is received regularly (i.e., not overdue beyond 90

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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)/ Primary Dealers Association of India (PDAI) and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA is adopted for this purpose.

Equity shares for which current quotations are not available or where the shares are not quoted on the stock exchanges, should be valued at break-up value (without considering 'revaluation reserves', if any) which is to be ascertained from the company's latest balance sheet (which should not be more than one year prior to the date of valuation). In case the latest balance sheet is not available the shares are to be valued at ₹ 1 per company.

Quoted Mutual Fund units are valued as per Stock Exchange quotations and un-quoted Mutual Fund units are valued at last available re-purchase price or Net Asset Value (where re-purchase price is not available). 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 lockin period. Wherever the re-purchase price is not available, the Units could be valued at the NAV of the respective scheme.

Units of Venture Capital Funds (VCF) held under AFS category are valued using the Net Asset Value (NAV) shown by VCF as per the financial statement. The VCFs are valued based on the audited results once in a year. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF.

Net depreciation in the value, if any, compared to the acquisition cost, in any of the aforesaid six groups, is charged to the Profit and Loss Account. The net appreciation, if any, in 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 is made thereon based on the RBI guidelines. Interest on non-performing investments is not recognised 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 will be recognised in the Profit and Loss account.

vi) **Repurchase 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 investment account of the Bank and the Bank is accruing the coupon/discount on the security during the repo period. Also, the Bank is continue to value the securities sold under repo as per the investment classification of the security. The difference between the clean price of the first leg and clean price of the second leg is recognized as interest income/expense over the period of the transaction in the profit and loss account.

(c) 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.

(d) Employee Benefits

Employee benefits include provident fund, gratuity and compensated absences.

Defined contribution plan:

The Bank's contribution to provident fund are considered as defined contribution plan and are charged as an expense as they fall due based on the amount of contribution required to be made when the services are rendered by the employees.

Defined Benefits Plan

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each Balance Sheet date. Actuarial gains and losses are recognised in the Profit and Loss Account in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested while otherwise, it is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Short term Employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service. The cost of such compensated absences is accounted as under:

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

Long term Employee benefits

The Bank accrues the liability for compensated absences based on the 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.

(e) 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,

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issued by The Institute of Chartered Accountants of India, the cost of equity-settled transactions is measured using the intrinsic value method. The intrinsic value being the excess, if any, of the fair market price of the share under ESOSs over the exercise price of the option is recognised as deferred employee compensation with a credit to Employee's Stock Option (Grant) Outstanding account. The deferred employee compensation cost is amortised on a straight-line basis over the vesting period of the option. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of equity instruments that are outstanding. The fair market price is the latest available closing price, preceding the date of grant of the option, on the stock exchange on which the shares of the Bank are listed.

The options that do not vest because of failure to satisfy vesting condition are reversed by a credit to employee compensation expense, equal to the amortised portion of value of lapsed portion. In respect of the options which expire unexercised the balance standing to the credit of Employee's Stock Option (Grant) Outstanding accounts is transferred to Profit & Loss Account.

(f) Revenue recognition

i) Interest Income is recognized on a time proportion accrual basis taking into account the amount outstanding and the interest rate implicit in the underlying agreements. Income or any other charges on non-performing assets or on assets taken in custody for recovery of loan through disposal of such assets during the period are recognized only when realized as per the IRAC norms of RBI. Any such income recognized and remaining unrealized, before the asset became non-performing or before disposal of assets in custody of the company, is reversed. Overdue interest is recognized on realization basis. Overdue interest is treated to accrue on realisation, due to the uncertainty of their realisation other than on running accounts where it is recognised when due.

ii) Service charges, fees and commission income are recognised when due except for guarantee commission and letter of credit which is recognised over the period of the guarantee / letter of credit.

iii) Income on discounted instruments are recognised over the tenure of the instrument on a constant yield basis.

iv) Loan origination income i.e. processing fee and other charges collected upfront are recognised at the inception of the loan.

v) All other charges such as cheque return charges, legal charges, seizing charges, etc. are recognised on realisation basis. These charges are treated to accrue on realisation, due to the uncertainty of their realisation.

vi) Dividend is accounted 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 investment is be recognised on accrual basis.

ix) Assigment and Securitisation:

a) **Income on assignment transactions done prior to RBI circular no. DBOD. No.BP.BC-103/21.04.177/2011-12 May 07, 2012.**

In case of assignment of loan assets and related receivables "at par", income is accounted for by applying the interest rate implicit in such assigned contracts as reduced by Internal Rate of Return (IRR) committed to the purchaser of loan assets.

b) **For transactions done after issuance of RBI circular no. DBOD.No.BP.BC-103/21.04.177/2011-12 May 07, 2012.**

Gains arising on securitisation of assets is recognised over the tenure of securities issued

by SPV as per guidelines on securitisation of standard assets issued by RBI. Income from excess interest spread is accounted for net of losses when redeemed in cash. Expenditure in respect of securitisation (except bank guarantee fees for credit enhancement) is recognised upfront. Bank guarantee fees for credit enhancement is amortised over the tenure of the agreements. Income arising on direct assignment is recognised over the tenure of agreement on accrual basis.

x) Amounts recovered against debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognized in the Profit and Loss Account.

xi) Fees received on sale of Priority Sector Lending Certificates is recognised on proportionate basis during the financial year and considered as Miscellaneous Income, in accordance with the guidelines issued by the RBI.

(g) Accounting for leases

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term is classified as operating leases. Operating lease rentals are recognised as an expense on straight-line basis over the lease period.

(h) Taxation

Tax expenses comprises of current income tax and deferred tax.

Income tax

Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in Profit and Loss Account.

Deferred taxes

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the Profit and Loss Account.

Deferred tax liabilities are recognised for all taxable timing differences. Deferred tax assets are recognised for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

The carrying cost of the deferred tax assets are reviewed at each balance sheet date. The Company writes down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

(i) Accounting for provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the

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obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements. Contingent assets are neither recognised nor disclosed in the financial statements.

(j) Earning Per Share (EPS)

Basic and diluted earnings per share is computed in accordance with Accounting Standard-20 – Earnings per share.

Basic earnings per share is calculated by dividing the net profit or loss after tax for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the period.

For the purpose of calculating diluted earnings per share, the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(k) Cash and Cash Equivalents

Cash and Cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

(l) Property, Plant and Equipment/ Software/ Capital work-in-progress/ Software under development, Depreciation and Impairment

(i) Property, Plant, Equipment and software

Property, plant, equipment and software are stated 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 recognized in the Profit and Loss Account when the asset is derecognized.

(ii) Depreciation on property, plant and equipment:

Leasehold land is amortized on a straight line basis over the period of lease.

Depreciation on property, plant, equipment and software is calculated 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.

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forming part of the Profit and Loss Account for the year ended March 31, 2018

Particulars	Useful Life (years)
Buildings	60
Addition to Leased Premises	10
Furniture and Fixtures	10
Vehicles	8
Software	4-7
Computers, Printers, servers and other office equipments	3-6
ATM	10
Safe, Loker and loker gate	15

All fixed assets individually costing ₹ 5,000 or less are fully depreciated in the year of installation/purchase as the management estimates the useful life of such assets as one year.

Depreciation on assets acquired/sold during the period is recognised on a pro-rata basis to the Profit and Loss Account from/upto the date of acquisition/sale.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial period end and adjusted prospectively, if appropriate.

(iii) Impairment of assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

(iv) Capital work-in-progress/ Software under development

Costs incurred towards acquisition of assets, including expenses incurred prior to those assets being put to use and directly attributable to bringing them to their working condition are included under "Capital Work in Progress". Capital Work in Progress and Software under development are stated at the amount incurred up to the date of Balance Sheet including advances given to vendors.

(m) Segment reporting

Part A: Business segments

Business segments have been identified and reported taking into account, the target customer profile, the nature of products and services, the differing risks and returns, the organisation structure, the internal business reporting system and the guidelines prescribed by RBI. The Bank operates in the following segments:

(a) Treasury

The treasury segment primarily consists of net interest earnings from the Bank's investment portfolio, money market borrowing and lending and gains or losses on investment operations.

(b) Retail banking

The retail banking segment serves retail customers through a branch network and other delivery channels. This segment raises deposits from customers and provides loans and other services to customers with the help of specialist product groups. Exposures are classified under retail banking taking into account the status of the borrower (orientation criterion), the nature of product, granularity of the exposure and the quantum thereof. Revenues of the retail banking segment are derived from interest earned on retail loans, interest earned from other segments for surplus funds placed with those segments, subvention received from dealers and manufacturers, fees from services rendered, foreign exchange earnings on retail products etc. Expenses of this segment primarily comprise

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interest expense on deposits, commission paid to retail assets sales agents, infrastructure and premises expenses for operating the branch network and other delivery channels, personnel costs, other direct overheads and allocated expenses of specialist product groups, processing units and support groups.

(c) **Wholesale banking**

The wholesale banking segment provides loans, non-fund facilities 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, interest / fees earned on the cash float arising from transaction services, earnings from trade services and other non-fund facilities and also earnings from foreign exchange and derivative transactions on behalf of customers. The principal expenses of the segment consist of interest expense on funds borrowed from external sources and other premises expenses, 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 debit cards, 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 capital and reserves, debt classified as Tier I or Tier II capital and other unallocable assets and liabilities such as deferred tax, prepaid expenses, etc.

Segment revenue includes earnings from customers. Segment result includes revenue less interest expense less operating expense and provisions, if any, for that segment. Segment-wise income and expenses include certain allocations. Segment capital employed represents the net assets in that segment.

Part B: Geographic segments

The Bank operates in a single geographic segment i.e. domestic.

(n) **Share Issue Expenses**

Share issue expenses are adjusted from Securities Premium Account as permitted by Section 52 of the Companies Act, 2013.

(o) **Accounting for Proposed Dividend**

Dividend proposed/ declared after the balance sheet is accrued in the books of the Bank in the year in which the dividend is approved by the shareholders.

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forming part of the Financial Statements for the year ended March 31, 2018

Schedule 18 :

Amounts in notes forming part of the financial statements for the year ended March 31, 2018 are denominated in rupee crore to conform to extant RBI guidelines.

A. Disclosures as Laid Down by RBI Circulars

1 Capital Adequacy Ratio

The Bank is subject to the Basel II Capital Adequacy guidelines (NCAF) stipulated by RBI. The Capital Adequacy Ratio (CRAR) of the Bank is calculated as per the Standardized approach for Credit Risk.

As per RBI circular "DBR.NBD.No. 4502/16.13.218/2017-18" dated November 8, 2017, no separate capital charge is prescribed for market and operational risk. The total Capital Adequacy ratio of the Bank at March 31, 2018 is 19.31% against the regulatory requirement of 15.00% prescribed by RBI.

The Bank has also considered an additional Risk Weight of 25% on assets under lien for its "grandfathered" legacy borrowings as per instructions received from RBI. The Bank has reduced proposed dividend for computing Capital Adequacy Ratio at March 31, 2018.

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 period indicated, computation of Capital adequacy:

(₹ in Crore)

Sr. No.	Particulars	March 31, 2018
(i)	Common Equity Tier 1 capital ratio (%)	18.42%
(ii)	Tier 1 capital ratio (%)	18.42%
(iii)	Tier 2 capital ratio (%)	0.89%
(iv)	Total Capital Ratio (CRAR) (%)	19.31%
(v)	Percentage of the shareholding of the Government of India in public sector banks	-
(vi)	Amount of equity capital raised*	3.25
(vii)	Amount of Additional Tier 1 capital raised; of which	
	Perpetual Non Cumulative Preference Shares (PNCPS)	-
	Perpetual Debt Instruments (PDI)	-
(viii)	Amount of Tier 2 capital raised; of which Debt capital instruments:	
	Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]	-

(₹ in Crore)

Sr. No.	Particulars	March 31, 2017
(i)	CRAR (%)	23.04%
(ii)	CRAR - Tier I capital (%)	21.46%
(iii)	CRAR - Tier II capital (%)	1.58%
(iv)	Amount of subordinated debt raised as Tier-II Capital	330.00
(v)	Amount raised by issue of Perpetual Debt Instruments	-

Disclosure for the previous year ended March 31, 2017 is prepared in accordance with guidelines applicable for NBFC and hence, are not comparable (Refer Schedule 17(2b)).

*During the year ended March 31, 2018, the Bank allotted 1,452,714 equity shares aggregating to face value ₹ 1.45 crore (previous year: Nil) in respect of stock options exercised.

Previous year, Bank allotted 228,625,755 equity shares aggregating to face value ₹ 228.63 crore in respect of Bonus Shares and Bank issued 11,544,399 equity shares aggregating to face value ₹ 11.54 crore.

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2 Investments

2.1 Detail of Investments

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	3,051.06	2,150.31
(b) Outside India	-	-
(ii) Provisions for Depreciation		
(a) In India	0.47	-
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	3,050.59	2,150.31
(b) Outside India	-	-
(2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	-	-
(ii) Add: Provisions made during the year	0.47	-
(iii) Less: Write off / write back of excess provisions during the year	-	-
(iv) Closing balance	0.47	-

The Bank is not availing the dispensation provided by RBI circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018 on deferment of mark to market losses on investments classified as AFS/ HFT, and have provided for any depreciation fully as on March 31, 2018.

2.2 Repo Transactions

Details of repo / reverse repo deals (in face value terms) (Including LAF) done during the year ended March 31, 2018

(₹ in Crore)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2018
Securities sold under repo :				
i. Government securities	-	55.00	1.14	-
ii. Corporate debt securities	-	-	-	-
Securities purchased under reverse repo :				
i. Government securities	-	575.00	6.76	575.00
ii. Corporate debt securities	-	-	-	-

The RBI guidelines on "Disclosure in financial statements – Notes to accounts" is not applicable for the year ended March 31, 2017 and accordingly, comparative disclosures are not provided to that extent (Refer Schedule 17(2b)).

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2.3 Non-SLR investment portfolio

i) Issuer composition of Non SLR investments

Issuer-wise composition of non-SLR investments as at March 31, 2018:

(₹ 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	49.91	-	-	-	-
(ii)	Financial institutions	341.23	44.98	-	-	-
(iii)	Banks	235.83	-	-	-	-
(iv)	Private corporates	49.54	-	-	-	-
(v)	Subsidiaries / Joint Ventures	-	-	-	-	-
(vi)	Others $	135.32	135.32	-	-	-
(vii)	Provision held towards depreciation	(0.16)	-	-	-	-
	Total	**811.68**	**180.30**	**-**	**-**	**-**

Amounts reported under column 4, 5, 6 and 7 above are not mutually exclusive.
* Excludes investments in equity shares in line with extant RBI guidelines.
** Excludes investments in equity shares, Pass Through Certificates (PTC) , Commercial Paper (CP) and Certificate of Deposits (CD) in line with extant RBI guidelines.
$ Others include Investment in PTC.
The RBI guidelines on "Disclosure in financial statements – Notes to accounts" is not applicable for the year ended March 31, 2017 and accordingly, comparative disclosures are not provided to that extent (Refer Schedule 17(2b)).

ii) Non performing Non-SLR investments

The Bank does not have any non performing investments during the year 2017-18.

2.4 Details of investments category - wise (Net of Provision for Depreciation)

The details of investments held under the three categories viz. Held for Trading (HFT), Available for Sale (AFS) and Held to Maturity (HTM) are as under:

(₹ in Crore)

Particular	As at March 31, 2018			
	HFT	AFS	HTM	Total
Government securities	-	519.23	1,719.69	2,238.92
Other approved securities	-	-	-	-
Shares	-	44.98	-	44.98
Debentures and bonds	-	110.61	-	110.61
Subsidiary/Joint ventures	-	-	-	-
Others*	-	656.08	-	656.08
Total	**-**	**1,330.90**	**1,719.69**	**3,050.59**

* Others Investment includes Certificate of Deposits amounting of ₹ 149.18 Crore, Commercial Papers of ₹ 371.58 Crore and PTC of ₹ 135.32 Crore. Figures Reported above are Net of Provision (Depreciation/NPI)
The RBI guidelines on "Disclosure in financial statements – Notes to accounts" is not applicable for the year ended March 31, 2017 and accordingly, comparative disclosures are not provided to that extent (Refer Schedule 17(2b)).

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2.5 Sale and Transfers to / from HTM Category

During the year, the Bank has not sold or transferred any security to/from HTM category.

3 Derivatives / Exchange traded Interest derivatives / Risk exposures in derivatives

The bank has not entered into any derivative instruments for trading / speculative purposes either in Foreign Exchange or domestic treasury operations. Bank does not have any Forward Rate Agreement or Interest rate swaps.

4 Asset Quality

4.1 Movement in NPAs (On fund based portfolio)

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
(i) Net NPAs to Net Advances (%)	1.27%	1.22%
(ii) Movement of NPAs (Gross)		
Gross NPAs as on 1st April (opening balance)	124.51	74.14
Additions (Fresh NPAs) during the year	206.25	104.47
Sub-total (A)	**330.76**	**178.61**
Less:		
(i) Upgradations	48.28	7.58
(ii) Recoveries (excluding recoveries made from upgraded accounts)	12.75	18.10
(iii) Technical / Prudential Write-offs	-	-
(iv) Write-offs other than those under (iii) above	-	28.42
Sub-total (B)	**61.03**	**54.10**
Gross NPAs as on 31st March (closing balance) (A-B)	**269.73**	**124.51**
(iii) Movement of Net NPAs		
(a) Opening balance	80.46	46.80
(b) Additions during the year	134.84	71.77
(c) Reductions during the year	(45.97)	(38.11)
(d) Closing balance	**169.33**	**80.46**
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	44.04	27.34
(b) Provisions made during the year	71.41	39.58
(c) Write-offs / Write-back of excess provisions	(15.06)	(22.88)
(d) Closing balance	**100.39**	**44.04**

Figures for the previous year ended March 31, 2017 is prepared in accordance with guidelines applicable for NBFC and hence, are not comparable (Refer Schedule 17(2b)).

