



BASEL II – PILLAR 3 DISCLOSURES AS AT SEPTEMBER 30, 2020

AU Small Finance Bank Limited is subject to the BASEL II (NCAF) framework as stipulated by Reserve bank of India (RBI) under operating guidelines issued on October 6, 2016 for Small Finance Banks (SFB).

The Basel II framework consists of three-mutually reinforcing pillars: -

- (i) Pillar 1: Minimum capital requirements for credit risk.
- (ii) Pillar 2: Supervisory review of capital adequacy.
- (iii) Pillar 3: Market discipline.

As defined by RBI in its operating guidelines to Small Finance Banks (DBR.NBD. No.26/16.13.218/2016-17 dated October 6, 2016) SFBs are required to adopt the Standardised approach for credit risk.

The Guidelines state that the prudential framework for market risk and operational risk are being examined and the instructions in this regard will be issued separately. (In a separate communication dated November 8, 2017 marked DBR. NBD. No. 4502/16.13.218/2017-18, RBI has advised that no separate capital charge for market risk and operational risk for SFBs is prescribed for the time being). Accordingly, bank doesn't consider Market Risk and Operation risk for capital adequacy purpose under Basel II (NCAF) framework.

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

I. SCOPE OF APPLICATION

AU Small Finance Bank Limited (hereinafter referred to as the 'Bank' or 'AUSFB') is a private sector bank domiciled in India. The Company 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. It provides retail banking/small & mid corporate banking services and a wide range of financial services in urban, semi urban and rural areas. There are no foreign operations of the Bank and the bank does not have any subsidiary, associate or joint venture for consolidation purpose.

II. CAPITAL STRUCTURE

₹ In Lacs

Capital Funds Position as on September 30, 2020		
S. No.	Particulars	Amount
(A)	Tier I Capital	
A.1	Paid up equity share capital	30,653.53
A.2	Reserves*	3,96,616.53
(B)	Deductions	
B.1	Deferred Tax Assets	8,263.44
B.2	Securitisation Exposure including Credit enhancement	8,133.23
(C)	Net Tier I Capital (A-B)	4,10,873.39
(D)	Tier II Capital	
D.1	Subordinated Debt	40,000.00
D.2	General Provision	28,062.76
D.3	Investment Fluctuation Reserve	11,255.49
(E)	Deductions	
E.1	Securitisation Exposure including Credit enhancement	8,133.23
(F)	Net Tier II Capital (D-E)	71,185.02
(G)	Total Capital Funds (C+F)	4,82,058.41

*Reserves includes statutory reserve, security premium, ESOP reserve, special reserve u/s 36 (i) (viii) of Income Tax act 1961, capital reserve and balance in profit & loss a/c.

Subordinated Debt eligible for inclusion in Lower Tier – II capital

₹ In Lacs	
Particulars	Amount
Total amount outstanding as on September 30, 2020	68,500
Of which, amount raised during the year	-
Amount eligible to be reckoned as capital funds as on September 30, 2020	40,000
Total Eligible Amount	40,000

Total Eligible Capital Fund as on September 30, 2020

₹ In Lacs	
Particulars	Amount
Tier- I Capital	4,10,873.39
Tier – II Capital	71,185.02
Total Eligible Capital	4,82,058.41

III. CAPITAL ADEQUACY

Capital Requirement

₹ In Lacs		
Capital Requirements for Various Risks		
S. No.	Particulars	Amount
A	Credit Risk	3,36,753.20
A.1	For non-securitised portfolio	3,31,337.29
A.2	For securitised portfolio	5,415.91
B	Market Risk	-
C	Operational Risk	-
D	Total Capital Requirement (A+B+C)	3,36,753.20
E	Total Risk Weighted Assets (Credit)	22,45,021.33
F	Total capital funds of the bank	4,82,058.41

Total and Tier I Capital Ratio

Particulars	Capital Adequacy Ratio (Only Credit Risk RWA)
Tier I Ratio	18.30%
Tier II Ratio	3.17%
Total Capital Adequacy Ratio	21.47%

IV. CREDIT RISK

Distribution of exposures

₹ In Lacs		
S. No.	Exposure type	Amount
1	Fund Based	27,53,350.10
2	Non- Fund Based	88,349.54
	Total	28,41,699.64

Geographic distribution of exposures

₹ In Lacs

Exposure distribution by Geography		
Category	Fund based facilities	Non-Fund based facilities
Domestic	27,53,350.10	88,349.54
Overseas	-	-
Total	27,53,350.10	88,349.54

