

For Immediate Release

Strong Performance as growth returns to normalcy – Deposits grew 24%, Total Assets grew 21% YoY, 9MFY21 Profit After Tax at ₹ 1,002 Cr

Jaipur, January 28, 2021: The Board of Directors of AU Small Finance Bank Limited at its meeting held today, approved the unaudited financial results for quarter ended December 31, 2020.

Performance Highlights

- **Strengthened Digital Banking channels** – rolled out new age Mobile Banking/Internet Banking, traction across payment channels, launched credit cards internally for Bank employees
- **Disbursements growth** at 34% YoY in Q3FY21 driven by growth in demand across most key segments
- AUM at ₹ 33,222 Cr with growth of 11% YoY, ~9% QoQ; Retail AUM remains dominant at ~91%
- Gross NPA at 1.0% and Net NPA at 0.2%; PCR at 76%
- PAT ₹ 1,002 Cr for 9MFY21 and ₹ 479 Cr for Q3FY21
- ROA for 9MFY21 was 3.0% and for Q3FY21 it was 4.2%; ROE was at 27.3% for 9MFY21 and 37.1% for Q3FY21
- CRAR at 18.8%; Including 9M interim profits, CRAR at 22.9%
- Basis the normalized environment and re-emergence of growth, the Bank is moving ahead with annual performance appraisal (increments) for FY20 for all employees in this quarter; the bonus has already been paid out in Q3FY21

Update on Operating Environment

- Overall sentiment continues to improve with high COVID recovery rates, declining number of new COVID cases, and commencement of vaccination
- Demand has normalized in most segments in Q3FY21; Q4FY21 is expected to be significantly better
- Disproportionately impacted segments still lagging – Bus and Taxi segment in Wheels; Schools, Retail Garments and Rentals in SBL; Demand reviving with the improving operating environment
- Pending clarity on NPL recognition should help accelerate recovery process as it would ease security enforcement
- Bank is actively engaging with customers facing genuine stress due to COVID; continues to exercise caution in restructuring

Business Outlook

- Overall sentiment continues to improve with high recovery rates, declining number of new cases, and commencement of vaccination
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Branch Banking – Building a sustainable granular franchise

- Continued traction in retailization of deposits and deepening of customers – Individual Driven Banking contributes ~60% of branch deposits as on Q3FY21 vs. 36% in Q3FY20
- 28% YoY growth in branch banking deposits led by SA growth of 85% and CA growth of 35%
- Retail deposits (CASA + Retail TD) now at 55% of deposits vs 43% in Q3FY20; CASA ratio at 22% vs. 16% in Q3FY20
- Gaining Market Share 41 branches now above 5% market share in deposits; 8 branches >10% market share
- Added Branch footprint in 16 new locations including Bhubaneswar, Hyderabad, Kolkata and Lucknow
- Attractive Merchant Offers with larger partners like Amazon, Flipkart, Myntra, Swiggy, Zomato, Dominos, etc. leading to higher customer engagement and balances build up
- Enhanced our 3rd party product range – Entered into partnerships with Care Health Insurance, ICICI Prudential Life Insurance
- CRISIL awarded “FAA+/Stable” rating to AU Bank’s Fixed Deposits in Q3FY21

Assets – Promising outlook

- Demand has been consistently improving and becoming more broad-based with pick-up in activity levels
- AUM spreads remained stable at 7.6%; Incremental spreads improved to 8.1% in Q3FY21 vs 8.0% in Q3FY20
- **Collection efficiencies and activation rates** have achieved normalcy across most segments
- The Bank has been prudent in approving restructuring proposals basis our internal risk models and business viability; most of the restructuring has been for deferment of principal by 3/6 months while servicing of interest continues
- In Q3FY21, the Bank restructured ₹ 251Cr (0.8% of gross advances), mainly in the bus, taxi (within wheels) and schools, apparels (within SBL); Overall restructured advances should stabilize at ~1.5% of gross advances including fresh restructuring that the Bank may undertake in Q4FY21