4.2 Disclosure on accounts subjected to restructuring for the year ended March 31, 2018:

(₹ in Crore, except numbers)

Sr No.	Type of Restructuring / Asset Classification → / Details ↓		Under CDR Mechanism					Under SME Debt Restructuring Mechanism					Others					Total				
			Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts as on April 1 of the FY (opening figures)*	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	7	1	-	8	-	7	1	-	8
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	2.50	0.00	-	2.50	-	2.50	0.00	-	2.50
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	0.62	0.00	-	0.62	-	0.62	0.00	-	0.62
3	Upgradations to restructured standard category during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the year	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts as on March 31 of the year (closing figures)*	No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	7	1	-	8	-	7	1	-	8
		Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	2.50	0.00	-	2.50	-	2.50	0.00	-	2.50
		Provision thereon	-	-	-	-	-	-	-	-	-	-	-	0.62	0.00	-	0.62	-	0.62	0.00	-	0.62

None of the accounts subjected to restructuring for the year ended March 31, 2017.

* Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable).

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4.3 Details of Financial Assets sold during the year to Securitisation / Reconstruction Companies (SC/RC) for Asset Reconstruction

During the year, there was no sale of non-performing financial assets to Securitisation Company / Reconstruction Company for asset reconstruction (Previous year Nil).

4.4 Details of book value of investment in security receipts (SRs) backed by NPAs

The Bank has not invested in security receipts during the year and previous year.

4.5 Details of non-performing assets purchased/sold

The Bank did not sell / buy non-performing assets during the year and previous year.

4.6 Provisions on Standard Assets

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
Provision towards Standard Assets	56.40	22.82

Provision for the year ended March 31, 2018 is made in accordance with RBI guidelines for Banking Companies as described in Accounting policy of the Bank. The provision towards standard assets in the previous year ended March 31, 2017 is made at the rate of 0.35%, in accordance with the RBI guidelines then applicable to NBFCs (Refer Schedule 17(2b)).

5 Business Ratios

(₹ in Crore)

Particulars	March 31, 2018
i. Interest Income as a percentage to Working Funds	13.66%
ii. Non interest income as a percentage to Working Funds	3.00%
iii. Operating Profit as a percentage to Working Funds	4.45%
iv. Return on Assets	2.04%
v. "Business" (deposits plus advances) per employee (₹ in crore)	1.10
vi. Profit per employee (₹ in crore)	0.03

Definitions of certain items in Business ratios / information:

1. Working funds to be reckoned as average of total assets (excluding accumulated losses, if any) as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949 (The Bank has received the schedule commercial bank license in the month of November 2017 and after that started reporting form X. For the period from April 2017 to October 2017 monthly average of total assets have been considered as working funds).
2. Operating profit = (Interest Income + Other Income – Interest expenses – Operating expenses).
3. Return on Assets has been calculated on average assets.
4. "Business" is the total of average of net advances and deposits (net of inter-bank deposits).
5. Productivity ratios are based on average employee numbers.

The Bank has compiled the data for the purpose of this disclosure from its internal MIS system/reports and has been furnished by the Management which has been relied upon by the auditors.

The RBI guidelines on "Disclosure in financial statements – Notes to accounts" is not applicable for the year ended March 31, 2017 and accordingly, comparative disclosures are not provided to that extent (Refer Schedule 17(2b)).

6 Asset Liability Management

Maturity pattern of certain items of assets and liabilities

As at March 31, 2018

(₹ in Crore)

Particulars	Day 1	2 to 7 days	8 to 14 days	15-30 days	31 days & upto 2 months	More than 2 months and upto 3 months	Over 3 month & upto 6 month	Over 6 month & upto 1 year	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Deposits	18.49	302.95	411.74	95.71	508.24	717.43	820.10	1,456.39	3,470.21	104.33	17.73	7,923.32
Advances	10.82	168.81	211.29	173.13	255.29	325.37	681.36	1,469.13	5,253.29	2,074.70	2,688.94	13,312.13
Investments	353.85	168.93	140.94	169.62	218.46	277.47	209.35	346.94	951.22	160.40	53.43	3,050.61
Borrowings	326.27	10.15	14.00	90.73	24.07	145.89	901.01	939.23	4,038.21	1,149.30	-	7,638.86
Foreign Currency assets	-	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-	-	-	-

As at March 31, 2017

(₹ in Crore)

Particulars	1 to 30/31 days (one month)	Over one month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to one year	Over one year to 3 years	Over 3 to 5 years	Over 5 years	Total
Deposits	-	-	-	-	-	-	-	-	-
Advances*	344.10	135.88	140.28	446.18	1,010.77	2,181.92	979.56	1,312.25	6,550.94
Investments	1,150.41	80.18	252.78	17.83	33.89	84.48	16.39	514.35	2,150.31
Borrowings	120.41	178.94	81.25	355.14	1,398.50	3,367.52	1,559.42	9.80	7,070.98
Foreign Currency assets	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-

*Represent advances under financing activity and Net of Provision on NPA

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.

Disclosure for the previous year ended March 31, 2017 is prepared in accordance with guidelines applicable for NBFCs and hence, are not comparable. (Refer Schedule 17(2b)).

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7 Exposures

7.1 Exposure to real estate sector

(₹ in Crore)

Category	March 31, 2018	March 31, 2017
(a) Direct exposure		
(i) Residential Mortgages– 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, 2018 ₹ 0.25 crore and as at March 31, 2017 ₹ NIL)	1.64	-
(ii) Commercial Real Estate– 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	768.12	680.62
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures–		
(a) Residential	-	-
(b) Commercial Real Estate	-	-
Total (A)	**769.76**	**680.62**
(b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	389.58	66.03
Total (B)	**389.58**	**66.03**
Total Exposure to Real Estate Sector (A+B)	**1,159.34**	**746.65**

Of the loans given against the mortgage of any real estate, only those loans have been classified as an exposure to commercial real estate, the prospects for repayment in respect of which depend primarily on the cash flows generated by such mortgaged asset.

7.2 Exposure to Capital Market

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
(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.	44.98	15.98
(ii) Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity oriented mutual funds.	-	-
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security.	-	-
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances.	-	-
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers.	-	-
(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.	-	-

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7.2 Exposure to Capital Market (Contd.)

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
(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	**44.98**	**15.98**

7.3 Details of risk category wise country exposure

The Bank does not have any country risk exposure other than "home country exposures" and accordingly, no provision is maintained with regard to country risk exposure.

7.4 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the bank

During the year ended March 31, 2018 and year ended March 31, 2017, the Bank has not exceeded the prudential credit exposure limit as prescribed by the Reserve Bank of India in respect of Single Borrower and Group Borrowers.

7.5 Unsecured Advances

The Bank has not extended any advances where the collateral is an intangible asset such as a charge over rights, licenses, authorisations, etc. (Previous year Nil). The unsecured advances of ₹ 381.94 crore (Previous year: ₹ 68.55 crore) as disclosed in Schedule 9 are without any collateral security.

8 Penalties levied by the RBI

During the year, RBI has not imposed any penalty on the Bank.

9 Breakup of "Provisions and Contingencies" recognised in the Profit and Loss Account comprise:

(₹ in Crore)

Sr No.	Particulars	March 31, 2018	March 31, 2017
(i)	Provision for Non performing advances	56.35	16.68
(ii)	Provision for Depreciation on Investments	0.47	-
(iii)	Provision for Income Tax	153.08	314.94
(iv)	Provision for Deferred Tax	-1.77	6.43
(v)	Non performing Advances written off	39.43	75.11
(vi)	Provision on Standard Advances	33.57	5.48
(vii)	Other Provision and Contingencies	2.74	0.21
	Total Provisions and Contingencies	**283.87**	**418.85**

10 Floating provision

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
(a) Opening balance in the floating provisions account	-	-
(b) The quantum of floating provisions made in the accounting year	-	-
(c) Amount of draw down made during the accounting year	-	-
(d) Closing balance in the floating provisions account	-	-

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11 Draw down from reserves

There has been no draw down from reserves during the year ended March 31, 2018 (previous year: Nil) other than those disclosed under Schedule 2.

12 Disclosure for Customer Complaints

(A) Status of Customer Complaints

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
No. of complaints pending at the beginning of the year	0	1
No. of complaints received during the year	10448	73
No. of complaints redressed during the year	10327	74
No. of complaints pending at the end of the year	121	0

Includes complaints received from Banking Ombudsman (BO) and all pending 121 complaints redressed before Board meeting.

(B) Status of Awards passed by the Banking Ombudsman (BO)

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
No. of unimplemented Awards at the beginning of the year	Nil	Nil
No. of Awards passed by the Banking Ombudsmen during the year	Nil	Nil
No. of Awards implemented during the year	Nil	Nil
No. of unimplemented Awards at the end of the year	Nil	Nil

The above details are as furnished by the Management and relied upon by the Auditors.

13 Disclosure of Letters of Comfort (LoC) issued by the Bank

The Bank has not issued any Letter of Comfort during the period ended March 31, 2018, (Previous year Nil).

14 Provisioning Coverage Ratio

The Provision Coverage Ratio (PCR) (excluding Standard Provision) of the Bank is 37.22% as at March 31, 2018 (previous year: 35.38%).

15 Bancassurance Business

Commission, Exchange and Brokerage in Schedule 14 include the following fees earned on Bancassurance business:

(₹ in Crore)

Nature of Income	March 31, 2018	March 31, 2017
Towards selling of life insurance policies	-	-
Towards selling of non life insurance policies	2.00	-
Towards selling of mutual fund products	0.13	-

16 Concentration of deposits, advances, exposures and NPAs

(i) Concentration of Deposits

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
Total Deposits of twenty largest depositors*	3,242.08	NA
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	40.92%	NA

*Includes certificate of deposits

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(ii) Concentration of Advances

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
Total Advances to twenty largest borrowers	1,108.90	525.12
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	8.34%	7.96%

Advances comprise credit exposure (funded and non-funded credit limits).
The Bank has compiled the data for the purpose of this disclosure from its internal MIS system which has been relied upon by the auditors.

(iii) Concentration of Exposures

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
Total Exposure to twenty largest borrowers / customers	1,365.57	526.39
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the bank on borrowers / customers	9.68%	7.86%

Exposures comprise credit exposure (funded and non-funded credit limits) including investment exposure.
The Bank has compiled the data for the purpose of this disclosure from its internal MIS system which has been relied upon by the auditors.

(iv) Concentration of NPAs

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
Total Exposure to top four NPA accounts	18.30	15.02

17 Sector wise advances

(₹ in Crore)

Sr. No.	Sector	March 31, 2018		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	Priority Sector			
1	Agriculture and allied activities	305.26	14.19	4.65%
2	Advances to industries sector eligible as priority sector lending	50.07	0.58	1.15%
3	Services	1,194.89	16.34	1.37%
	Transport Operators	161.31	1.90	1.18%
	Trade	510.40	3.82	0.75%
	Other Services	497.89	9.95	2.00%
4	Personal loans	0.25	-	0.00%
	Sub total (A)	**1,550.47**	**31.11**	**2.01%**

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17 Sector wise advances (Contd.)

(₹ in Crore)

Sr. No.	Sector	March 31, 2018 Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
B	Non Priority Sector*			
1	Agriculture and allied activities	1,187.58	31.59	2.66%
2	Industry	558.03	16.17	2.90%
3	Services	9,119.94	189.15	2.07%
	Transport Operators	1,495.50	44.42	2.97%
	Trade	3,185.47	95.04	2.98%
	Non-Banking Financial Companies	1,529.51	-	0.00%
	Other Services	1,806.36	41.99	2.32%
4	Personal loans	996.50	1.72	0.17%
	Sub-total (B)	**11,862.05**	**238.63**	**2.01%**
	Total (A+B)	**13,412.52**	**269.74**	**2.01%**

*Non priority sector includes amounting ₹ 7,806.25 crore (previous year ended March 31, 2017: ₹ Nil), Priority sector portfolio which has been sold under PSLC.

The Bank has compiled the data for the purpose of this disclosure (from its internal MIS system/reports and has been furnished by the Management) which has been relied upon by the auditors.

The RBI guidelines on "Disclosure in financial statements – Notes to accounts" is not applicable for the year ended March 31, 2017 and accordingly, comparative disclosures are not provided to that extent (Refer Schedule 17(2b)).

18 Technical or prudential write-offs

Technical or prudential write-offs refer to the amount of non-performing assets which are outstanding in the books of the branches, but have been written-off (fully or partially) at the head office level. The financial accounting systems of the Bank are integrated and there are no write-offs done by the Bank which remain outstanding in the books of the branches. Movement in the stock of technically or prudentially written-off accounts is given below:

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
Opening balance of technical / prudential write-offs	-	-
Technical / Prudential write-offs during the year	-	-
Sub total (A)	**-**	**-**
Recoveries made from previously technically / prudentially written-off accounts during the year **(B)**	-	-
Closing balance of technical / prudential write-offs [(A)-(B)]	-	-

19 Overseas assets, NPAs and revenue

The Bank does not have any overseas branches and hence the disclosure regarding overseas assets, NPAs and revenue is not applicable (Previous Year : Nil).

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20 Off Balance Sheet SPVs

There are no Off-Balance Sheet SPVs sponsored by the Bank, which need to be consolidated as per accounting norms.

21 Disclosures on remuneration

A. Qualitative Disclosures:

a) **Information relating to the composition and mandate of the Remuneration Committee:**

In compliance of Companies Act 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirments) Regulations, 2015, Banking Regulation Act 1949 and other guidelines as applicable, the Board of Directors through its Nomination and Remuneration Committee (NRC) exercises oversight and effective governance over implemention of the Directors appointment and remuneration policy. The Nomination and Remuneration Committee consist of Non-Executive Directors and constitution of the committee is as follows:

- Mr. Krishan Kant Rathi - Independent Director (Chairman)
- Mr. Mannil Venugopalan - Independent Director
- Ms. Jyoti Narang - Independent Director
- Mr. Narendra Ostawal - Non-Executive - Nominee Director

The roles and responsibilities of the Nomination and Remuneration Committee (NRC) are as under:

(i) Assist the Board in formulation and implementation of compensation policy which will lay down the criteria for remuneration of directors, key management personnel (KMP) and Senior Management personnel (SMP) and other employees and take inputs from the Risk Management Committee of the Board to ensure balance between remuneration and risks as required.

It shall ensure that the mix of cash, equity and other forms of compensation must be consistent with risk alignment and objectives of the Bank.

(ii) Lay down the comprehensive criteria for assessment in terms of qualifications, positive attributes, independence, professional experience, track record, integrity and in view of other parameters for appointment of directors, KMP and SMP.

(iii) Develop policies and lay down criteria for appointment/ removal/ reappointment of the directors of the Board capturing the statutory and regulatory requirements.

(iv) Assist in defining the performance evaluation criteria for directors and other KMP and ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

(v) Ensure that the compensation policy formulated for remuneration of directors, KMP and SMP is reasonable and sufficient to attract, retain and motivate quality talent required to run the Bank.

(vi) Ensure Bank's compensation policy provides a fair and consistent basis for motivating and rewarding employees appropriately according to their performance, job profile, their contribution, skill and competence and also review compensation levels of the Bank's employees vis-à-vis other banks and the banking industry in general.

(vii) Ensure that the compensation for directors, KMPs, SMPs is a mix of fixed and variable pay and such compensation that 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' program of the Bank including deferred benefits.

(x) Assessing the integrity and suitability, financial position, cross check of any criminal records,civil

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actions undertaken, refusal of admission to or expulsion from professional bodies, sanctions applied by regulators or similar bodies and previous questionable business practice are considered for a candidate.

b) **Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy:**

Objectives of Remuneration Policy:

(i) Institutionalize a mechanism for the appointment/ removal/ dismissal of directors and lay down selection criteria for appointment of directors and to ensure that compliance with applicable laws, rules and regulations as well as 'Fit and Proper criteria' of directors is followed before their appointment.

(ii) Establish standards on compensation/ remuneration including fixed and variable pay, which are in alignment with the applicable rules and regulations and is based on the trends and practices of remuneration prevailing in the industry.

(iii) Formulation of the criteria for determining qualifications, positive attributes and independence of a Directors and Formulate the criteria for evaluation of performance of all the Directors on the Board, KMPs and SMPs

The remuneation process is aligned to Bank's compensation Policy

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 pay out is scheduled in manner where sensitivity to time horizon of risks is taken into consideration in the review process.

(iii) Individual performance is reviewed on the basis of key responsibility areas (KRAs) and the same is carried out under the annual performance review (APR) of the Bank.

(iv) Industry Benchmarking, inflation and increase of cost of living

In addition, remuneration process includes a 'malus' and 'clawback' option to take care of any disciplinary issue or future drop in performance of individual/ business/ Bank.

d) **Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration:**

Individual performances are assessed in line with business/ individual delivery of the Key Result Areas (KRAs), top priorities of business, budgets etc.

One of the key factor to be considered for annual performance evaluation is the goal sheet built in Human Capital Management Software.

In linking the performance and level of remuneration the job levels, business budgets, risk factors, achievement of individual KRAs are taken into consideration for taking decision in this regard.

e) **A discussion of the banks' policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting:**

Employees are classified into following three categories for the purpose of remuneration:

Category I: Whole Time Directors (WTD)/Chief Executive Officer (CEO)

Category II: Risk Control and Compliance Staff
Category III: Other Categories of Staff

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Category I

The compensation for all Category 1 employees is approved by the Nomination and Remuneration committee and RBI and the variable pay shall not exceed 70% of the fixed pay.

Category II & Category III

The compensation shall be subject to several factors while assessing the remuneration structure of employees with judicious mix of fixed and variable pay in line with industry practices. Key Result Areas (KRAs) of the executives, risk factors, performance vis-a-vis targets will be given suitable weightage for deciding the variable pay and considering principles laid down under remuneration policy.

For adjusting deferred remuneration before and after vesting:

The Bank's remuneration policy provides for following in the event of negative contributions:

Malus: Payment of all or part of amount of deferred variable pay can be prevented, this shall be applicable in case of:

(i) Disciplinary Action (at the discretion of the Disciplinary Committee) and/ or

(ii) Significant drop in performance of Individual/ Business (at the discretion of the Nomination & Remuneration Committee).

(iii) Resignation of staff prior to the payment date

Clawback: Previously paid or already vested deferred variable pay may be recovered under this clause.

This clause will be applicable in case of Disciplinary Action (at the discretion of the Disciplinary Action Committee and approval of the Nomination & Remuneration Committee)

f) **Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms:**

The Bank remuneation structure is Mix of Fixed Pay, Vaiable Pay & Deferred compensation methodology, which is reflective of the commitment and philosophy of creating and sharing wealth with the employees.

