

## 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**

- Reasonable clarity now on our asset quality outlook and expect pro-forma GNPLs to have broadly peaked now
- Used part of Aavas sale proceeds to make additional provisions which we believe sufficiently cover potential losses that could arise due to COVID; we expect credit costs to normalize from here onwards
- We are now even more confident of our ability to build the AU Bank platform basis the performance of branch banking and resilience in our asset quality amid several challenges in the past year
- Journey towards becoming a Digital-led and Tech-enabled Bank, Sustainable granular deposits franchise, and Retail loans remain in focus
- Expect our disbursement growth momentum to sustain as overall growth outlook continues to improve
- Diversifying Fee income avenues by expanding payments ecosystem, Bancassurance partnerships and introduction of credit cards

## **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 3<sup>rd</sup> 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 31<sup>st</sup> Dec 2020 was 102% vs 111% as on 31<sup>st</sup> 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	
<b>Net Interest Income</b>	<b>1,710</b>	<b>1,354</b>	<b>26%</b>	<b>633</b>	<b>507</b>	<b>25%</b>	<b>561</b>	<b>13%</b>
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	-
<b>Total Net Income</b>	<b>2,885</b>	<b>1,877</b>	<b>54%</b>	<b>1,297</b>	<b>668</b>	<b>94%</b>	<b>846</b>	<b>53%</b>
Provisions (other than tax) and Contingencies	382	133	188%	284	40	607%	57	394%
Covid-19 Provisions	140	-	-	-	-	-	-	-
<b>Profit Before Tax</b>	<b>1,262</b>	<b>749</b>	<b>69%</b>	<b>589</b>	<b>273</b>	<b>116%</b>	<b>409</b>	<b>44%</b>
Tax expenses	261	196	33%	110	83	34%	87	27%
<b>Profit After Tax</b>	<b>1,002</b>	<b>552</b>	<b>81%</b>	<b>479</b>	<b>190</b>	<b>152%</b>	<b>322</b>	<b>49%</b>

(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%