Digital Banking – Moving towards a Digital-led Bank

- **Remain actively engaged in mutually beneficial** partnerships with major e-commerce players via offer campaigns;
- National level E-Com players are more open to engage with us given our tech capabilities in API banking and our diverse customer base.
- New platforms launched
 - New Internet and Mobile Banking platform launched for retail customers – 100+ features incl. ASBA, UPI, Investments, Bill Payments and various lifestyle related services like Taxi booking, Flight tickets, Hotels etc.
 - **Credit card on our own platform with best-in-class partners; live for employees; customer launch in next few months**
- **Digital payment Ecosystem** – all channels live (UPI, FASTag, BBPS, AePS etc.);
 - Over 1.6Cr txns worth ~₹ 6,000 Crores executed in Q3FY21 on UPI platform
 - ₹ 172 Crores worth of payments executed in Q3FY21 using AePS platform
- **QR ecosystem continues to expand** - ~28K new merchant QR Codes deployed in Q3FY21 – to boost CA acquisition, analytics-based lending
- **Digital on-boarding – Video Banking solution** live for KYC, SA and FD A/c opening modules live
 - ~1,000+ SA and FD a/c opened in Q3FY21 using Video Banking
 - ~4,400 SA a/c opened via AU ABHI (end-to-end self-onboarding application of the Bank)
 - ~87% of all SA a/c and 60% of all CA a/c opened during the quarter were opened using digital solution via TAB banking
- High emphasis on internal digitisation and automation of processes across verticals – optimise productivity and TAT
- Investment in NPCI – to further augment our digital banking journey, AU Bank also participated in the equity raising process of NPCI to the maximum permissible limit

Update on Treasury

- Overall cost of funds for 9MFY21 was at 6.95% - reduced by 74bps over FY20; Incremental cost for 9MFY21 was at 5.97% - down by 136 bps over FY20
- Basis overall market environment, we have focused on maintaining optimum liquidity - LCR has been brought down in a calibrated manner from 150% as on 30th June'20 to 111% as on 31st Dec'20 (against regulatory requirement of 90%)
- CD ratio as at 31st Dec 2020 was 102% vs 111% as on 31st Dec 2019; Average CD ratio for 9MFY21 at 101%

Commenting on the performance, Mr. Sanjay Agarwal, MD & CEO, AU Small Finance Bank said,

"I believe the worst is behind us, things are going to get better now with the public vaccination in horizon. We as a Bank stood strong in the last 9 months and have performed well enough on all metrics such as Deposit Growth, Liquidity, Asset Quality, Digital Banking, Inclusive Banking, Customer Engagement and Employee Safety & well-being. The accelerated growth of technology adoption has enabled us to offer seamless customer experience. We are working on various digital properties to create a holistic digital Bank. We have a positive outlook towards the growth of our economy, we believe we will grow with it as well."

Key Financials:

(All Figures in ₹ Crore)	9M FY21	9M FY20	Y-o-Y	Q3FY21	Q3FY20	Y-o-Y	Q2FY21	Q-o-Q
	Unaudited	Unaudited		Unaudited	Unaudited		Unaudited	
Net Interest Income	1,710	1,354	26%	633	507	25%	561	13%
Other Income	523	446	17%	184	161	14%	141	30%
Income from sale of Equity Shares of Aavas Financiers Ltd.	651	77	746%	480	-	-	144	-
Total Net Income	2,885	1,877	54%	1,297	668	94%	846	53%
Provisions (other than tax) and Contingencies	382	133	188%	284	40	607%	57	394%
Covid-19 Provisions	140	-	-	-	-	-	-	-
Profit Before Tax	1,262	749	69%	589	273	116%	409	44%
Tax expenses	261	196	33%	110	83	34%	87	27%
Profit After Tax	1,002	552	81%	479	190	152%	322	49%

(All figures in INR Crore)	31-Dec-20	31-Dec-19	Y-o-Y	30-Sep-20	Q-o-Q
Net Worth	5,403	4,237	28%	4,916	10%
Total Assets	46,605	38,394	21%	44,014	6%
Deposits	29,708	23,865	24%	26,980	10%
Advances	30,293	26,572	14%	27,233	11%

Key Ratios

	31-Dec-20	30-Sep-20	31-Dec-19
Gross NPA (%)	1.0%	1.5%	1.9%
Net NPA (%)	0.2%	0.5%	1.0%
Capital Adequacy Ratio (%) CRAR	18.8%	21.5%	19.3%