The Variable pay is decided considering risk factors, job profile, level of performance, industry norms to ensure that employee morale is high and to promote consistency in performance over the time horizon.

The break up of remuneration is the follows:

Fixed Remuneration: It consists of of Basic Salary, House Rent Allowance, conveyance, other allowances and perquisites.

Variable Remuneration: Variable Remuneration is paid as a percentage of Fixed pay, depending upon the performance of the Employees against set key responsibility areas (KRAs).

Employee Stock Option: ESOPs are being given to the Executive Directors, KMPs, SMPs and other employees on the basis of their performance against set KRAs, responsibilities, and vintage with the organization.

B. **Quantitative Disclosures:**

a) **Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.**

During year ended 31st March, 2018, 4 meetings of Nomination and Remuneration committee was held. Each Member of the Nomination and Remuneration committee is paid a sitting fee of ₹ 20,000 per meeting attended.

b) **Number of employees having received a variable remuneration award during the financial year.**

MD & CEO, Wholetime Director, 1 KMP and 3 Senior Management Personnel as risk takers were paid the variable remuneration during the year.

c) **Number and total amount of sign-on awards made during the financial year. – Nil**

d) **Details of guaranteed bonus, if any, paid as joining / sign on bonus. – Nil**

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e) Details of severance pay, in addition to accrued benefits, if any. – Nil

f) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.
Cash – Nil

Outstanding ESOPs as at 31st March, 2018 – 3,582,644 equity shares.

g) Total amount of deferred remuneration paid out in the financial year.
Cash - NIL

ESOPs - 888,011 Equity Shares exercised.

h) Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and nondeferred.
Total fixed salary for the year ended 31st March, 2018 - ₹ 5.58 crore.

Deferred Variable Pay
ESOPs – 30,601 equity shares

Non Deferred variable pay
Remuneration award paid during for the year ended 31st March, 2018 ₹ 2.30 crore was related to FY 2016-17 and remuneration award for the FY 2017-18 is either pending for approval at remuneration committee or RBI.

The Bank has granted 38,702 and 1,018,758 stock options on October 27, 2017 to whole time director under Plan A3 and Plan B5 resepectively which are pending for apporval from RBI.

i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments – Nil

j) Total amount of reductions during the financial year due to ex- post explicit adjustments. – Nil

k) Total amount of reductions during the financial year due to ex- post implicit adjustments. – Nil

The RBI guidelines on "Disclosure in financial statements – Notes to accounts" is not applicable for the year ended March 31, 2017 and accordingly, comparative disclosures are not provided to that extent (Refer Schedule 17(2b)).

22 Credit default swaps

The Bank has not transacted in credit default swaps during the period ended March 31, 2018, (previous year: Nil).

23 Intra-Group exposure

The Bank does not have any exposure (advances/ investments) within the group.

24 Transfers to Depositor Education and Awareness Fund (DEAF)

There were no amounts that were required to be transferred to Depositor Education and Awareness Fund during the year, (previous year: Nil).

25 Unhedged foreign currency exposure

As of March 31, 2018, there is no unhedged foreign currency exposure, (previous year: Nil).

26 Disclosures relating to Securitisation

(i) Information of assignment/securitisation activity as an originator:

(₹ in Crore)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Total number of loan assets assigned/securitized (in Nos.)	20,351	1,04,012
Total book value of loan assets assigned/securitized	802.30	3,495.17
Sale consideration received for loan assets assigned/securitized	802.30	3,495.17
Income recognised in Profit and Loss Account (incl. income on MRR)	302.95	260.58

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(ii) Information with respect to outstanding credit enhancements and liquidity support:

(₹ in Crore)

Particulars	Transactions at PAR		Transactions at PREMIUM	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
Outstanding credit enhancements (first loss):				
Corporate guarantee	-	-	5.81	5.81
Cash collaterals (placed as bank deposits)	136.90	127.62	0.23	0.23
Outstanding credit enhancements (second loss):				
Guarantees provided by banks on behalf of the Company *	185.46	167.03	-	-
Cash collateral placed in lieu of bank guarantee	-	-	-	-
Liquidity facility (utilised)	32.44	22.90	-	-
Liquidity facility (unutilised)	2.06	8.35	-	-

* Cash margins / deposits pledged with the banks, of ₹1.82 crore (PY ₹ 29.34 crore), have not been netted off.

(iii) Disclosure as per RBI guidelines for securitisation transactions:

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
No. of SPVs sponsored by the Bank for securitisation transactions (in Nos.)	37	34
Total amount of securitised assets as per books of the SPVs sponsored by the Bank (outstanding as on balance sheet date)	2,009.10	2,627.77
Total amount of exposures retained by the Bank to comply with minimum retention requirement (MRR) as on the date of balance sheet		
a) Off balance sheet exposures		
First Loss	-	-
Others	-	-
b) On balance sheet exposures		
First Loss	136.90	127.62
Others	135.32	174.52
Amount of exposures to securitisation transaction other than MRR		
a) Off balance sheet exposures		
I) Exposure to own securitisations		
First Loss	-	-
Others (Guarantees provided by banks on behalf of the Company *)	185.46	167.03
II) Exposure to Third party securitisations		
First Loss	-	-
Others	-	-
b) On balance sheet exposures		
I) Exposure to own securitisations		
First Loss	-	-
Others (Cash collateral placed in lieu of bank guarantee)	-	-
II) Exposure to Third party securitisations		
First Loss	-	-
Others	-	-

* Cash margins / deposits pledged with the banks, of ₹ 1.82 crore (PY ₹ 29.34 crore), have not been netted off.

27 Liquidity Coverage ration (LCR)

i) Quantitative disclosure on Liquidity Coverage Ratio (LCR) for period ended March 31, 2018:

(₹ in Crore)

Particular		Quarter ended March 31, 2018		Quarter ended December 31, 2017		Quarter ended September 30, 2017		Quarter ended June 30, 2017	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)		1,327.86		1,181.23		950.62		825.84
Cash Outflows									
2	Retail deposits and deposits from small business customers, of which:								
(i)	Stable deposits	342.44	17.12	225.24	11.26	114.13	5.71	22.17	1.11
(ii)	Less stable deposits	1,474.05	147.41	941.41	94.14	474.98	47.50	78.69	7.87
3	Unsecured wholesale funding, of which:								
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non operational deposits (all counterparties)	1,619.08	1,173.70	1,073.82	858.42	704.71	590.53	316.55	207.97
(iii)	Unsecured debt	326.22	326.22	341.49	341.49	388.99	388.99	179.41	179.41
4	Secured wholesale funding		16.11		-		23.78		71.88
5	Additional requirements, of which :								
(i)	Outflows related to derivative exposures and other collateral requirements								
(ii)	Outflows related to loss of funding on debt products								
(iii)	Credit and liquidity facilities								
6	Other contractual funding obligations	280.72	280.72	255.00	255.00	299.24	299.24	255.22	255.22
7	Other contingent funding obligations	871.81	39.64	431.35	20.59	319.98	15.80	233.98	11.70
8	**Total Cash Outflows**		**2,000.92**		**1,580.90**		**1,371.55**		**735.16**
Cash Inflows									
9	Secured lending (e.g. reverse repos)	18.67	-	6.74	-	-	-	-	-
10	Inflows from fully performing exposures	775.83	646.85	868.92	749.08	1,134.76	1,020.56	1,201.28	1,089.72
11	Other cash inflows	187.91	93.95	174.30	87.15	156.71	78.35	180.21	90.11
12	**Total Cash Inflows**		**740.80**		**836.23**		**1,098.91**		**1,179.83**
			Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
13	Total HQLA		1,327.86		1,181.23		950.62		825.84
14	Total Net Cash Outflows		1,260.11		744.67		342.89		183.78
15	Liquidity Coverage Ratio (%)		105%		159%		277%		449%

ii) Qualitative disclosure on Liquidity Coverage Ratio (LCR):

To assess Bank's resilience in liquidity stress scenario of 30 days with its high-quality liquid assets, Banks need to compute Liquidity Coverage Ratio (LCR) as per RBI - Basel III Framework on Liquidity Standards. High Ratio signifies Bank has enough liquid assets which it can use to fulfil its liquidity obligations in acute stress scenario. Ratio to compute as below

$$\text{LCR} = \frac{\text{Stock of High Quality Liquid Assets (HQLA)}}{\text{Net Cash Outflows over a 30 days period}}$$

Stock of High Quality Liquid Asset is total funding liquid assets could generate in stress scenario. Net Cash outflows is the difference as derived by multiplying the outstanding balances of various categories or types of liabilities by the outflow run-off rates and cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in.

Minimum Requirement for Small Finance Banks (as per operating guidelines for Small Finance Banks RBI/2016-17/81 DBR.NBD.No.26/16.13.218/2016-17 dated Oct 06, 2016) is as below:

Till December 31, 2017	By January 1, 2018	By January 1, 2019	By January 1, 2020	By January 1, 2021
60%	70%	80%	90%	100%

The Bank has implemented LCR framework and has consistently maintained the LCR percentage well above the regulatory threshold limit. The average LCR for the quarter ended March 31, 2018 was 105% which is above the regulatory limit of 70%. For the quarter ended March 31, 2018 HQLA stood at ₹ 1,328 Crores.

Asset Liability Committee (ALCO) of the Bank is the primary governing body for Liquidity Risk Management, Treasury is entrusted with the responsibility, under the guidance of the ALCO operationalizing liquidity management within the Bank. ALM Risk unit independently measures, monitors & report Liquidity Risk as per regulatory & internal guidelines.

In computing the above information, certain estimates and assumptions have been made by the Bank's Management which have been relied upon by the auditors.
The RBI guidelines on "Disclosure in financial statements – Notes to accounts" is not applicable for the year ended March 31, 2017 and accordingly, comparative disclosures are not provided to that extent (Refer Schedule 17(2b)).

28 Divergence in the asset classified and provisioning

The Bank has not been subject to any assessment by the RBI during the year, in relation to compliance with Prudential norms on income recognition, asset classification and provisioning. Accordingly, the disclosure on divergence in Asset classification and provisioning as per RBI Circular: DBR.BP.BC.No. 63/21.04.018/2016-17 dated April 18, 2017 is not applicable.

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29 Details of Priority Sector Lending Certificates (PSLCs)

(₹ in Crore)

Type of PSLCs	For the year ended March 31, 2018	
	PSLC bought during the year	PSLC sold during the year
Agriculture	-	542.50
Small and Marginal farmers	-	645.00
Micro Enterprises	-	1,807.50
General	-	4,811.25
Total	**-**	**7,806.25**

The RBI guidelines on "Disclosure in financial statements – Notes to accounts" is not applicable for the year ended March 31, 2017 and accordingly, comparative disclosures are not provided to that extent (Refer Schedule 17(2b)).

30 Provision pertaining to fraud accounts

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
No. of frauds reported during the year	10	*1
Amount involved in fraud	3.83	0.86
Amount involved in fraud net of recoveries / write-offs as at the end of the year	3.69	0.50
Provisions held as at the end of the year	3.69	0.00
Amount of unamortised provision debited from "other reserves" as at the end of the year	0.00	0.00

* The instance of fraud involved off-book loan assets amounting ₹ 0.30 crore for which no provision/write off is required.

31 Provision for credit card and debit card reward points

The Bank is not providing any reward points on cards.

32 Description of contingent liabilities

Sr. No.	Contingent liability*	Brief description
1	Claims against the Bank not acknowledged as debts	The Bank is a party to various legal and tax proceedings in the normal course of business. The Bank does not expect the outcome of these proceedings to have a material adverse effect on the Bank's financial conditions, results of operations or cash flows.
2	Guarantees on behalf of constituents	As a part of its Banking activities, the Bank issues guarantees on behalf of its customers. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of customer failing to fulfill its financial or performance obligations
3	Acceptances, endorsements and other obligations	These includes: Documentary credit such as letters of obligations, enhance the credit standing of the customers of the Bank. Bill rediscounted by the Bank and cash collateral provided by the Bank on assets which have been securitised.
4	Other items for which the Bank is contingently liable	These includes: a) Credit enhancements in respect of securitised-out loans b) Contractual payments for Capital commitments c) Other Guarantees

*Also refer Schedule 12 - Contingent Liabilities

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33 Corporate social responsibility

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
(a) Gross amount required to be spent by the Bank during the year (including deficit of previous year)	7.18	6.72
(b) Amount spent during the year		
On purposes other than construction/acquisition of any asset		
Paid in Cash	4.23	6.23
Yet to be Paid in Cash	-	-
Total	**4.23**	**6.23**

34 Small and micro industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

35 Proposed dividend

The Board of Directors at their meeting proposed a dividend of ₹ 0.50 per share, subject to the approval of the members at the ensuing annual General Meeting. In terms of revised Accounting Standard (AS) 4 'Contingencies and Events occurring after the Balance sheet date' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Bank has not appropriated proposed dividend (including tax) aggregating ₹ 17.22 crore from Profit and Loss Account for the year ended March 31, 2018. However, the effect of the proposed dividend has been reckoned in determining Capital funds in the computation of capital adequacy ratio as at March 31, 2018.

36 Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A) :

The Bank does not have any account under the Scheme for Sustainable Structuring of Stressed Assets (S4A) as on March 31, 2018.

37 Disclosures on Flexible Structuring of Existing Loans :

The Bank does not have any account under the Scheme Flexible Structuring of Existing Loans as on March 31, 2018.

38 Disclosures on Strategic Debt Restructuring Scheme (SDR):

The Bank does not have any accounts under SDR as on March 31, 2018.

39 Disclosures on Change in Ownership outside SDR Scheme:

The Bank does not have any account which are currently under the scheme of Change in Ownership Outside SDR as on March 31, 2018.

40 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, 2018.

41 Details of factoring exposure:

The factoring exposure of the Bank as at March 31, 2018 is Nil (previous year: Nil)

42 Inter-bank Participation with risk sharing:

The Bank has not entered into inter-bank participation with risk sharing.

43 Investor education and protection fund

There is no amount required to be transferred to Investor Education and Protection Fund by the Bank.

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44 Disclosure on remuneration to Non-Executive Directors

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
Remuneration by way of sitting fees to the Non-Executive Directors for attending meetings of the Board and its committees	0.40	0.16
Profit related commission to all Non-Executive Directors other than the Chairperson	0.20	-

45 Miscellaneous income includes profit on sale of units of mutual fund, recoveries from loans written off, income from dealing in Priority Sector Lending Certificates (PSLC), marketing support fees etc.

46 Details of payments of audit fees

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
Statutory Audit & Tax Audit fees (Including Taxes)	0.83	0.55
Other Matters	0.10	0.11
Total	**0.93**	**0.65**

47 Exceptional Items

Last year, the Company sold its investment in subsidiary companies viz. Aavas Financiers Limited (formerly known as Au Housing Finance Limited) and Index Money Limited and associate companies viz. M Power Micro Finance Private Limited and Au Insurance Broking Services Private Limited. The profit on sale of these investments (net of the expenses incurred in connection with such sale) of ₹ 670.35 crore (₹ 516.86 crore, net of tax) has been disclosed as other income in schedule 14 (II) in the financial statements. The profit after tax for the year ended March 31, 2017 excluding the impact of such income is ₹ 305.12 crore.

B. Other Disclosures

1 Fixed Assets as per Schedule 10 relating to purchase of software and system development expenditure which are as follows :

(₹ in Crore)

Particulars	March 31, 2018
Gross Block	
At cost on 31st March of the preceding year	3.90
Additions during the year	103.28
Deductions during the year	-
Total (a)	**107.18**
Depreciation / Amortisation	
As at 31st March of the preceding year	2.48
Charge for the year	14.81
Deductions during the year	-
Total (b)	**17.29**
Net Value (a-b)	**89.89**

The Bank has commenced banking operations from April 19, 2017, Hence comparative figures for March 31, 2017 not provided for. (Refer Schedule 17(2b)).

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2 Segment reporting

Part A: Business segments:

Segment reporting for the year ended March 31, 2018 is given below:

(₹ in Crore)

S. No.	Particulars	March 31, 2018
1	Segment revenue	
	(a) Treasury	210.29
	(b) Retail banking	1,693.59
	(c) Wholesale banking	249.23
	(d) Other banking operations	2.13
	(e) Unallocated	-
	Income from operations	**2,155.24**
2	Segment results	
	(a) Treasury	105.34
	(b) Retail banking	545.98
	(c) Wholesale banking	70.28
	(d) Other banking operations	2.13
	Total Segment results	**723.73**
	Less: Unallocated expenses	280.38
	Total Profit Before Tax	**443.35**
	Provision for Tax (Including deferred tax)	151.31
	Total Profit After Tax	**292.04**
3	Segment Assets	
	(a) Treasury	4,713.62
	(b) Retail banking	10,884.22
	(c) Wholesale banking	2,648.55
	(d) Other banking operations	0.64
	(e) Unallocated	585.74
	Total Assets	**18,832.77**
4	Segment Liabilities	
	(a) Treasury	2,377.99
	(b) Retail banking	8,646.73
	(c) Wholesale banking	5,324.53
	(d) Other banking operations	-
	(e) Unallocated	202.34
	Capital and Other Reserves	2,281.18
	Total Liabilities	**18,832.77**

Part B: Geographic segments

The business of the Bank is in India only. Accordingly, geographical segment is not applicable.

Segmental information is provided as per the MIS/reports available for internal reporting purposes, which includes certain estimates and assumptions. The methodology adopted in compiling and reporting the above information has been relied upon by the auditors.

For the year ended March 31, 2017, the Bank operated in a single business segment i.e. lending to borrowers having similar risks and returns for the purpose of AS 17 on 'Segment Reporting' specified under section 133 of the Companies act 2013, read with rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. Hence comparative figures for March 31, 2017 not provided for.