Industry wise distribution of exposure

₹ In Lacs

S. No.	Industry Classification	Fund Based (Outstanding)	Non-Fund Based (Outstanding)
1	Trade	7,42,691.68	2,900.98
2	Agriculture and Allied Activities	3,85,593.43	33.92
3	Transport Operator	3,29,166.30	580.96
4	NBFCs	1,45,427.15	7,492.00
5	Vehicle/Auto Loans	1,16,293.16	-
6	Commercial Real Estate	83,742.17	374.20
7	Tourism, Hotel and Restaurants	86,548.05	33.35
8	Advances against Fixed Deposits	49,659.54	477.04
9	Infrastructure	43,629.38	17,550.66
10	Electronics & engineering	40,960.53	359.33
11	Housing Loans	56,701.17	-
12	Gems and Jewellery	35,660.71	-
13	Wood & Wood products	23,808.37	-
14	Textile	14,642.14	1.50
15	Rubber and plastic products	12,345.76	81.31
16	Mining and Quarrying	10,215.60	387.33
17	Metal, Iron and Steel	10,333.93	77.56
18	Cement & Cement products	6,490.38	3.32
19	Professional Services	3,423.41	3,456.30
20	Vehicles, Vehicle Parts and Transport Equipment's	5,623.62	40.00
21	Food Processing	4,775.42	62.84
22	Chemical & Chemical products	5,340.97	479.82
23	Paper & Paper products	2,841.53	0.20
24	Computer Software	4,364.23	5,083.69
25	Consumer Durables	643.99	-
26	Glass & Glassware	1,796.15	-
27	Construction	-	879.40
28	Beverages and Tobacco	912.32	1.00
29	Leather & Leather products	311.45	-
30	Education Loans	115.19	-
31	Services – Others	4,61,229.23	43,466.43
32	Retail Loans – Other	54,679.26	3,835.83
33	Industries – Other	13,383.88	690.57
Total		27,53,350.10	88,349.54

As on September 30, 2020, Bank's exposure to the segments stated below was more than 5% of the total credit exposure:-

S. No.	Industry Classification	Percentage of total gross credit exposure
1	Trade	26.24%
2	Agriculture and Allied Activities	13.57%
3	Transport Operator	11.60%
4	NBFCs	5.38%

Maturity pattern of assets

The maturity pattern of assets as on September 30, 2020 is detailed in the table below:

₹ In Lacs

Maturity Bucket	Cash, balances with RBI	Balances with banks and money at call & short notice	Investments	Loans & Advances	Fixed Assets	Other Assets	Total
Day 1	37,553.71	2,93,577.96	3,61,669.52	1,141.47	-	6,264.94	7,00,207.60
2-7 Days	1,623.29	297.40	9,309.30	29,084.16	-	7,755.20	48,069.35
8-14 Days	2,227.97	86.98	12,825.58	27,737.02	-	12,626.54	55,504.09
15-30 Days	3,702.95	500.00	27,340.56	31,097.22	-	6,473.42	69,114.15
31 to 2 months	3,892.48	3,500.00	23,330.88	78,600.06	-	6,228.88	1,15,552.30
More than 2 months and up to 3 months	4,549.40	5,490.00	51,951.30	84,246.11	-	5,892.61	1,52,129.42
Over 3 Months and up to 6 months	13,722.05	12,500.27	1,16,129.57	2,05,744.96	-	11,519.06	3,59,615.91
Over 6 Months and up to 1 year	17,062.80	361.71	1,90,770.44	3,62,848.75	-	3,182.67	5,74,226.37
Over 1 Year and up to 3 years	24,938.87	2,475.83	3,07,179.95	10,75,369.19	-	8,483.51	14,18,447.35
Over 3 Years and up to 5 years	1,533.94	2,142.53	16,291.34	3,97,174.63	-	-	4,17,142.44
Over 5 years	183.58	673.89	7,272.03	4,30,272.59	45,206.37	7,820.92	4,91,429.38
Total	1,10,991.04	3,21,606.57	11,24,070.47	27,23,316.16	45,206.37	76,247.75	44,01,438.36

Amount of Non-Performing Advances (NPAs)

₹ In Lacs

NPA Classification		
S. No.	Category	Amount
A	Amount of NPAs (Gross)	42,316.67
A.1	Substandard	13,819.49
A.2	Doubtful1	14,545.32
A.3	Doubtful2	10,865.13
A.4	Doubtful3	255.00
A.5	Loss	2,831.73
B	Net NPAs	12,282.72
C	Advances	
C.1	Gross Advances	27,53,350.10
C.2	Net Advances	27,23,316.16
C	NPA Ratios	
C.1	Gross NPAs to gross advances (%)	1.54%
C.2	Net NPAs to net advances (%)	0.45%