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3 Related Party Disclosures:

A. Parties where control exists:

Nature of relationship	Related Party
Subsidiary Companies	Aavas Financiers Limited (formerly known as Au Housing Finance Limited) (Upto June 22, 2016) Index Money Limited (upto June 16, 2016)

B. Other Related Parties:

Nature of relationship	Related Party
Associates	Au Insurance Broking Services Private Limited (Upto December 8, 2016) M Power Micro Finance Private Limited (Upto September 7, 2016)
Key management personnel (KMP)	Mr. Sanjay Agarwal, Managing Director and CEO Mr. Uttam Tibrewal, Whole Time Director Mr. Deepak Jain, Chief Financial Officer Mr. Manmohan Parnami, Company Secretary
Enterprises over which KMP / relatives of KMP have control / significant influence	M Power Micro Finance Private Limited (Upto July 19, 2017) Shree Dham Mining Industries LLP DS Speciality Product LLP Rudra Mintech LLP Khushi Buildhome Private Limited Namokar Mining Industries LLP MYS Holdings Private Limited Shivgyan Mines Minerals Private Limited BIFCO Private Limited Durga Bearings (Mumbai) Private Limited Speciality Stones Private Limited Deepak Tarachand HUF Jyoti Sanjay Family Trust
Relatives of KMP	Ms. Jyoti Agarwal Mr. Chiranji Lal Agarwal Ms. Shakuntala Agarwal Mr. Yuvraj Agarwal Ms. Mallika Agarwal Mr. Ajay Agarwal Ms. Pinki Agarwal Ms. Pooja Tibrewal Mr. Devi Prasad Tibrewal Ms. Geeta Devi Tibrewal Mr. Vaibhav Tibrewal Mr. Subhash Tibrewal Ms. Manju Agarwal Ms. Uma Bagaria Ms. Suman Sultania Ms. Shweta Jain Ms. Santosh Jain Mr. Devansh Jain Ms. Khushi Jain Ms. Kavita Goyal Ms. Sunita Agrawal Ms Anita Agarwal Ms.Bhawna Parnami Ms. Rajkumari Sukhija Ms. Asmita Parnami Mr. Mahinder Parnami Ms. Kavita Sukhija Ms. Shikha Taneja

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C. The Bank's related parties balances and transactions for the year ended are summarised as follows:

1. Deposits

(₹ in Crore)

Particular	As on March 31, 2018		As on March 31, 2017	
	Closing balance	Highest balance during the year	Closing balance	Highest balance during the year
Key Management Personnel (KMP)	3.95	18.24	-	-
Relatives of KMP	8.47	18.68	-	-
Enterprise over which KMP/Relative of KMP have control / significant influence	0.08	0.38	-	-

2. Interest Paid on Deposits

(₹ in Crore)

Particular	Year ended March 31, 2018	Year ended March 31, 2017
Key Management Personnel (KMP)	0.21	-
Relatives of KMP	0.33	-
Enterprise over which KMP/Relative of KMP have control / significant influence	-	-

Income including miscellaneous charges received from all the related parties are less than ₹ 50,000/- hence not shown separately.

3. Remuneration

(₹ in Crore)

Particular	Year ended March 31, 2018	Year ended March 31, 2017
Mr. Sanjay Agarwal, Managing Director and CEO	1.47	32.47
Mr. Uttam Tibrewal, Executive Director	1.28	8.28
Mr. Deepak Jain, Chief Financial Officer	1.98	2.88
Mr. Manmohan Parnami, Company Secretary	0.45	0.38
Total	**5.18**	**44.01**

1. Remuneration paid excludes value of employee stock options exercised during the year.
2. Includes special bonus paid to Key Managerial Personnel in connection with the transactions disclosed as exceptional item (refer note 47).

4. Loans given and repayment

(₹ in Crore)

Name of related party	Year ended	Loans given	Repayment of loans given	Interest due	Interest Received
Associates/ Enterprises over which Key management personnel has significant influence					
M Power Micro Finance Private Limited	March 31, 2018	-	-	-	-
	March 31, 2017	44.75	44.75	0.27	0.27

Loans given to related parties are repayable on demand. These loans carry interest @ of 12% to 17% p.a.

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5. Other transaction

(₹ in Crore)

Name of related party	Nature of transactions	Year ended on March 31, 2018	Year ended on March 31, 2017
Aavas Financiers Limited (formerly known as Au Housing Finance Limited)	Reimbursement of expenses (recovered)	-	0.09
Aavas Financiers Limited (formerly known as Au Housing Finance Limited)	Reimbursement of expenses (paid)	-	0.03
Aavas Financiers Limited (formerly known as Au Housing Finance Limited)	Reimbursement of Statutory payments (recovered)	-	0.32
Index Money Limited	Reimbursement of Statutory payments (recovered)	-	0.00
Au Insurance Broking Services Private Limited	Reimbursement of expenses (recovered)	-	0.07
Au Insurance Broking Services Private Limited	Reimbursement of Statutory payments	-	0.13
Mr. Sanjay Agarwal	Rent	-	0.04
Mr. Sanjay Agarwal	Purchase of flat	-	1.13
Mr. Sanjay Agarwal	Issue of Equity Shares of the Company	-	158.92
Mr. Uttam Tibrewal	Issue of Equity Shares of the Company	1.71	10.50
Mr. Deepak Jain	Issue of Equity Shares of the Company	0.10	2.10
Mr. Manmohan Parnami	Issue of Equity Shares of the Company	0.01	-
Mr. Sanjay Agarwal	Personal guarantee on behalf of Company	1.05	1,055.09
Mr. Sanjay Agarwal and Mr. Uttam Tibrewal	Personal guarantee on behalf of Company	-	30.00
Mr. Sanjay Agarwal & Mrs. Jyoti Agarwal	Personal guarantee on behalf of Company	12.60	52.64
M Power Micro Finance Private Limited	Investment (Shares)	-	1.05

4 Leases

The Bank has taken various premises under operating lease. The future minimum lease payments are given below:

(₹ in Crore)

Particulars	March 31, 2018
Not later than one year	47.74
Later than one year and not later than five years	189.44
Later than five years	140.21
Total	**377.38**
The total of minimum lease payments recognized in the Profit and Loss Account for the year	52.92
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases	-
Sub-lease amounts recognized in the Profit and Loss Account for the year	-
Contingent (usage based) lease payments recognized in the Profit and Loss Account for the year	-

For the year March 31, 2017, The Company's significant leasing arrangements in terms of Accounting Standard 19 on Leases are in respect of operating leases for premises. These leasing arrangements, which are cancellable, are usually renewable by mutual consent on mutually agreeable terms. Hence, no disclosures in this respect has been given for the year ended March 31, 2017 as per Accounting Standard 19.

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5 Earnings per equity share (AS 20)

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
Profit/ (loss) after tax (A)	292.04	821.98
Less: Exceptional item (net of tax) (refer note 47- schedule 18A)	-	(516.86)
Net profit excluding exceptional item (B)	292.04	305.12
Weighted average number of equity shares in calculating basic EPS (C)	28,47,69,718	27,23,85,729
Add: Effect of dilution - Stock option granted to employees	73,39,525	51,79,083
Weighted average number of equity shares in calculating diluted EPS (D)	29,21,09,243	27,75,64,812
Earning per share including exceptional item		
Basic (In ₹) (A / C)	10.26	30.18
Diluted (In ₹) (A / D)	10.00	29.61
Nominal value per share (In ₹)	10.00	10.00
Earning per share excluding exceptional item		
Basic (In ₹) (B / C)	10.26	11.20
Diluted (In ₹) (B / D)	10.00	10.99
Nominal value per share (In ₹)	10.00	10.00

The dilutive impact is due to options granted to employees by the Bank.

6 Deferred taxes

Other assets include deferred tax asset (net). The break-up of th same is as follows:

(₹ in Crore)

Particulars of Asset/ (Liability)	March 31, 2018	March 31, 2017
Provision for NPA and general provision on standard assets	24.50	9.69
Expenditure allowed on payment basis	1.93	-
Depreciation	(11.79)	0.55
Deduction u/s. 36(1)(viii) of the Income Tax Act, 1961	(7.09)	-
Others	6.16	1.69
Net Deferred Tax Asset	**13.71**	**11.93**

7 Accounting for employee share based payments

Stock options

The Bank has provided various share-based payment schemes to its Directors and Employees. The plans in operation are Plan A, Plan B and Plan C. The numerical A1, A2,A3, B1, B2, B3, B4, B5, C1, C2, C3, C4 and C5 represents different grants made under these plans. During the year ended March 31, 2018, the following series were in operation:

Particulars	Plan A1	Plan A2	Plan A3	Plan B1	Plan B2	Plan B3	Plan B4	Plan B5	Plan C1	Plan C2	Plan C3	Plan C4	Plan C5
Date of grant	Aug 31, 2015	Aug 23, 2016	Oct 27, 2017	Aug 31, 2015	Aug 23, 2016	Nov 11, 2016	Jan 24, 2017	Oct 27, 2017	Nov 11, 2016	Jan 24, 2017	Feb 22, 2017	May 13, 2017	**Jan 30, 2018**
Date of Board / Compensation Committee approval	Aug 10, 2015	Aug 23, 2016	Oct 27, 2017	Aug 10, 2015	Aug 23, 2016	Nov 11, 2016	Jan 24, 2017	Oct 27, 2017	Nov 11, 2016	Jan 24, 2017	Feb 22, 2017	May 13, 2017	**Jan 30, 2018**
Number of Options granted	33,38,436	4,18,512	3,61,000	28,62,846	10,92,654	36,000	30,000	42,510	11,700	1,85,900	70,700	4,99,800	10,53,901
Method of settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Graded vesting period:													
1st vesting "12 months from the date of grant or on the date of proposed initial public offer of Company`s equity shares whichever is later"	20%	20%	20%	20%	20%	20%	20%	20%	NA	NA	NA	NA	NA
1st vesting "12 months from the date of grant or one year from the date of proposed initial public offer of Company`s equity shares which ever is later"	NA	NA	NA	NA	NA	NA	NA	NA	20%	20%	20%	20%	20%
2nd vesting "On expiry of one year from the 1st vesting date"	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	20%
3rd vesting "On expiry of two years from the 1st vesting date"	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	30%
4th vesting "On expiry of 3 years from the 1st vesting date"	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	30%
Exercise period	4 years from the 1st vesting date								6 years from the 1st vesting date				
Vesting conditions	Continuous service								Continuous service				
Weighted average remaining contractual life (years)	3.28	3.40	4.58	3.28	3.40	3.62	3.82	4.58	6.28	6.28	6.28	6.28	6.84
Weighted average exercise price per option (₹)	10.11	10.11	10.11	33.37	33.37	33.37	33.37	33.37	140.00	140.00	140.00	140.00	140.00

Particulars	March 31, 2018												
	Plan A1	Plan A2	Plan A3	Plan B1	Plan B2	Plan B3	Plan B4	Plan B5	Plan C1	Plan C2	Plan C3	Plan C4	Plan C5
Options outstanding at the beginning of the year	30,19,554	4,18,512	-	28,02,954	10,06,830	36,000	30,000	-	11,700	1,85,900	70,700	-	-
Granted during the year	-	-	3,61,000	-	-	-	-	42,510	-	-	-	4,99,800	10,53,901
Forfeited during the year	-	-		-	-	-	-		-	-	-		
Exercised during the year	(6,02,220)	(83,702)	-	(5,60,196)	(1,93,396)	(7,200)	(6,000)	-	-	-	-		
Expired during the year	(5,124)	-	-	(3,340)	(91,621)	-	-	-	(2,700)	(15,900)	(4,500)	(3,95,600)	(15,980)
Outstanding at the end of the year	24,12,210	3,34,810	3,61,000	22,39,418	7,21,813	28,800	24,000	42,510	9,000	1,70,000	66,200	1,04,200	10,37,921
Exercisable at the end of the year	683	-	-	528	-	-	-	-	-	-	-	-	-

Particulars	March 31, 2017								
	Plan A1	Plan A2	Plan B1	Plan B2	Plan B3	Plan B4	Plan C	Plan C2	Plan C3
Options outstanding at the beginning of the year	33,38,418	-	28,62,846	-	-	-	-	-	-
Granted during the year	-	4,18,512	-	10,92,654	36,000	30,000	11,700	1,85,900	70,700
Forfeited during the year	-	-	-	-	-	-	-	-	-
Exercised during the year	-	-	-	-	-	-	-	-	-
Expired during the year	(3,18,864)	-	(59,892)	(85,824)	-	-	-	-	-
Outstanding at the end of the year	30,19,554	4,18,512	28,02,954	10,06,830	36,000	30,000	11,700	1,85,900	70,700
Exercisable at the end of the year	-	-	-	-	-	-	-	-	-

Details of stock options granted during the year:

Plan A & B: The weighted average fair value of stock options granted during the year was ₹ 618.43 (Plan A3), ₹ 600.12 (plan B5), ₹ 522.73 (plan C4) and ₹ 529.83 (plan C5)

The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

Particulars	Plan A3			Plan B5			Plan C4			Plan C5			
	Tranche vesting in FY 2018-19	Tranche vesting in FY 2019-20	Tranche vesting in FY 2020-21	Tranche vesting in FY 2018-19	Tranche vesting in FY 2019-20	Tranche vesting in FY 2020-21	Tranche vesting in FY 2018-19	Tranche vesting in FY 2019-20	Tranche vesting in FY 2020-21	Tranche vesting in FY 2018-19	Tranche vesting in FY 2019-20	Tranche vesting in FY 2020-21	Tranche vesting in FY 2021-22
Share price on the date of grant (₹)	590.00	590.00	590.00	590.00	590.00	590.00	92.25	92.25	92.25	688.50	688.50	688.50	688.50
Exercise price (₹)	10.11	10.11	10.11	33.37	33.37	33.37	140.00	140.00	140.00	140.00	140.00	140.00	140.00
Expected volatility (%)	44.68%	44.68%	44.68%	44.68%	44.68%	44.68%	44.68%	44.68%	44.68%	44.68%	44.68%	44.68%	44.68%
Life of the options granted (years)	2.58	3.08	3.58	2.58	3.08	3.58	3.12	3.62	4.10	3.84	4.34	4.84	5.34
Risk-free interest rate (%)	7.42%	7.42%	7.42%	7.42%	7.42%	7.42%	7.42%	7.42%	7.42%	7.42%	7.42%	7.42%	7.42%
Expected dividend rate (%)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Fair value of the option (₹)	618.04	618.35	618.64	598.83	599.83	600.81	516.89	521.38	525.87	522.59	526.76	531.22	535.22

Schedules

forming part of the Financial Statements for the year ended March 31, 2018

The Company measures the cost of ESOP using the intrinsic value method. Had the Company used the fair value model to determine compensation, its profit after tax and earnings per share as reported would have changed to the amounts indicated below:

(₹ in Crore)

Particulars	Year ended March 31, 2018	Year ended March 31, 2017
Profit after tax as reported	292.04	821.98
Add: ESOP cost using intrinsic value method (net of tax)	9.24	2.66
Less: ESOP cost using fair value method (net of tax)	12.51	4.09
Profit after tax (adjusted)	**288.76**	**820.55**
Earnings Per Share (in ₹)		
Basic		
- As reported	10.26	30.18
- Adjusted for ESOP cost using fair value method	10.14	30.12
Diluted		
- As reported	10.00	29.61
- Adjusted for ESOP cost using fair value method	9.89	29.56

(₹ in Crore)

Particulars	As at March 31, 2018	As at March 31, 2017
Stock options outstanding (gross)	94.04	14.01
Deferred compensation cost outstanding	73.76	7.86
Stock options outstanding (net)	**20.28**	**6.15**

360,000 options granted under plan C4 had a different vesting schedule, however, the options granted expired without any vesting to the grantee as the service conditions were not fulfilled. Accordingly these options have not been considered for the purpose of computing the impact of ESOP fair value on profit before tax.

The Bank has granted 38,702 and 1,018,758 stock options on October 27, 2017 to whole time director under Plan A3 and plan B5 respectively which are pending for approval from RBI. Accordingly these options have not been considered for the purpose of computing the impact of ESOP fair value on profit before tax.

Schedules

forming part of the Financial Statements for the year ended March 31, 2018

8 Employee benefits

(a) Defined benefit plans

Gratuity

The gratuity plan provides a lumpsum payment to vested employees at retirement or on termination of employment based on respective employee's salary and years of employment with the Bank ignoring the ceiling of gratuity amount of ₹ 0.20 crore.

Reconciliation of opening and closing balance of present value of defined benefit obligation for gratuity benefits is given below.

(₹ in Crore)

Particulars	March 31, 2018	March 31, 2017
Reconciliation of opening and closing balance of the present value of the defined benefit obligation		
Liability at the beginning of the year	6.98	4.64
Interest cost	0.52	0.37
Current service cost	4.77	1.86
Benefits paid during the year	(0.15)	(0.06)
Actuarial (gain) / loss on obligation	(0.52)	0.18
Experience adjustment	-	-
Assumption change	-	-
Liability at the end of the year	**11.60**	**6.99**
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	-	-
Expected return on plan assets	-	-
Contributions	0.14	-
Benefits paid	-	-
Actuarial gain / (loss) on plan assets	-	-
Experience adjustment	-	-
Assumption change	-	-
Fair value of plan assets at the end of the year	**0.14**	**-**
Amount recognised in Balance Sheet		
Fair value of plan assets at the end of the year	0.14	-
Liability at the end of the year	(11.60)	(6.99)
Net Asset (included under Schedule 11.VII) / (Liability) (included under Schedule 5.IV)	**(11.46)**	**(6.99)**
Expenses recognised in Profit and Loss Account		
Interest cost	0.52	0.37
Current service cost	4.77	1.86
Expected return on plan assets	-	-
Net actuarial (gain) / loss recognised in the year	(0.52)	0.18
Net cost	**4.77**	**2.41**
Actual return on plan assets	-	-
Estimated contribution for the next year	12.20	-
Assumptions		
Discount rate	7.75% per annum	7.50% per annum
Expected return on plan assets	7.75% per annum	-
Withdrawal rate	1.00% at all ages	1.00% at all ages
Salary escalation rate	7.50% per annum	7.50% per annum

Schedules

forming part of the Financial Statements for the year ended March 31, 2018

Experience adjustment

Particulars	Years ended March 31,				
	2018	2017	2016	2015	2014
Plan assets	0.14	-	-	-	-
Defined benefit obligation	11.60	6.99	4.64	2.83	1.83
Surplus / (deficit)	(11.46)	(6.99)	(4.64)	(2.83)	(1.83)
Experience adjustment gain / (loss) on plan assets	-	-	-	-	-
Experience adjustment (gain) / loss on plan liabilities	(0.52)	0.18	0.11	(0.07)	(0.13)

(b) Defined contribution plans

Providend fund

The Company makes Provident Fund contributions to a defined contribution retirement benefit plans for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to the Provident Fund Commissioner to fund the benefits.

The Company recognized ₹ 11.74 Crore (P.Y. ₹ 5.16 Crore) for provident fund contributions in the Profit and Loss Account. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

(c) Compensated absences

The Company has provided for compensatory leaves which can be availed and not encashed as per policy of the Company 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 Company has accordingly booked ₹ 5.11 Crore (P.Y. of ₹ 0.88 Crore) in the books of accounts for the period.

9 Comparative figures

Figures for the previous year have been regrouped and reclassified wherever necessary to conform to the current year's presentation.

AU SMALL FINANCE BANK LIMITED
(formerly known as AU Financiers (India) Limited)
CIN: L36911RJ1996PLC011381
Registered Office: 19-A, DHULESHWAR GARDEN, AJMER ROAD,
JAIPUR – 302001, RAJASTHAN
Tel: +91 0141 4110060 | Fax: +91 0141 4110090
E-mail: investorrelations@aubank.in | Website: www.aubank.in

Notice of Annual General Meeting

Notice is hereby given that the Twenty Third (23rd) Annual General Meeting ("AGM") of the members of **AU SMALL FINANCE BANK LIMITED** ("Bank") will be held on Tuesday, 7th August, 2018 at 03:30 PM at Chancellor Hall, Hotel Holiday Inn, Sardar Patel Marg, 22 Godam Circle, C –Scheme, Jaipur – 302001 to transact the following business:

ORDINARY BUSINESS

ITEM NO. 1: To consider and adopt the Audited Financial Statements of the Bank for the Financial Year ended 31st March, 2018 and the reports of the Board of Directors and the Auditors thereon.

ITEM NO. 2: To declare dividend on equity shares for the financial year ended 31st March 2018.

ITEM NO. 3: To appoint a director in place of Mr. Sanjay Agarwal (DIN: 00009526), who retires by rotation and being eligible, has offered himself for re-appointment.

ITEM NO. 4: To ratify the appointment of M/S S.R. BATLIBOI & ASSOCIATES LLP, Chartered Accountants (Registration No. 101049W/E300004) as the Statutory Auditors of the Bank.

To consider and, if thought fit, to pass, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 139, 141 and other applicable provisions, if any, of the Companies Act, 2013, read with the Companies (Audit and Auditors) Rules, 2014, and the applicable provisions of the Banking Regulation Act, 1949 or re-enactment(s) thereof for the time being in force and the Rules, Circulars and Guidelines issued by the Reserve Bank of India from time to time and pursuant to the resolution passed by the Members at the Twenty Second Annual General Meeting held on 27th September 2017 appointing M/S S.R. BATLIBOI & ASSOCIATES LLP, Chartered Accountants (Registration No. 101049W/E300004) as Statutory Auditors of the Bank to hold office for four (4) years from the conclusion of the Twenty Second Annual General Meeting till the conclusion of the Twenty Sixth Annual General Meeting, the appointment of M/S S.R. BATLIBOI & ASSOCIATES LLP, Chartered Accountants (Firm Registration No. 101049W/E300004), as statutory auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of 24th Annual General Meeting, be and is hereby ratified by the Members of the Bank, subject to approval from Reserve Bank of India and such other regulatory authorities, as may be applicable, and on such terms and conditions, including remuneration, as approved by the Board of Directors of the Bank."

SPECIAL BUSINESS

ITEM NO. 5: To appoint Mr. Raj Vikash Verma (DIN: 03546341) as an Independent Director.

To consider and, if thought fit, to pass, the following resolution as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Sections 149, 152 and any other applicable provisions, if any, of the Companies Act, 2013 **("Act")** and the Rules made there under read with Schedule IV of the Act and also in accordance with Section 10A(2A) of the Banking Regulation Act, 1949 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), Mr. Raj Vikash Verma (DIN:03546341), who was appointed as an Additional Director(Independent) of the Bank by the Board of Directors at its meeting held on 30th January, 2018 in terms of Section 161(1) of the Act and whose term of office expires at this Annual General Meeting **("AGM")** and in respect of whom the Bank has received a notice in writing under Section 160 of the Act from a member proposing his candidature for the office of Director of the Bank and who meets the criteria of Independence as provided under Section 149(6) of the Act and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, be and is hereby appointed as an Independent Director of the Bank to hold office for a term of three (3) years commencing from January 30, 2018 and whose office shall not be liable to retire by rotation.

RESOLVED FURTHER THAT Board of Directors be and is hereby authorised to do all such acts, deeds and things as may be considered necessary or desirable in connection with or incidental thereto to give effect to the above resolution, including but not limited to filing of necessary forms with the Registrar of Companies and to comply with all other requirements in this regard."

ITEM NO. 6: To revise the compensation (Profit Linked Commission) payable to Mr. Mannil Venugopalan (DIN:00255575), as the Non-Executive (Part-Time) Chairman.

To consider, and if thought fit, to pass, the following Resolution, as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 197 and other applicable provisions, if any, of the Companies Act, 2013 read with the relevant rules made thereunder, the relevant provisions of Section 35B and other applicable provisions, if any, of the Banking Regulation Act, 1949 (including any statutory amendment(s) thereto, modification(s)or re-enactment(s) thereof, for the time being in force) and the rules, guidelines and circulars issued by the Reserve Bank of India, from time to time and subject to such other approvals, as may be applicable, approval of the members be and is hereby accorded to revise the annual compensation (profit linked commission) to ₹ 20,00,000/-(Twenty lakhs only) payable exclusive of sitting fees, travelling and other out of pocket expenses for Financial Year 2018-19 and onwards to Mr. Mannil Venugopalan (DIN:00255575) as the Non-Executive (Part-Time) Chairman of the Bank, subject to approval of Reserve Bank of India.

RESOLVED FURTHER THAT the Board of Directors of the Bank be and is hereby authorized to execute all such documents, instruments and writings as deemed necessary, with the power to settle all questions, difficulties or doubts that may arise in this regard as it may in its sole and absolute discretion deem fit and to do all such acts, deeds, matters and things as it may consider necessary and desirable and to delegate all or any of its powers herein conferred to any Director(s)/Officer(s) of the Bank, to give effect to this resolution."

ITEM NO. 7: To revise the remuneration payable to Mr. Sanjay Agarwal (DIN 00009526), as the Managing Director & CEO.

To consider, and if thought fit, to pass, the following Resolution, as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 196, 197 and other applicable provisions, if any, of the Companies Act, 2013, read with the relevant rules made thereunder and Schedule V of the Companies Act 2013, the relevant provisions of Section 35B and other applicable provisions, if any, of the Banking Regulation Act, 1949 (including any statutory amendment(s) thereto, modification(s) or re-enactment(s) thereof, for the time being in force) and the rules, guidelines and circulars issued by the Reserve Bank of India, from time to time, approval of the members of the Bank be and is hereby accorded to revise the remuneration with 15% increase in fixed pay for Financial Year 2018-19 and 70% of fixed pay, as variable pay for performance of Financial Year 2017-18 to be paid to Mr. Sanjay Agarwal, Managing Director & CEO by way of salary, allowances and perquisites and other amount as detailed herein as may be approved by Reserve Bank of India and subject to such other compliances/approval as may be required in this regard.

Below is the bifurcation of existing and proposed fixed pay for Mr. Sanjay Agrawal.

Sr. No.	Items	Existing (₹)	Proposed (₹)
1	Salary	58,86,744	67,60,464
2	Dearness allowance	-	-
3	House rent allowance	23,54,700	33,80,232
4	Conveyance allowance	-	-
5	Entertainment allowance	-	-
6	Other allowances	-	-
	(a) Special Allowance	64,38,804	67,23,858
	(b) Transport Allowance	19,200	19,200
	(c) Education Allowance	2,400	2,400
	(d) Medical Reimbursement	15,000	15,000
	Total	**1,47,16,848**	**1,69,01,154**
	Perquisites		
1	Free furnished house	Nil	Nil
2	Free use of bank's car		
	-Official Purpose	Two cars with chauffeur for each	Two cars with chauffeur for each
	-Private Purpose	-	-
3	Servant Allowance	Reimbursement of servant expenses	Reimbursement of servant expenses
4	Provident Fund/Gratuity/Pension	As applicable to all employees of bank	As applicable to all employees of bank
	-Provident Fund	24,048	23,670
	-Gratuity	2,59,104	3,25,176
5	Travelling and Halting Allowances	On Actuals	On Actuals
6	Medical reimbursement	Ceiling of one month's basic salary annually or three months' basic salary over 3 years	Ceiling of one month's basic salary annually or three months' basic salary over 3 years
7	Other benefits		
	- Insurance	Total of ₹ 5,00,00,000 for health, personal accidental insurance and Group Insurance Scheme, together	Total of ₹ 5,00,00,000 for health, personal accidental insurance and Group Insurance Scheme, together
	-Leave Travel Concession	For self and family once a year incurred in accordance with Company rules	For self and family once a year incurred in accordance with Company rules

RESOLVED FURTHER THAT when in any financial year, the Bank has no profits or its profits are inadequate, the remuneration including the perquisites as aforesaid will be paid to Mr. Sanjay Agarwal in accordance with the applicable provisions of Schedule V of the Act, and subject to the approval of the Central Government, if required.

RESOLVED FURTHER THAT the aggregate of the remuneration and perquisites as aforesaid in any financial year shall not exceed the limit from time to time under Section 197, Section 198 and other applicable provisions of the Act and Rules made thereunder, read with Schedule V of the said Act or any statutory modification(s) or re-enactment thereof for the time being in force, or otherwise as may be permissible under the law.

RESOLVED FURTHER THAT in the event of any statutory amendment, modification or relaxation by the Central Government to Schedule V to the Companies Act, 2013, or any other relevant Statutory enactment(s) thereof in this regard, the Board of Directors be and are hereby authorized to vary or increase the remuneration including salary, commission, perquisites, allowances etc. within such prescribed limit or ceiling and the said agreement between the company and Mr. Sanjay Agarwal, be suitably amended to give effect to such modification, relaxation or variation without any further reference to the members for their approval.

RESOLVED FURTHER THAT Board of Directors of the Bank be and is hereby authorized to do all deeds, things, acts as may deemed necessary, in this regard but not limited to making correspondences in this regard with RBI or any other regulatory authority and/or to settle all questions, difficulties or doubts that may arise in this regard as it may in its sole and absolute discretion deem fit and to delegate all or any of its powers herein conferred to any Director(s)/Officer(s) of the Bank, to give effect to this resolution."

ITEM NO. 8: To Revise the remuneration payable to Mr. Uttam Tibrewal (DIN: 01024940), as the Whole Time Director.

To consider, and if thought fit, to pass, the following Resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 196, 197 and other applicable provisions, of the Companies Act, 2013, if any read with the relevant rules made thereunder and Schedule V of the Companies Act 2013, the relevant provisions of Section 35B and other applicable provisions, if any, of the Banking Regulation Act, 1949 (including any statutory amendment(s) thereto, modification(s) or re-enactment(s) thereof, for the time being in force) and the rules, guidelines and circulars issued by the Reserve Bank of India, from time to time, approval of the members of the Bank be and is hereby accorded to revise the remuneration with 15% increase in fixed pay for Financial Year 2018-2019 and 70% of fixed pay, as variable pay for performance of Financial Year 2017-18 to be paid to Mr. Uttam Tibrewal, Whole Time Director by way of salary, allowances and perquisites and other amount as detailed herein as may be approved by Reserve Bank of India and subject to such other compliances/approval as may be required in this regard.

Sr. No.	Items	Existing (₹)	Proposed (₹)
1	Salary	51,04,248	58,60,596
2	Dearness allowance	-	-
3	House rent allowance	20,41,704	29,30,304
4	Conveyance allowance	-	
5	Entertainment allowance	-	
6	Other allowances		
	(a) Special Allowance	55,78,068	58,24,002
	(b) Transport Allowance	19,200	19,200
	(c) Education Allowance	2,400	2,400
	(d) Medical Reimbursement	15,000	15,000
	Total	**1,27,60,620**	**14,651,502**
	Perquisites		
1	Free furnished house	Nil	Nil
2	Free use of bank's car		
	-Official Purpose	One car with chauffeur for each car	One car with chauffeur for each car
	-Private Purpose	-	-
3	Servant Allowance	Reimbursement of servant expenses	Reimbursement of servant expenses
4	Provident Fund/Gratuity/Pension -Provident Fund -Gratuity	As applicable to all employees of bank 24,048 2,21,472	As applicable to all employees of bank 23,670 2,81,892
5	Travelling and Halting Allowances	On Actuals	On Actuals
6	Medical reimbursement	Ceiling of one month's basic salary annually or three months' basic salary over 3 years	Ceiling of one month's basic salary annually or three months' basic salary over 3 years
7	Other benefits		
	- Insurance	Total of ₹ 5,00,00,000 for health, personal accidental insurance and Group Insurance Scheme, together	Total of ₹ 5,00,00,000 for health, personal accidental insurance and Group Insurance Scheme, together
	-Leave Travel Concession	For self and family once a year incurred in accordance with Company rules	For self and family once a year incurred in accordance with Company rules

RESOLVED FURTHER THAT when in any financial year, the Bank has no profits or its profits are inadequate, the remuneration including the perquisites as aforesaid will be paid to Mr. Uttam Tibrewal in accordance with the applicable provisions of Schedule V of the Act, and subject to the approval of the Central Government, if required.

RESOLVED FURTHER THAT the aggregate of the remuneration and perquisites as aforesaid in any financial year shall not exceed the limit from time to time under Section 197, Section 198 and other applicable provisions of the Act and Rules made thereunder, read with Schedule V of the said Act or any statutory modification(s) or re-enactment thereof for the time being in force, or otherwise as may be permissible under the law.

RESOLVED FURTHER THAT in the event of any statutory amendment, modification or relaxation by the Central Government to Schedule V to the Companies Act, 2013, or any other relevant Statutory enactment(s) thereof in this regard, the Board of Directors be and are hereby authorized to vary or increase the remuneration including salary, commission, perquisites, allowances etc. within such prescribed limit or ceiling and the said agreement between the company and Mr. Uttam Tibrewal, be suitably amended to give effect to such modification, relaxation or variation without any further reference to the members for their approval.

RESOLVED FURTHER THAT Board of Directors of the Bank be and is hereby authorized to do all deeds things acts as may deemed necessary, in this regard but not limited to making correspondences in this regard with RBI or any other regulatory authority and/or to settle all questions, difficulties or doubts that may arise in this regard as it may in its sole and absolute discretion deem fit and to do all such acts, deeds, matters and things as it may consider necessary and desirable and to delegate all or any of its powers herein conferred to any Director(s)/Officer(s) of the Bank, to give effect to this resolution."

ITEM NO. 9: To authorize board to borrow money in excess of paid up capital, free reserves and securities premium of the bank u/s 180(1)(c) of the Companies Act, 2013

To consider and, if thought fit, to pass, the following resolution as a **Special Resolution**:

"RESOLVED THAT in suppression of the earlier resolution passed by the members of the bank in the Annual General Meeting held on August 31, 2016 & pursuant to the provisions of Section 180(1) (c) and other applicable provisions, if any, of the Companies Act, 2013 read with The Companies (Meetings of Board and its Powers) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and as per the applicable provisions of Banking Regulation Act, 1949 and rules, guidelines and circulars issued by Reserve Bank of India, from time to time, the consent of the members of the Bank be and is hereby accorded to the Board of Directors of the Bank (hereinafter called "the Board" which term shall be deemed to include any Committee thereof, which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution and with the power to delegate such authority to any person or persons) to borrow for the purpose of business of the Bank, such sum or sums of monies as they may deem necessary, notwithstanding the fact that the monies so borrowed and the monies to be borrowed from time to time (apart from (i) temporary loans obtained from the company's bankers in the ordinary course of business and (ii) acceptances of deposits of money from public repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise and / or temporary loans obtained in the ordinary course of business from banks, whether in India or outside India) will exceed the aggregate of the paid up capital of the Bank, its free reserves and securities premium, provided that the total amount so borrowed including the money already borrowed and the money to be borrowed by the board in any manner permissible at any time shall not exceed ₹ 22,000 Crore (Rupees Twenty-Two Thousand Crore)."

"RESOLVED FURTHER THAT the Board of Directors of the Bank be and is hereby authorized to do all such acts, deeds and things and to sign all such documents and writings as may be necessary, expedient and incidental thereto including delegating its powers under the resolution to give effect to this resolution and for matters connected therewith or incidental thereto."

ITEM NO. 10: To approve issue of securities /bonds/ other permissible instruments, in one or more tranches

To consider and, if thought fit, to pass the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 42, 71, 180 and other applicable provisions, if any, of the Companies Act, 2013, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 and the SEBI (Issue and Listing of Debt Securities) Regulations, 2008, and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended and the applicable provisions of the Banking Regulation Act, 1949 (including any statutory amendment(s) thereto or modification(s) or re-enactment(s) thereof for the time being in force) and the rules, circulars and guidelines issued by Reserve Bank of India ("RBI"), from time to time and all other relevant provisions of applicable law(s),the provisions of the Memorandum and Articles of Association of the Bank and subject to such other approval(s), consent(s),permission(s) and sanction(s) as may be necessary from the concerned statutory or regulatory authority(ies), the approval of the Members

of the Bank be and is hereby accorded to the Board of Directors (hereinafter referred to as "The Board" and which term shall be deemed to include any Committee of the Board or any other persons to whom powers are delegated by the Board as permitted under the Companies Act, 2013) for borrowing/raising funds denominated in Indian rupees or any other permitted foreign currency by issue of debt securities including but not limited to long term bonds, perpetual debt instruments, Tier II Capital and Bonds or such other debt securities as may be permitted under RBI guidelines from time to time, on a private placement basis and /or for making offers and /or invitations thereof and / or issue(s)/ issuances thereof, on private placement basis, for a period of one year from the date hereof, in one or more tranches and /or series and under one or more shelf disclosure documents and/or one or more letters of offer and on such terms and conditions for each series / tranches including the price, coupon, premium, discount, tenor etc. as deemed fit by the Board, as per the structure and within the limits permitted by RBI, as applicable of an amount not exceeding ₹ 12,000 crore (Rupees Twelve Thousand Crores) in domestic and/or overseas market, on a private placement basis during a period of one year from the date of passing of this Resolution, within the overall borrowing limits of the Bank and on such terms and conditions as may be approved by the Board, from time to time."