Movement of NPAs

₹ In Lacs

Particulars	Gross NPA	Net NPA
Opening balance as on April 1, 2020	45,778.37	21,730.23
Addition during the period	3,496.17	2,213.66
Reduction/write-off during the period	(6,957.87)	(11,661.17)
Closing balance as on September 30, 2020	42,316.67	12,282.72

Movement of Provisions

₹ In Lacs

Particulars	Specific Provision
Opening balance as on April 1, 2020	24,048.14
Provision made during the period	9,326.63
Write-off/Loss on sale of repossessed assets	(619.73)
Write-back of excess provisions	(2,721.10)
Closing balance as on September 30, 2020	30,033.94

Particulars	General Provision*
Opening balance as on April 1, 2020	24,452.30
Provision made during the period	16,992.60
Provision reversed	(3,091.19)
Closing balance as on September 30, 2020	38,353.71

*Including general provision of ₹ 12,349.16 Lacs made during the quarter ended March 31, 2020 and further provision of ₹ 14,000 Lacs during quarter ended June 30, 2020, against the potential impact of COVID-19, which remain same as on September 30, 2020. This excludes provision of ₹ 1,488.93 Lacs created during quarter ended March 31, 2020 (which remained same as on September 30, 2020) against SMA/overdue categories, where the moratorium/deferment was extended on securitized portfolio of ₹ 21,942.10 Lacs.

Company does not have any Non – Performing Investments as on September 30, 2020.

Movement of Provisions for depreciation on investments

₹ In Lacs	
Particulars	Amount
Opening balance as on April 1, 2020	1.60
Provision made during the period	2,337.97
Write-off/ Write-back of excess provisions during the period	(4.84)
Closing balance as on September 30, 2020	2,334.73

V. CREDIT RISK – DISCLOSURE FOR PORTFOLIOS SUBJECT TO THE STANDARDISED APPROACH

Credit exposures by risk weights

As on September 30, 2020 the credit exposures subject to the Standardised approach after adjusting for credit risk mitigation by risk weights were as follows:

₹ In Lacs		
Details of Credit Risk Exposure (Fund based and Non-fund based) Based on Risk-Weight		
S. No.	Risk Weight	Total*
1	Below 100% risk weight	35,33,752.20
2	100% risk weight	5,95,719.01
3	More than 100% risk weight	43,331.23
	Total	41,72,802.44

*Amount is after credit conversion factor (CCF)

*Includes PTC investment where Credit Risk is applied.

VI. CREDIT RISK MITIGATION – DISCLOSURE FOR STANDARDISED APPROACH

Portfolio covered by Eligible Financial Collateral post haircut:

₹ In Lacs			
Particulars	Amount	Credit Risk Mitigate (CRM)	Net Exposure
Gold Loan	6,584.75	6,584.18	0.57
Loan against FD	83,996.27	83,918.23	78.04
Bank Guarantee (100% FD backed) *	17,910.21	17,910.21	-
Total	1,08,491.23	1,08,412.62	78.61

* Amount is after credit conversion factor (CCF)

Portfolio covered by guarantees:

₹ In Lacs			
Particulars	Amount	Credit Risk Mitigate (CRM)	Net Exposure
CGTMSE	4,336.72	2,814.95	1,521.77
ECLGS	37,597.67	37,597.67	-
Total	41,934.39	40,412.62	1,521.77

VII. SECURITISATION EXPOSURE: DISCLOSURE FOR STANDARDISED APPROACH

Details of securitisation exposures in the banking book

₹ In Lacs	
Total exposures securitised by the bank*	60,288.21

*Represents total outstanding principal as on September 30, 2020 for direct assignment deals as originator.

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

₹ In Lacs

Exposure Type	Losses
Business Loans	-
Wheels Loans	-
Total	-

Assets to be securitised within a year as on September 30, 2020

₹ In Lacs

Exposure Type	Amount
Amount of assets intended to be securitised within a year	200,000
Of which amount of assets originated within a year before securitisation	100,000

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

₹ In Lacs

Exposure Type	Outstanding	Unrecognized gains/(losses)
Business Loans	57,302.28	-
Wheels Loans	2,985.93	-
Total	60,288.21	-

Securitisation exposures retained or purchased

₹ In Lacs

Exposure Type	On-balance Sheet*	Off-balance sheet	Total
Business Loans	8,109.00	-	8,109.00
Wheels Loans	287.65	-	287.65
Total	8,396.65	-	8,396.65

*The amount represents the total outstanding principal as on September 30, 2020 for all direct assignment deals.