RESOLVED FURTHER THAT the Board of Directors of the bank be and is hereby authorized to delegate all or any of its powers conferred herein to any Committee or any director(s) or officer(s) of the Bank and to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, proper and desirable and to settle any question, difficulty or doubt that may arise with regard to the issue of the securities.

Item No. 11: To approve AU Small Finance Bank Limited - Employee Stock Option Scheme 2018.

To consider and, if thought fit, to pass the following resolution as a **Special Resolution**:

"RESOLVED THAT in terms of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (the **"SEBI Regulations"**) issued by the Securities and Exchange Board of India **("SEBI")** and as amended from time to time and pursuant to the provisions of Section 62(1)(b) and all other applicable provisions, if any, of the Companies Act, 2013 (the **"Act"**) read with Rule 12 of The Companies (Share Capital and Debentures) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and the provisions of the Articles of Association of the Bank and subject to such permissions and approvals as may be required and subject to such conditions and modifications as may be imposed by any of the authorities while granting such permissions and approvals and agreed to by the Board of Directors of the Bank (hereinafter referred to as **"the Board"**, which term shall include the Nomination and Remuneration Committee or any other Committee of the Bank constituted by the Board to exercise its powers in relation hereto, including the powers conferred by this Resolution and/or such other persons who may be authorized by the Board or the Nomination and Remuneration Committee in this regard), which the Board be and is hereby authorized to accept on behalf of the Bank and subject to such other conditions and modifications as may be imposed on or considered necessary by the Board, the approval of the members be and is hereby accorded to adopt the Share Based Employee Benefit Scheme of the Bank under the name and style of "AU SMALL FINANCE BANK LIMITED - Employees Stock Option Scheme 2018" (**"AU ESOP Scheme 2018"**) and authorizing the Board/Committee, to exercise its powers, including the powers conferred by this resolution, to grant, offer, issue and allot at any time or from time to time to or for the benefit of the employee(s) of the Bank, including director(s) except Independent director(s) of the Bank, selected on the basis of criteria prescribed by the Board/Committee in accordance with the Companies Act, 2013 (hereinafter referred to as **"eligible employees"** of the Bank) except an employee/director who is a promoter or belongs to the promoter group or a director who either himself or through his relative or through anybody corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the Bank, options exercisable into not more than 49,33,200 (Forty Nine Lakhs Thirty Three Thousand Two Hundred) equity shares of the Bank (**"Equity Share(s)"**) under one or more tranches, and on such terms and conditions as may be fixed or determined by the Board/ Nomination & Remuneration Committee in accordance with the provisions of the law or guidelines issued by the relevant authority; each option would be exercisable for one Equity Share of the face value of ₹ 10/- each fully paid-up on payment of the requisite exercise price to the Bank.

RESOLVED FURTHER THAT each option shall vest in the hands of the option holder after a minimum period of one Year from the date of grant of the option or such longer period as may be determined by the Board/Nomination and Remuneration Committee from time to time subject to the conditions mentioned that the option grantee continues to be an employee of the Bank and the performance or other conditions as may be determined by the Board from time to time.

RESOLVED FURTHER THAT vested option can be exercised in whole or in part after the vesting date and within the vesting period only by the employee to whom the option have vested by making an application to the Bank for issue of shares against the option vested to him/ her by paying requisite amount of money and the unexercised portion of the vested options, will continue to be available to the

employee or the nominee for exercise as provided for in the scheme and the options granted to an employee's cannot be transferred to any other person.

RESOLVED FURTHER THAT the Nomination & Remuneration Committee and Board be and is hereby severally authorized to issue and allot Equity Shares upon exercise of options from time to time in accordance with the AU ESOP Scheme 2018 and such Equity Shares shall rank pari passu in all respects with the then existing Equity Shares.

RESOLVED FURTHER THAT the "AU FINANCIERS EMPLOYEES WELFARE TRUST" be and is hereby authorized for administering the ESOP Scheme as per terms and conditions set out under **"AU ESOP SCHEME 2018"**.

RESOLVED FURTHER THAT in case the Equity Shares are either sub-divided or consolidated or in case of Bonus issue or other corporate action, then the number of shares to be allotted under the schemes shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of ₹10/- per Equity Share bears to the revised face value of the Equity Shares after such sub-division or consolidation or Bonus or other corporate action and the price of acquisition payable by the option grantees shall automatically stand reduced or augmented, as the case may be, in the same proportion as the revised face value of the Equity Shares after such sub-division or consolidation or other corporate action bears to the present face value of ₹10/- per Equity Share, without affecting any other rights or obligations of the said Allottees.

RESOLVED FURTHER THAT the shares may be allotted in accordance with **AU ESOP SCHEME 2018** either directly or through "AU FINANCIERS EMPLOYEES WELFARE TRUST" or any other Trust which has been or may be set up in any permissible manner and that **"AU ESOP SCHEME 2018"** may also envisage for providing any financial assistance to the trust, subject to the applicable law(s), to enable the trust to acquire, purchase or subscribe to the shares of the Bank.

RESOLVED FURTHER THAT the Bank may also provide any financial assistance to said Trust to acquire, purchase or subscribe to the said equity shares of the Bank in accordance with the provision of the SEBI Regulations, Companies Act, 2013 and the Scheme.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of the securities allotted under the scheme(s) on the stock exchanges in future, where the securities of the Bank is listed in accordance with listing agreement executed with the concerned stock exchange(s) as per the provisions of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and other applicable guidelines, rules and regulations.

RESOLVED FURTHER THAT the Nomination & Remuneration committee of the Bank be and is hereby authorized to advise to the Board to make modifications, changes, variations, alterations or revisions in the said schemes as it may deem fit subject to Shareholder's approval, from time to time, in its sole and absolute discretion in conformity with the provisions of the Companies Act, 2013, as amended, modified or re-enacted from time to time, the Memorandum and Articles of Association of the Bank, SEBI Guidelines and any other applicable laws.

RESOLVED FURTHER THAT the Nomination and Remuneration Committee and any other committee of the Bank as constituted by the Board be and are hereby authorized to implement, administer/superintend the scheme including identifying the eligible employees and determining the number of option that may be offered to them pursuant to the scheme.

RESOLVED FURTHER THAT a document AU SMALL FINANCE BANK LIMITED - EMPLOYEES STOCK OPTION SCHEME 2018 titled as "**AU ESOP SCHEME 2018**" as tabled at the meeting and initialed by the chairman for the purpose of identification, be and is hereby approved and the same shall come into effect from the date of passing of shareholders resolution.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary or expedient in this regard at any stage without requiring the Board to secure any further consent or approval of the members of the Bank in this regard."

BY THE ORDER OF THE BOARD OF DIRECTORS
FOR AU SMALL FINANCE BANK LIMITED

Sd/-
MANMOHAN PARNAMI
COMPANY SECRETARY
M.No. - A16586

PLACE: JAIPUR
DATE: 26th April, 2018

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE AGM IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL IN THE MEETING INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE BANK.**

2. **An Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 relating to the Special Business to be transacted at the Meeting is annexed hereto.**

3. A person can act as proxy on behalf of not exceeding fifty members and holding in aggregate, not more than 10% of the total paid up share capital of the Bank. A member holding more than ten percent of the total paid up share capital of the Bank carrying voting rights may appoint a single person as proxy provided that such person shall not act as proxy for any other person or shareholder.

4. Corporate members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution to the Bank, authorizing their representative to attend and vote on their behalf at the meeting.

5. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.

6. The instrument appointing the proxy, duly completed in all respect, must be deposited at the Bank's Registered office not less than 48 hours before commencement of the meeting. A proxy form for the AGM is enclosed.

7. Members / Proxies / Authorized Representatives should bring the duly filled Attendance Slip enclosed herewith to attend the meeting.

8. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 and the Register of Contracts or Arrangements in which the directors are interested, maintained under Section 189 of the Companies Act, 2013 will be available for inspection by the members at the AGM.

9. The Register of Members and Share Transfer Books of the Bank will remain closed from Wednesday, 1st August 2018 to Tuesday, 7th August, 2018 i.e. for 7 days (both days inclusive) for the purpose of Annual General Meeting.

10. Dividend on Equity shares as recommended by the Board of Directors for the year ended 31st March, 2018, if approved at the Meeting, will be payable to those members who hold shares of the Bank based on the beneficial ownership details to be received from National Securities Depository Limited and Central Depository Services (India) Limited as at the close of business hours on Tuesday, 31st July, 2018.

11. In order to receive the dividend without loss of time, all the eligible shareholders holding shares in Demat mode are requested to update with their respective Depository Participants before 24th July, 2018, their correct Bank Account Number, including 9 Digit MICR Code and 11 digit IFSC Code, E-Mail ID and Mobile No(s). This will facilitate the remittance of the dividend amount as directed by SEBI in the Bank Account electronically. Updation of E-mail IDs and Mobile No(s) will enable sending communication relating to credit of dividend, un-encashed dividend, etc.

12. Members wishing to claim unclaimed dividends are requested to correspond with the Company Secretary of the Bank, at the Bank's registered office. The Bank shall within a period of 90 days of transferring such amount to 'Unpaid Dividend Account' prepare a statement containing the names, last known addresses and the amount of Dividend to be paid to each of the Members. Such statement shall be uploaded on the website of the Bank (www.aubank.in), if any, and also on the website specified by the Central Government for this purpose. Such statement shall remain on the website(s) till such time the unpaid or unclaimed Dividend is transferred to the Investor Education and Protection Fund (the Fund) and be updated by the Bank at regular Intervals.

    Members are requested to note that dividends which are not claimed within seven years from the date of transfer to the Bank's Unpaid Dividend Account, will, as per the provisions of Section 124 of the Companies Act, 2013 and rules made thereunder, be transferred to the Investor Education and Protection Fund.

13. With a view to using natural resources responsibly, we request shareholders to update their email address with their depository participants to enable the Bank to send all the communications electronically including Annual Report, Notices, Circulars, etc.

14. The Annual Report for the financial year 2017-18, the Notice of the 23rd AGM and instructions for e-voting, along with the Attendance Slip and Proxy Form, are being sent by electronic mode to all members whose email addresses are registered with the Bank/Depository Participant(s), unless a member has requested for a physical copy of the documents. For members who have not registered their email addresses, physical copies of the documents are being sent by the permitted mode.

15. Members may also note that the Notice of 23rd AGM and the Annual Report for the financial year 2017-18 of the Bank is posted on the Bank's website i.e., www.aubank.in. and at the website of the Registrar and Transfer Agent at www.Linkintime.co.in. The physical copies of the documents will also be available at the Bank`s registered office for inspection during the normal business hours between 10 AM to 5 PM on working days upto the date of the AGM. Members who require communication in physical form in addition

to e-communication or have any other queries, may please write to us at investorrelations@aubank.in

16. Brief profile and other Additional information pursuant to Regulation 36(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard -2 on General Meetings issued by The Institute of Company Secretaries of India, in respect of the directors seeking appointment/re-appointment at the AGM, is furnished as annexure to the Notice. The directors have furnished consent/ declaration of their appointment/re-appointment as required under the Companies Act, 2013 and the Rules made thereunder.

17. The Securities and Exchange Board of India (SEBI) has mandated the submission of the Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are therefore, requested to submit their PAN to their Depository Participant(s). Members holding shares in physical form are required to submit their PAN details to the Registrar and Share Transfer Agents.

18. Attendance registration:

- Shareholders are requested to tender their attendance slips at the registration counters at the venue of the AGM and seek registration before entering the meeting hall.
- The Shareholder needs to furnish the printed Attendance Slip along with a valid identity proof such as the PAN card, passport, AADHAR card or driving license to enter the AGM venue.

19. Members are requested to:

a) notify the change in address if any, with Pin Code numbers immediately to the Bank.

b) quote their Regd. Folio Number/DP and Client ID Nos. in all their correspondence with the Bank or its Registrar and Share Transfer Agent "RTA" i.e. Link Intime India Pvt. Ltd., C 101, 247 Park , L B S Marg, Vikhroli West, Mumbai 400 083 Tel No: +91 22-49186000 Fax: +91 22 49186060, Link Intime India Website: www.linkintime.co.in

20. Non-Resident Indian Members are requested to inform RTA of the Bank any change in their residential status on return to India for permanent settlement, particulars of their bank account maintained in India with complete name, branch account type, account number and address of the bank with pin code number, if not furnished earlier.

21. Members holding shares in electronic form may contact their respective Depository Participants for availing this facility.

22. Members desirous of getting any information about the accounts and/or operation of the Bank are requested to write to the Bank at least seven days before the date of meeting to enable us to keep the information ready at the meeting.

23. Voting option:

Voting through Electronic Means:

Pursuant to provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 (as amended) and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Secretarial Standard on General Meetings (SS-2) issued by the Institute of Company Secretaries of India, the Bank is pleased to provide members facility to exercise their right to vote at the Annual General Meeting by electronic means and the business may be transacted through e-Voting Services.

The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).

The Bank has approached NSDL for providing remote e-voting services through e-voting platform. In this regard, your Demat Account/Folio Number has been enrolled by the Bank for your participation in remote e-voting on resolutions placed by the Bank on remote e-Voting system.

The Notice of the Annual General Meeting of the Bank inter alia indicating the process and manner of remote e-Voting process along with printed Attendance Slip and Proxy Form can be downloaded from the link https://www.evoting.nsdl.com or link https://www.aubank.in

24. The remote e-voting period commences on Friday, 3rd August, 2018 (9:00 am) and ends on Monday, 6th August, 2018 (5:00 pm). During this period, shareholders of the Bank, holding shares either in physical form or in dematerialized form, as on the cut-off date of Tuesday, 31st July, 2018, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.

25. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Bank as on the **cut-off date i.e**. Tuesday, 31st July, 2018.

Instructions for E-voting are as under:

How do I vote electronically using NSDL e-Voting system?

The way to vote electronically on NSDL e-Voting system consists of "Two Steps" which are mentioned below:

Step 1 : Log-in to NSDL e-Voting system at https://www.evoting.nsdl.com/

Step 2 : Cast your vote electronically on NSDL e-Voting system.

Details on Step 1 is mentioned below:

How to Log-in to NSDL e-Voting website?

1. 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.

2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholders' section.

3. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen.

   Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at https://eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.

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. Your password details are given below:

a) If you are already registered for e-Voting, then you can user your existing password to login and cast your vote.

b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need 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, your 'initial password' is communicated to you on your postal address.

6. If you are unable to retrieve or have not received the " Initial password" or have forgotten your password:

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.

7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

8. Now, you will have to click on "Login" button.

9. After you click on the "Login" button, Home page of e-Voting will open.

Details on Step 2 is given below:

How to cast your vote electronically on NSDL e-Voting system?

1. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.

2. After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.

3. Select **"EVEN NO. 108619"** of Bank for which you wish to cast your vote.

4. Now you are ready for e-Voting as the Voting page opens.

5. 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.

6. Upon confirmation, the message "Vote cast successfully" will be displayed.

7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

8. 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 authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to cs.vmanda@gmail.com with a copy marked to evoting@nsdl.co.in.

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 toll free no.: 1800-222-990 or contact Ms. Pallavi Mhatre, Assistant Manager, National Securities Depository Ltd., Trade World, 'A' Wing, 4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013, at the designated email address: pallavid@nsdl.co.in/ evoting@nsdl.co.in or at telephone no. +91 22 2499 4545 who will also address the grievances connected with the voting by electronic means. Members may also write to the Company Secretary at the email address: investorrelations@aubank.in or contact at telephone no. 0141-4110060/61.

Voting at AGM:

The Chairman shall, at the Annual General Meeting, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of polling paper for all those members who are present at the General Meeting but have not cast their votes by availing the remote e-voting facility.

26. Please note the following:

A member may participate in the Annual General Meeting even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the General Meeting.

A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date i.e. Tuesday, 31th July, 2018, only shall be entitled to avail the facility of remote e-voting as well as voting at the Annual General Meeting through ballot paper.

27. The Board of Directors have appointed Mr. Manoj Maheshwari, Practicing Company Secretary (Membership No. FCS: 3355), as the Scrutinizer to scrutinize the polling and remote e-voting process in a fair and transparent manner.

28. The Scrutinizer shall after the conclusion of voting at the Annual General Meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Bank and shall make, not later than 48 hours of the conclusion of the Annual General Meeting, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.

29. The results of voting will be declared and the same along with the Scrutinizers Report will be published on the website of the Bank (www.aubank.in) and the website of NSDL (www.nsdl.com) immediately after the declaration of result by the Chairman and the same will also be communicated to BSE Limited and the National Stock Exchange of India Limited within 48 hours from the conclusion of the Annual General Meeting.

30. Other information:

Any person, who acquires shares of the Bank and becomes member of the Bank after dispatch of the notice and holding shares as on the cut-off date i.e. 31st July, 2018, may obtain the login ID and password by sending a request at evoting@nsdl.co.in or contact Bank's Registrar & Transfer Agent.

However, If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password/PIN for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" or "Physical User Reset Password?" option available on www.evoting.nsdl.com or contact NSDL at the toll free no.: 1800-222-990.

You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).

31. The route map of the venue of the Meeting is given in the Notice.

BY THE ORDER OF THE BOARD OF DIRECTORS
FOR AU SMALL FINANCE BANK LIMITED

Sd/-
MANMOHAN PARNAMI
COMPANY SECRETARY
A16586

PLACE: JAIPUR
DATE: 26th April, 2018

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 mentioned in the above Notice:

ITEM NO. 5

Mr. Raj Vikash Verma was appointed as an Additional Director with effect from January 30, 2018, in terms of Section 161 (1) of the Companies Act, 2013, in the category of 'Non-Executive Independent Director'. In terms of the aforesaid section of the Companies Act, 2013, an Additional Director shall hold office upto the date of the next Annual General Meeting and be eligible for appointment as director at ensuing Annual General Meeting in terms of Section 160 and 161 of the Companies Act, 2013.

"The Bank has received a notice in writing from a member under Section 160 of the Act proposing the candidature for Mr. Raj Vikash Verma as an Independent Director of the Bank who has given a declaration to the effect that he meets the criteria of independence as provided under Section 149(6) of the act and regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and consent to act as Director has also been received along with a declaration under Section 164(2) of the Companies Act, 2013 read with the rules made there under, confirming he is not disqualified to be reappointed as a Director of the Bank.

The Board is of the opinion that his continued association with the Bank would be beneficial to the Bank. Further, in the opinion of the Board, Mr. Raj Vikash Verma fulfills the conditions for independence as specified under Section 149 and schedule IV of the Companies Act,2013 and the Rules made there under and he Is independent of the management. He also complies with the 'fit and proper' criteria laid down under Banking Regulation Act, 1949.

He has a vast experience of over 27 years in Financial Services, Housing & Mortgage Finance and Real Estate sector.

In order to ensure compliance with the provisions of Sections 149 and 152 of the Companies Act, 2013 read with Rules made thereunder and Schedule IV of the Act, approval of the shareholders be and is hereby requested for the appointment of Mr. Raj Vikash Verma as an Independent Director for a period of three year commencing from 30th January 2018.

No Director other than Mr. Raj Vikash Verma himself or any of the Key Managerial Personnel of the Bank or their relatives are, directly or indirectly, concerned or interested in the Resolution set out at Item No. 5.

Further, Mr. Raj Vikash Verma is not related to any other Director or Key Managerial Personnel of the Bank.

The Board of Directors recommends the passing of the Ordinary Resolution as set out in Item No. 5 of the Notice.

ITEM NO. 6

Mr. Mannil Venugopalan was appointed as the Non-Executive (Part-Time) Chairman of the Bank with effect from 19th April,2017 vide RBI Letter bearing Ref. No. DBR. Appt.No.12183/29.44.003/2016-17 dated 13th April 2017 up to a period ending 29th March 2020.

AU SMALL FINANCE BANK LIMITED started its banking operations post conversion from NBFC model, Mr. Mannil Venugopalan has contributed immensely as Chairman of the Board. He has introduced significant measures to enhance standards of governance at the Bank. He brings to the Board his rich experience and insights on working of committees and Board.

The Bank has benefitted immensely from his leadership and guidance. In view of this, the Nomination and Remuneration Committee of the Board, at its meeting held on 25th April, 2018, reviewed the compensation (profit linked commission), of Mr. Mannil Venugopalan as the Chairman of the Bank and recommended a revision in his compensation (profit linked commission), for the approval of the Board. Pursuant to the recommendation of the Nomination and Remuneration Committee, the Board of Directors of the Bank at its meeting held on 26th April 2018, approved the revision in the compensation (profit linked commission) payable to Mr. Mannil Venugopalan as the Chairman of the Bank, subject to the approval of the Shareholders of the Bank and the Reserve Bank of India.

The brief profile of Mr. Mannil Venugopalan, in terms of the Secretarial Standards on General Meetings (SS-2) issued by the Institute of Company Secretaries of India, New Delhi, has been provided as annexure to the Notice. Mr. Mannil Venugopalan does not hold any equity shares of the Bank.

No Director other than Mr. Mannil Venugopalan himself or any of the Key Managerial Personnel of the Bank or their relatives are, directly or indirectly, concerned or interested in the Resolution set out at Item No. 6. Further, Mr. Mannil Venugopalan is not related to any other Director or Key Managerial Personnel of the Bank.

The Board of Directors recommends the passing of the Ordinary Resolution as set out in Item No. 6 of the Notice.

ITEM NO. 7

During the year ended 31st March 2018, under the leadership of Mr. Sanjay Agarwal, Managing Director & CEO, the Bank has achieved all-round progress in terms of business growth and profitability of the Bank.

In a competitive and dynamically changing banking scenario, it is critical for the Bank to leverage on his expertise, knowledge and experience. He is responsible for overall strategic planning and provide guidance to the executive management team of the Bank and Head of Departments (HODS) of Treasury, Risk, Audit, Liability, Operations & Technology, Digital Analytics, HR and Distributions reports to him.

In view of above, the Nomination and Remuneration Committee, at its meeting held on 25th April 2018, reviewed the remuneration being paid to Mr. Sanjay Agarwal as the Managing Director & CEO of the Bank and recommended a revision in his remuneration, for the approval of the Board. Pursuant to the recommendation of the Nomination and Remuneration Committee, the Board of Directors of the Bank at its meeting held on 26th April 2018 approved the revision in the remuneration by way of salary, allowances and perquisites payable to Mr. Sanjay Agarwal as the Managing Director & CEO of the Bank, subject to the approval of the Shareholders of the Bank and the Reserve Bank of India.

The brief profile of Mr. Sanjay Agarwal, in terms of the Secretarial Standards on General Meetings (SS-2) issued by the Institute of Company Secretaries of India, New Delhi, has been provided as annexure to the Notice.

No Director and Key Managerial Personnel of the Bank other than Mr. Sanjay Agarwal himself or any of their relatives are, directly or indirectly, concerned or interested in the Resolution set out at Item No. 7 except to the extent of their shareholding in the Bank.

Further, Mr. Sanjay Agarwal is not related to any other Director or Key Managerial Personnel of the Bank.

The Board of Directors recommends the passing of the Ordinary Resolution as set out in Item No. 7 of the Notice.

ITEM NO. 8

During the year ended 31st March 2018, under the leadership of Mr. Uttam Tibrewal, Whole Time Director the Bank has shown growth in revenue and profits. Mr. Uttam Tibrewal has demonstrated his ability to take up higher responsibilities and presently, all retail assets verticals report to him. His dynamic vision, strategic focus, and entrepreneurial skills continue to guide the growth of the Bank's businesses.

In light of the above, the Nomination and Remuneration Committee at its meeting held on 25th April 2018 reviewed the remuneration being paid to Mr. Uttam Tibrewal as the Whole-time Director of the Bank and recommended a revision in his remuneration, for the approval of the Board. Pursuant to the recommendation of the Nomination and Remuneration Committee, the Board of Directors of the Bank at its meeting held on 26th April 2018 , approved the revision in the remuneration by way of salary, allowance and perquisites payable to Mr. Uttam Tibrewal as the Whole-time Director of the Bank subject to the approval of the Shareholders of the Bank and the Reserve Bank of India.

The brief profile of Mr. Uttam Tibrewal, in terms of the Secretarial Standards on General Meetings (SS-2) issued by the Institute of Company Secretaries of India, New Delhi, has been provided as annexure to this Notice.

No Director and Key Managerial Personnel of the Bank other than Mr. Uttam Tibrewal himself or any of their relatives are, directly or indirectly, financially or otherwise, concerned or interested in the Resolution set out at Item No. 8. except to the extent of their shareholding in the Bank.

Further, Mr. Uttam Tibrewal is not related to any other Director or Key Managerial Personnel of the Bank.

The Board of Directors recommends the passing of the Ordinary Resolution at Item No. 8 of the Notice to the members of the Bank.

ITEM NO. 9

The Board of Directors of the Bank envisages requirement of funds in future. As per the provisions of Section 180(1)(c) of the Companies Act, 2013, the Board can borrow money subject to the condition that the money to be borrowed together with the monies already borrowed by the Bank (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) shall not exceed the aggregate, for the time being, of the paid-up share capital, free reserves and securities premium of the bank, that is to say, reserves not set apart for any specific purpose unless the Shareholders have authorized the Board to borrow the monies up to some higher limits.

In terms of good asset financing led growth in FY 2017-18 and projected financing needs for FY 2018-19, Bank will be required to borrow funds for its business needs.

Hence, it is proposed to empower and authorize the Board of Directors of the Bank to borrow money from any Financial Institutions (FIs), Foreign Institutional Institutions (FII's), Bodies Corporate or Business Associates or any other person or entity etc., in excess of paid up capital, free reserves & Securities premium of the Bank up to a sum not exceeding ₹ 22,000 Crore (Rupees Twenty-Two Thousand Crores Only) for the purpose of business activities of the Bank.

None of the Director or Key Managerial Personnel of the Bank or their relatives are, directly or indirectly, financially or otherwise, concerned or interested in the Resolution set out at Item No. 9

The Board of Directors recommends the passing of the Special Resolution as set out in Item No. 9 of the Notice.

Item No. 10

Section 42 of the Companies Act, 2013 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 provides that a company can issue securities including non-convertible debentures (NCDs) on a private placement basis subject to the condition that the proposed offer of debt securities or invitation to subscribe to debt securities has been previously approved by the Shareholders of the company, by means of a special resolution, for each of the offers or invitations. In case of an offer or invitation for NCDs, it shall be sufficient if the company passes a special resolution only once in a year for all offer(s) or invitation(s) for issue of such NCDs on a private placement basis, during the period of one year from the date of passing of the special resolution.

Keeping in view the Bank's projections in domestic operations, the Bank may need to raise additional funds in one or more tranches in Indian as well as overseas market to maintain the desired capital to risk weighted assets ratio (CRAR) and to meet the funds requirements by issue of debt securities denominated in Indian rupees or any other permitted foreign currency (including but not limited to long term bonds, green bonds, non-convertible debentures, perpetual debt instruments and Tier II Capital Bonds or such other debt securities as may be permitted under RBI guidelines from time to time), on a private placement basis and/or for making offers and/or invitations thereof and /or issue(s)/ issuances thereof, on a private placement basis, during the period of one year from the date of passing of the special resolution.

Considering the above, the Board of Directors of the Bank at its meeting held on 26th April 2018 has proposed to obtain the consent of the Shareholders of the Bank for borrowing/ raising funds in Indian currency/ foreign currency by issue of debt securities in domestic and/ or overseas market, in one or more tranches as per the structure and within the limits permitted by the Reserve Bank of India and other regulatory authorities to eligible investors of an amount not exceeding ₹ 12,000 crore (Twelve Thousand Crore) , on a private placement basis during a period of one year from the date of passing of the special resolution. The said debt securities would be issued by the Bank in accordance with the applicable statutory guidelines, for cash either at par or premium or at a discount to face value depending upon the prevailing market conditions.

None of the Director or and Key Managerial Personnel of the Bank or their relatives are, directly or indirectly, financially or otherwise, concerned or interested in the Resolution set out at Item No. 10.

The Board of Directors recommends the passing of the Special Resolution at Item No. 10 of the Notice to the members of the Bank.

Item No. 11

The purpose of the "**AU SMALL FINANCE BANK LIMITED-Employees Stock Option Scheme 2018"** is to attract and retain the personnel on positions of substantial responsibility and to provide additional incentive to Employees for creation of long term wealth.

It is proposed that the Bank should adopt a new scheme under SEBI (Share Based Employee Benefits) Regulations, 2014, under the name and style of **"AU SMALL FINANCE BANK LIMITED - Employees Stock Option Scheme 2018"**.

For the purposes of granting options to the Employees of the Bank, the Resolution contained at Item No. 11 seek to obtain the members' approval to authorize the Board of Directors of the Bank (hereinafter referred to as **"the Board"**, which term shall include the Nomination and Remuneration Committee or any other Committee of the Bank constituted by the Board to exercise its powers in relation hereto, including the powers conferred by this Resolution and/or such other persons who may be authorized by the Board or the Nomination and Remuneration Committee in this regard), to create, issue, offer and allot equity shares, from time to time, to employees of the Bank.

A copy of the proposed AU ESOP Scheme 2018 will also be available for inspection at the Registered Office of the Bank during the normal business hours between 10:00 a.m. to 05:00 p.m. on all working days up to the date of this Annual General Meeting. As per Regulation 6 and Regulation 14 of the SEBI (Share Based Employee Benefits) Regulations 2014, the key details of the aforesaid Schemes are set out below.

Bank formulated scheme referred to as **"AU SMALL FINANCE BANK LIMITED -Employee Stock Option Scheme 2018" (AU ESOP Scheme –2018)** with the aggregate no. of shares underlying the stock option scheme for 49,33,200 (Forty Nine Lakhs Thirty Three Thousand Two Hundred) equity shares of ₹10/- each, the details of which are as under:

The main features of **AU SMALL FINANCE BANK LIMITED EMPLOYEE STOCK OPTION SCHEME 2018 (AU ESOP Scheme –2018)** are as under:

1. TOTAL NUMBER OF STOCK OPTIONS TO BE GRANTED:

The Options underlying the grant under the scheme shall not exceed 49,33,200 (or such other adjusted figure for any stock splits or consolidations or bonus or other re-organization of the capital structure of the Bank, as may be applicable from time to time) convertible into one Equity Share of having face value of ₹10 each for one option.

Heading	No. of Employee stock options (Options with Equal nos. of Equity shares with Face Value of ₹ 10 each)	Exercise Price in ₹ Per Option with Equal no. of Equity share
AU SMALL FINANCE BANK LIMITED - Employee Stock Option Scheme 2018" (AU ESOP Scheme –2018)	49,33,200	Exercise Price shall be as determined by Nomination & Remuneration Committee and It shall in compliance of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014

2. IDENTIFICATION OF CLASSES OF EMPLOYEES ENTITLED TO PARTICIPATE IN THE EMPLOYEE STOCK OPTION SCHEME(S):

The AU EMPLOYEE STOCK OPTION SCHEME 2018 shall extend to employees of the Bank as may be determined by the Nomination and Remuneration Committee. The scheme shall also be extended to new recruits of the Bank, as may be determined by Nomination and Remuneration Committee from time to time.

3. NOMINATION AND REMUNERATION COMMITTEE (COMPENSATION COMMITTEE)

The Nomination & Remuneration Committee of the Board constituted by the Bank pursuant to the provisions of Section 178 of the Companies Act, 2013 is also referred as the 'Compensation Committee' for the administration and superintendence of the ESOP Scheme 2018.

4. THE APPRAISAL PROCESS FOR DETERMINING THE ELIGIBILITY OF EMPLOYEES TO THE EMPLOYEES STOCK OPTION SCHEME:

The criteria for determining the nos. of Options to be granted to employees decided on the basis of rating, objective assessment of the performance of employees, tenure of service and their contribution and proposed role in the Bank.

5. REQUIREMENTS FOR VESTING, PERIOD OF VESTING ETC.:

The continuation of employee in the services of the Bank shall be the primary requirement of the vesting. The grant of options shall be made as per the AU EMPLOYEE STOCK OPTION SCHEME 2018 as placed at the meeting.

The vesting of an option would also be subject to the terms and conditions as may be stipulated by the Nomination and Remuneration Committee from time to time including but not limited to satisfactory performance of the employees, their continued employment with the Bank. The vesting period shall commence any time after the expiry of one year from the date of the grant of the options to the employee and could extend up to six years from the date of the grant of the options. The options could vest in tranches. The number of stock options and terms of the same as made available to employees could vary at the discretion of the Nomination and Remuneration Committee as it may deem fit subject to Shareholder's approval, from time to time, in its sole and absolute discretion

6. EXERCISE PRICE OR PRICING FORMULA:

The exercise price for AU EMPLOYEE STOCK OPTION SCHEME 2018 shall be determined by the Nomination & Remuneration Committee and it shall be in compliance of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, with per option convertible into equivalent no. of equity shares.

7. EXERCISE PERIOD AND THE PROCESS OF EXERCISE:

The exercise period shall be within 6 years from the date of 1st Vesting date and employees shall be required to submit their exercise notice to the Bank for exercising their options and post which unexercised options shall lapse.

8. MAXIMUM PERIOD WITHIN WHICH THE OPTIONS SHALL BE VESTED

Please refer point no. 5 dealing with requirements for vesting and as may be decided by Nomination and Remuneration Committee for option grants from time to time.

9. MAXIMUM NUMBER OF OPTIONS TO BE GRANTED PER EMPLOYEE AND IN AGGREGATE:

Maximum number of options to be granted to an eligible employee will be determined by the Nomination and Remuneration Committee in accordance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 subject to the condition that in case of grant of ESOPs to identified employees is in equal to or exceeding one per cent of the issued capital (excluding outstanding warrants and conversions) Bank then approval of shareholders shall be obtained.

10. METHOD OF OPTION VALUATION:

The Bank to use one of the applicable methods to value its options and difference in value of shares and grant price if any shall be amortized and it shall be disclosed in the Board's Report and also the impact of this difference on profits and on Earnings Per Share (EPS) of the Bank shall also be disclosed in the Board's Report.

11. CONDITIONS UNDER WHICH OPTION VESTED IN EMPLOYEES MAY LAPSE:

The conditions, circumstances under which options vested in an employee may lapse including termination from employment for misconduct or other reasons shall be decided by the Nomination and Remuneration Committee, more particularly elaborated under the AU ESOP Scheme – 2018.

12. THE SPECIFIED TIME PERIOD WITHIN WHICH THE EMPLOYEE SHALL EXERCISE THE VESTED OPTIONS IN THE EVENT OF A PROPOSED TERMINATION OF EMPLOYMENT OR RESIGNATION OF EMPLOYEE:

i) Termination by the Bank

In the event the Bank terminates the employment of an Employee:

a) for Cause, all Options, whether Vested or not (i.e. both vested and unvested Options), shall lapse.

b) Without Cause, all Options that have not vested in such employee shall lapse. All Vested Options shall continue to vest in the employee and shall be exercisable in accordance with the terms hereof provided however that the Employee shall be required to Exercise all his/her Vested Option within thirty (30) days of the date of his/her resignation or before relieving of employee, whichever is earlier, failing which the Options exercisable shall lapse.

ii) Resignation by the Employee

In the event of resignation by the Employee, all Options that have not vested in such Employee shall lapse. All Vested Options shall continue to Vest in the Employee and shall be exercisable in accordance with the terms provided herein however that the Employee shall be required to Exercise all his/her Vested Option within thirty (30) days of the date of his/her resignation or before relieving of Employee, whichever is earlier, failing which the Options exercisable shall lapse.

13. DISCLOSURE AND ACCOUNTING POLICIES:

The Bank shall confirm to the applicable Accounting Standards, Companies Act, 2013 and SEBI guidelines as may be applicable including the disclosure and accounting policies as specified in the SEBI guidelines and such other guidelines applicable from time to time shall be complied by the Bank.

14. LOCK-IN PERIOD, IF ANY:

Stock options allotted to the Employees under the **"AU ESOP Scheme 2018"** are freely tradeable and will not be subject to lock-in.

None of the Director or any of the Key Managerial Personnel of the Bank or their relatives are, directly or indirectly, concerned or interested in the Resolution as set out in Item No. 11 except to the extent of shareholding in the Bank.

The Board of Directors recommends the passing of the Special Resolution as set out in Item No. 11 of the Notice.

A copy of the existing Memorandum and Articles of Association of the Company, will be available for inspection by the Members at the Registered Office of the Company on all working days during normal business hours from 10 AM to 5 PM, up to the date of Annual General Meeting.