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

₹ In Lacs

Exposure Type	50% risk weight	75% risk weight	100% risk weight	150% risk weight	Total
Business Loans	400.39	7,570.00	84.81	53.80	8,109.00
Wheels Loans	137.40	130.10	19.90	0.25	287.65
Total	537.79	7,700.10	104.71	54.05	8,396.65

Securitisation exposures deducted from capital

₹ In Lacs

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

Details of securitisation exposures in the Trading Book

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

₹ In Lacs

Exposure Type	Outstanding*
Business Loans	5,116.26
Wheels Loans	263,963.34
Total	269,079.60

*The amount represents the total outstanding principal as on September 30,2020 for securitisation deals in the nature of PTC.

Securitisation exposures retained or purchased

₹ In Lacs

Exposure Type	On-balance Sheet	Off-balance sheet*	Total
Business Loans	345.64	606.17	951.81
Wheels Loans	16,860.36	29,569.17	46,429.53
Micro-Finance	1,030.69	1,807.59	2,838.28
Total	18,236.69	31,982.93	50,219.62

*This represents BG issued to the Bank's as counter guarantee for second loss and liquidity facility in securitisation transactions. Credit enhancement for first loss in form of fixed deposit of ₹ 4,938.65 Lacs and bank guarantee of ₹ 11,327.81 Lacs is not included in the above amount.

Securitisation exposures deducted from capital

₹ In Lacs

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

VIII. MARKET RISK IN TRADING BOOK

As per RBI communication marked DBR. NBD. No. 4502/16.13.218/2017-18 dated November 8, 2017, the Market Risk is not applicable for Small Finance Banks.

IX. OPERATIONAL RISK

As per RBI communication marked DBR. NBD. No. 4502/16.13.218/2017-18 dated November 8, 2017, the Operational Risk is not applicable for Small Finance Banks.

X. INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

Details of Parallel Rate shock on Earnings and Market value of equity as on September 30, 2020 are given below.

₹ In Lacs

Interest Rate Risk in Banking Book	+200bps	-200bps
Earnings at Risk (EAR)	(4,402.66)	4,402.66
Impact on Market Value of Equity	(92,295.68)	92,295.68

XI. LEVERAGE RATIO

Leverage ratio is defined as the capital measure (Tier-1 capital of the risk-based capital framework) divided by the exposure measure, with this ratio expressed as a percentage. As per RBI guidelines, leverage for the Bank at the consolidated level as on September 30, 2020 is as follows.

₹ In Lacs

Leverage Ratio Position as on September 30, 2020	
Particulars	Amount
Tier-1 Capital ¹ (A)	4,10,873.40
Exposure measure ² (B)	47,19,765.01
Leverage ratio³ (A/B)	8.71%

1. Tier 1 capital as on June 30, 2020, March 31, 2020 and December 31, 2019 was ₹ 410,482.70 Lacs, ₹ 413,227.02 Lacs and ₹ 355,056.77 Lacs, respectively.
2. Total exposures as on June 30, 2020, March 31, 2020 and December 31, 2019 were ₹ 4,911,695.88 Lacs, ₹ 4,475,359.02 Lacs and ₹ 3,963,266.88 Lacs, respectively.
3. Leverage ratio as on June 30, 2020, March 31, 2020 and December 31, 2019 was 8.36%, 9.23% and 8.96%, respectively.

Summary comparison of accounting assets and leverage ratio exposure measure

₹ In Lacs

S. No.	Particulars	Amount
1	Total consolidated assets as per published financial statements	44,01,438.36
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4	Adjustments for derivative financial instruments	-
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	3,29,059.41
7	Other adjustments	(10,732.76)
8	Leverage ratio exposure	47,19,765.01

Leverage ratio common disclosure template

₹ In Lacs

S. No.	Leverage ratio framework	Amount
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	44,01,438.36
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(10,732.76)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	43,90,705.60
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with all derivatives transactions	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	Total derivative exposures (sum of lines 4 - 10)	-
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	-
15	Agent transaction exposures	-
16	Total securities financing transaction exposures (sum of lines 12 - 15)	-
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	608,615.79
18	(Adjustments for conversion to credit equivalent amounts)	(279,556.38)
19	Off-balance sheet items (sum of lines 17 and 18)	329,059.41
Capital and total exposures		
20	Tier 1 capital	410,873.40
21	Total exposures (sum of lines 3, 11, 16 and 19)	47,19,765.01
Leverage ratio		
22	Leverage ratio	8.71%

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

₹ In Lacs

S. No.	Particulars	Amount
1	Total consolidated assets as per published financial statements	44,01,438.36
2	Deductions from Tier 1 capital	(10,732.76)
3	On-balance sheet exposure under leverage ratio (excluding derivatives and SFTs)	43,90,705.60