BY THE ORDER OF THE BOARD OF DIRECTORS
FOR AU SMALL FINANCE BANK LIMITED

Sd/-
MANMOHAN PARNAMI
COMPANY SECRETARY
A16586

PLACE: JAIPUR
DATE: 26th April, 2018

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 – 2 ON GENERAL MEETINGS (SS-2) ISSUED BY THE INSTITUTE OF THE COMPANY SECRETARIES OF INDIA, NEW DELHI.

Annexure to item number 5:
Mr. Raj Vikash Verma

Age	63 Years
Date of first appointment on Board	30th January, 2018
Qualification	Mr. Raj Vikash Verma holds Master Degree in Economics and Certified Associate of the Indian Institute of Bankers (CAIIB).
Brief Resume including experience	Mr. Raj Vikash Verma is the Additional Director (Independent) of our Bank. He is a passionate leader, great administrator and possesses vast knowledge and experience in the field of Housing & Mortgaged Finance and Real Estate Sector. He chaired various Board and held the position of Chairman and Managing Director of National Housing Board (NHB), CERSAI. He also served at Reserve Bank of India and member of Advisory Committee of Insolvency and Bankruptcy Board of India (IBBI). He has over 35 years of experience in Housing, mortgage finance and real estate sector.
Nature of his expertise in specific functional areas	Mr. Verma has vast and rich experience in the financial services sector, particularly in the field of development finance and regulatory bodies, which includes vast experience in Housing, mortgage finance and real estate sector.
Other Directorship	• INDIA MORTGAGE GUARANTEE CORPORATION PRIVATE LIMITED • BEE SECURE HOME FINANCE PRIVATE LIMITED • ART AFFORDABLE HOUSING FINANCE (INDIA) LIMITED • VISU LEASING AND FINANCE PRIVATE LIMITED
Chairmanship/Membership of Committees in other companies in which position of Director is held	Nil
Relationship with other Directors, Managers and other Key Managerial Personnel of the Bank	None
No. of equity shares held in the Bank	Nil
No. of board meetings attended during the year	Nil
Terms and conditions of appointment or re-appointment	Proposed Independent Director not liable to retire by rotation and post approval at AGM, he shall be director for a period of 3 years from date of appointment, i.e. 30th January, 2018.
Remuneration sought to be paid	Profit linked commission of ₹ 10,00,000 (Ten Lakhs only per annum) and sitting fees of ₹ 40,000/- for Board meeting and ₹ 20,000/- for every committee meeting attended

Annexure to item number 6:
Mr. Mannil Venugopalan

Age	73 Years
Date of first appointment on Board	27th August, 2011
Qualification	Mr. Mannil Venugopalan holds Bachelor's Degree in Commerce and Certified Associate of the Indian Institute of Bankers (CAIIB).

	Mr. Mannil Venugopalan is the Independent Director (Part-Time, Non-Executive Chairman) of our Bank. He was appointed w.e.f 27th August, 2011 as an Additional Director and was appointed as Non-Executive Director on 26th September, 2012. Subsequently, he was designated as an Independent Director on 30th May, 2013 and reappointed as an Independent Director on 30th March, 2015. Pursuant to the RBI approval dated April 13, 2017, his designation was approved as Independent Part-Time Non-Executive Chairman of our Bank. Prior to joining with us, he was Managing Director & CEO of Federal Bank, Chairman & Managing Director of Bank of India, Executive Director of Union Bank of India. He has over 48 years of experience in the field of Finance and Banking industry.
Nature of his expertise in specific functional areas	Mr. Venugopalan has experience and expertise in the Banking and financial services sector.
Other Directorship	• LICHFL ASSET MANAGEMENT COMPANY LIMITED • SHREYAS SHIPPING AND LOGISTICS LIMITED • SHAOLIN TRUSTEESHIP PRIVATE LIMITED • SHRI KAILASH LOGISTICS (CHENNAI) LIMITED • DEWAN HOUSING FINANCE CORPORATION LIMITED • L&T FINANCE LIMITED (FORMERLY KNOWN AS FAMILY CREDIT LIMITED) • SHIVALIK AGRO POLY PRODUCTS LIMITED • IL & FS ENVIRONMENTAL INFRASTRUCTURE AND SERVICES LIMITED • DHFL ADVISORY & INVESTMENTS PRIVATE LIMITED
Chairmanship/Membership of Committees in other companies in which position of Director is held	**1. Dewan Housing Finance Corporation Limited** Chairman- Audit Committee Member- Risk Management Committee **2. Shreyas Shipping and Logistics Limited** Member- Audit Committee **3. IL & FS Environmental Infrastructure and Services Ltd.** Member- Audit Committee Member- Nomination & Remuneration Committee Member- Corporate Social Responsibility Committee **4. LICHFL Asset Management Company Limited** Member- Audit Committee Member- Corporate Social Responsibility Committee **5. L&T Finance Limited** Member- Risk Management Committee Chairman- Nomination & Remuneration Committee Member- CSR Committee **6. DHFL Advisory & Investments Private Limited** Member- Audit Committee Chairman- Nomination and Remuneration Committee
Relationship with other Directors, Managers and other Key Managerial Personnel of the Bank	None
No. of equity shares held in the Bank	Nil
No. of Board meetings attended during the year	6
Terms and conditions of appointment or re-appointment	Independent Part-Time Non-Executive Chairman, not liable to retire by rotation.
Compensation sought to be paid	**Compensation Sought to be Paid:** (Profit linked commission of ₹ 20,00,000 per annum) (Twenty Lakhs only) and sitting fees of ₹ 40,000/- for Board meeting and ₹ 20,000/- for every committee meeting attended **Compensation Last Drawn:** compensation (Profit linked commission of ₹ 16,63,540 (Sixteen Lakh sixty-three thousand five hundred forty only) as approved by RBI and sitting fees of ₹ 40,000/- for Board meeting and ₹ 20,000/- for every committee meeting attended

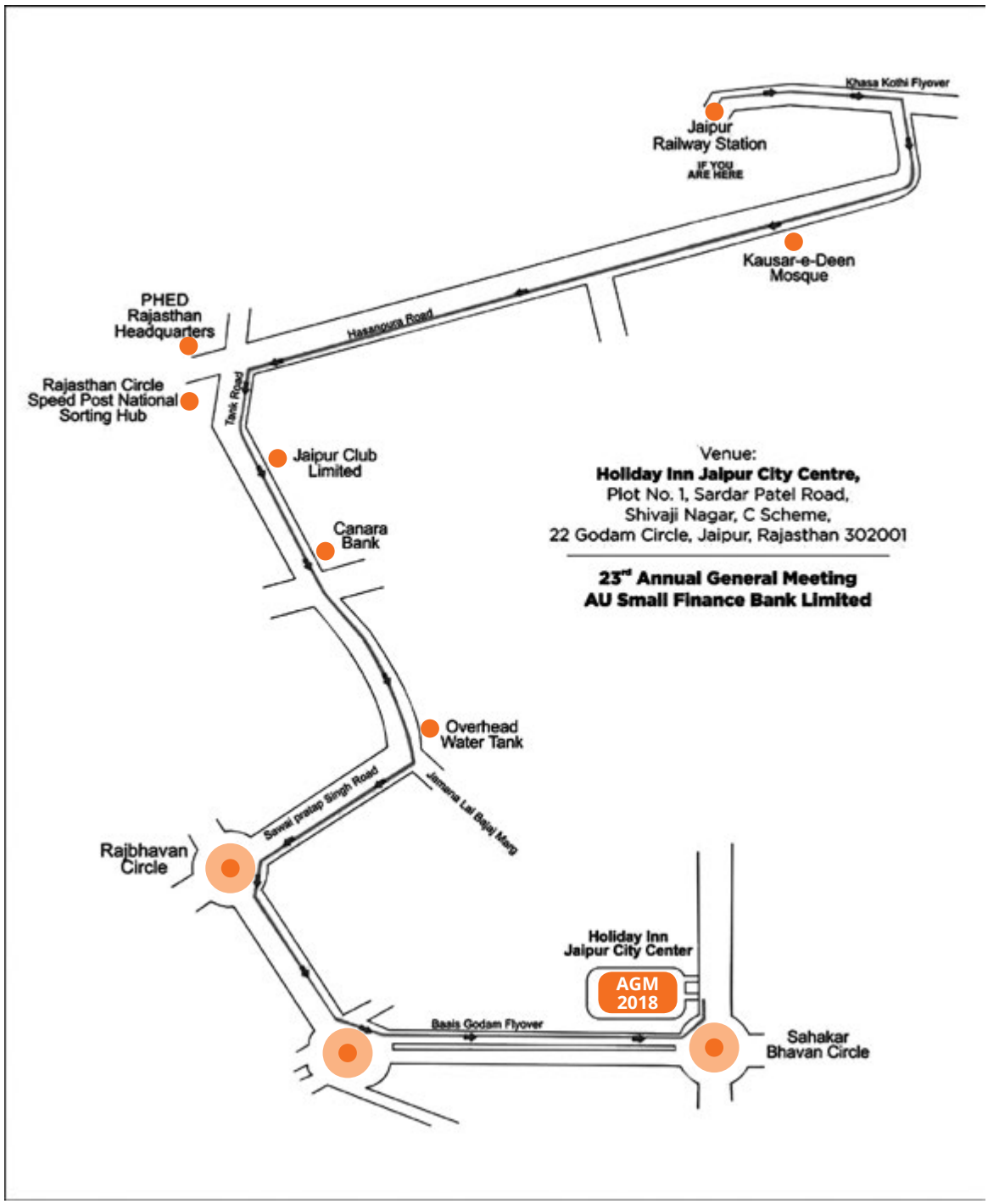
Annexure to item number 7:
Mr. Sanjay Agarwal

Age	47 Years
Date of first appointment on Board	22nd January, 2003
Brief Resume including experience	Mr. Sanjay Agarwal is the Managing Director & CEO of our Bank. He is Chartered Accountant and holds bachelor's degree in commerce from the Government College, Ajmer. He has been associated with our Bank since 10th January, 1996 and was first appointed as Managing Director on 14th February 2008. Subsequently, he was re-appointed as Managing Director on 14th February, 2013. Pursuant to the RBI approval dated April 13, 2017, his designation was approved as a Managing Director & CEO our Bank with effect from 19th April, 2017. He has over 22 years of experience in the Banking and Finance industry.
Nature of his expertise in specific functional areas	Mr. Agarwal has vast experience in field of Financial and Credit Risk Management and Strategic planning.
Other Directorship	Nil
Chairmanship/Membership of Committees in other companies in which position of Director is held	Nil
Relationship with other Directors, Managers and other Key Managerial Personnel of the Bank	None
No. of equity shares held in the Bank	5,59,82,359 equity shares i.e. 19.59% of Paid up Share Capital.
No. of board meetings attended during the year	7
Terms and conditions of appointment or re-appointment	Executive Director liable to retire by rotation
Remuneration sought to be paid	**Remuneration details sought to be paid:** covered in Item No.7 of the Notice of Annual General Meeting and is subject to approval of Reserve Bank of India and members of the Bank. **Remuneration last Drawn:** Basis Salary and allowances was ₹ 1.47 Crore p.a. and other Perquisites as approved by RBI vided its letter dated 13th July, 2017.

Annexure to item number 8:
Mr. Uttam Tibrewal – Whole Time Director

Age	47 Years
Date of first appointment on Board	22nd January, 2005
Qualification	Mr. Uttam Tibrewal holds Bachelor's Degree in Commerce from Delhi University.
Brief Resume including experience	Mr. Uttam Tibrewal is the Whole Time Director of our Bank. He holds Bachelor's Degree in Commerce from Delhi University. He has been associated with our Bank since the year 2003 as head of Business Operations and was appointed as Whole Time Director on 14th February 2008. Subsequently, he was reappointed as Whole Time Director on 14th February, 2013. Pursuant to the RBI approval dated April 13, 2017, his designation was approved as a Whole Time Director of our Bank with effect from 19th April 2017. He has over 21 years of experience in the Financial Sector.
Nature of his expertise in specific functional areas	Mr. Uttam Tibrewal has vast experience in the field financial services including financing to Small Business covering MSMEs & Retail loans.
Other Directorship Chairmanship/Membership of Committees in other companies in which position of Director is held.	Nil Nil
Relationship with other Directors, Managers and other Key Managerial Personnel of the Bank	None
No. of equity shares held in the Bank	19,76,596 equity shares i.e. 0.69% of Paid up Share Capital.
No. of board meetings attended during the year	7
Remuneration sought to be paid	**Remuneration details sought to be paid:** Covered in Item No.8 of the Notice of Annual General Meeting and is subject to approval of Reserve Bank of India and members of the Bank. **Remuneration Last Drawn:** Basis Salary and allowances was ₹ 1.28 Crore p.a. and other Perquisites as approved by RBI vided its letter dated 13th July, 2017.

Route Map of the Venue for Annual General Meeting to be held on Tuesday, 7th August, 2018 at 3.30 pm



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ATTENDANCE SLIP

AU SMALL FINANCE BANK LIMITED

(Formerly known as AU Financiers (India) Limited)

CIN: L36911RJ1996PLC011381

Registered Office: 19 - A, Dhuleshwar Garden, Ajmer Road, Jaipur - 302001, Rajasthan

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I hereby record my presence at the 23rd ANNUAL GENERAL MEETING of AU SMALL FINANCE BANK LIMITED (Erstwhile AU FINANCIERS (INDIA) LIMITED) on Tuesday, 7th August 2018 at 03: 30 PM at Chancellor Hall, Hotel Holiday Inn, Sardar Patel Marg, 22 Godam Circle, C –Scheme, Jaipur – 302001.

Folio No..... DP ID.....Client ID.....

Name of Member.....

Name of Proxy Holder.....

Number of Shares Held.....

Signature of Member/Proxy

Notes: Members/Proxy holders are requested to produce the attendance slip duly signed for admission to the Meeting hall. Members are requested to bring the copy of annual report for their reference.

Form No. MGT-11

PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

CIN: L36911RJ1996PLC011381

Name of the Bank: AU SMALL FINANCE BANK LIMITED

Registered office: 19 – A, Dhuleshwar Garden, Ajmer Road, Jaipur - 302001, Rajasthan

Website: www.aubank.in | E-mail: investorrelations@aubank.in

Name of the member(s): .....

Registered Address: .....

E-mail Id: .....

Folio No/Client Id: .....

DP ID: .....

I/We, being the member(s) of AU SMALL FINANCE BANK LIMITED, holding _____ shares of the above-named Bank, hereby appoint

1. Name: .....Address: .....

E-mail ID: .....Signature.....or failing him

2. Name: .....Address: .....

E-mail ID: .....Signature.....or failing him

3. Name: .....Address: .....

E-mail ID: .....Signature.....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 23rd Annual General Meeting of the Bank, to be held on Tuesday, 7th August, 2018 at 03:30 PM at Chancellor Hall, Hotel Holiday Inn, Sardar Patel Marg, 22 Godam Circle, C –Scheme, Jaipur – 302001 and/or at any adjournment thereof in respect of such resolutions as indicated below:

S. No.	Resolution	For	Against
1.	To consider and adopt the Audited Financial Statements of the Bank for the Financial Year ended 31st March, 2018 and the reports of the Board of Directors and the Auditors thereon		
2.	To declare dividend on equity shares for the financial year ended 31st March 2018.		
3.	To appoint a director in place of Mr. Sanjay Agarwal (DIN: 00009526), who retires by rotation and being eligible, has offered himself for re-appointment.		
4.	To ratify the appointment of M/S S.R. BATLIBOI & ASSOCIATES LLP, Chartered Accountants (Registration No. 101049W/E300004) as the Statutory Auditors of the Bank.		
5.	To appoint Mr. Raj Vikash Verma (DIN: 03546341), as an Independent Director		
6.	To revise the compensation (Profit Linked Commission) payable to Mr. Mannil Venugopalan (DIN:00255575) as the Non-Executive (Part-Time) Chairman		
7.	To revise the remuneration payable to Mr. Sanjay Agarwal (DIN 00009526) as the Managing Director & CEO		
8.	To revise the remuneration payable to Mr. Uttam Tibrewal (DIN: 01024940) as the Whole time Director.		
9.	To authorize board to borrow money in excess of paid up capital, free reserves and securities premium of the bank u/s 180(1)(c) of the companies act, 2013		
10.	To approve issuance of bonds/ other permissible instruments, in one or more tranches		
11.	To approve AU Small Finance Bank Limited - Employee Stock Option Scheme 2018.		

Signed this_____ day of_____2018

Signature of shareholder

Signature of Proxy Holder(s)

Affix ₹1/- Revenue

Notes:

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Bank addressed to the "Company Secretary", not later than 48 hours before the commencement of the Meeting.
2. A person can act as proxy on behalf of Members upto and not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Bank. Further, a Member holding more than ten percent of the total share capital of the Bank carrying voting rights, may appoint a single person as proxy and such person shall not act as proxy for any other person or Member.

It is optional to put a (√) in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your proxy will be entitled to vote in the manner as he/she thinks appropriate.

For you, your savings come first. For us, it is you.

AU SMALL FINANCE BANK

Welcome to AU Bank, a new world of banking.

CUSTOMER CONVENIENCE

- No Deposit/Withdrawal Slip. Paperless Cash Transactions.
- Extended Banking Hours.
- True Anywhere Banking.

CUSTOMER CENTRIC PRODUCTS

- Monthly Interest Payouts. Higher Interest Rates.
- Avail each and every product & facility across all branches. No Hidden Charges. Hassle Free Banking.
- Regular upgrades of benefits with Banking Life-cycle.

EASY DIGITAL BANKING

- Aadhar Enabled Paperless Account Opening
- Cash Recyclers
- Internet and Mobile Banking

www.aubank.in f/aubankindia /aubankindia

HEAD OFFICE
Bank House, Mile 0, Ajmer Road,
Jaipur – 302001, Rajasthan, India

CORPORATE OFFICE
5th Floor, E-Wing, Kanakia Zillion,
Junction of CST and L.B.S. Road, Kurla West,
Mumbai – 400070, Maharashtra, India

REGISTERED OFFICE
19-A, Dhuleshwar Garden, Ajmer Road,
Jaipur – 302 001, Rajasthan, India

Website: www.aubank.in | Email id: investorrelations@aubank.in
Phone: 0141 4110060/61/6660666
CIN: L36911RJ1996PLC011381

/concept, content and design at **AICL** (hello@aicl.in)