



AU Small Finance Bank Limited
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For Immediate Release

AU Bank delivers strong Q2FY21 results - CASA Ratio increases to 21% from 16% Y-o-Y, Assets grow 23% Y-o-Y

Jaipur, October 28, 2020: The Board of Directors of AU Small Finance Bank Limited at its meeting held today, approved the unaudited financial results for quarter ended September 30, 2020.

Performance Highlights

- **Digital First** journey leap-frogged during the last 6 months supported by **accelerated digital adoption** (video-banking, virtual meetings, AePS, UPI, etc.) and supportive regulations; Several initiatives being worked upon
- **Singular focus on Granular deposits** – CASA ratio (ex-CDs) increased to 21% vs 16% in Q1FY21 and 16% in Q2FY20
- **Disbursements reaching last FY nos.** - Sept'20 disbursements at 99% of Sept'19; Q2FY21 disbursements at 71% of Q2FY20
- **AUM at Rs. 30,590 Cr** with growth of 10% YoY, ~2% QoQ; Retail AUM remains dominant at ~84%
- **Operating Cost under control** – Basis current growth estimates, we expect cost for FY21 to be in line with FY20
- **Gross NPA 1.5% and net NPA of 0.5%; Provision coverage at 71%**
- **On YoY basis PAT up by 28%/14% for H1FY21/Q2FY21**; H1FY21/Q2FY21 ROA and ROE at 1.7%/1.8% and 16.1%/16.5% (excluding gains on partial divestment of Aavas Financiers Ltd.)

Update on Operating Environment

- Customer confidence, business continuity, and activity levels have **considerably improved**
- **Rural sentiment is buoyed by** above average monsoon, record Kharif sowing and various government schemes
- Overall **visibility on growth has improved** significantly, and remaining clarity should emerge by Dec'20/Jan'21
- Secured Business Loans, Business banking and Home Loans have shown healthy revival in demand, with Wheels also showing steady improvement
- Few sectors like Education, Travel & Tourism and Hospitality are recovering at slower pace – **need extended handholding; Bank remains actively engaged** to help impacted customers
- We welcome various initiatives taken by the government and RBI like system-wide ample liquidity, deferment, ECLGS, restructuring, waiver of interest on interest etc. which have helped to mitigate the pandemic impact on borrower

Branch Banking – Building a sustainable granular franchise

- Bank saw significant improvement in both **quality of deposit accretion** and **engagement levels**
- **Retail deposits (CASA + Retail TD)** now at 54% of deposits vs 45%/41% in Q1FY21/Q2FY20
- **Deposit growth** – Bank used surplus liquidity, good CASA accretion to shed bulk deposits of Rs. 2,000+ Cr in Q2FY21; actively avoided taking high cost wholesale deposits; Incremental Cost of deposits in Q2FY21 declined by 90 bps YoY to 6.7%
- **Gaining Market Share** - 36 branches now above 5% market share in deposits; 5 branches >10% market share
- Added Branch footprint in 11 new locations including Agra, Jammu and Kanpur; Branch expansion to continue as planned
- Average CD ratio as on 30th Sep 2020 is 100%

Assets – Encouraging signs

- **Collection efficiencies** in Sep'20 (post-moratorium) reaching normalcy - 78% Activation in Sep'20 vs. 80% in normal course
- **Complete moratorium:** As on 30th June, 11% of our borrowers, as % of Gross advances, had availed complete moratorium. As on 31st Aug'20, (end of Moratorium period), complete moratorium has reduced to 5.5% by Gross advances; Bank is tracking this portfolio closely and **2.5% of borrowers from this portfolio have become active** in Sep/Oct FY21
- **Bank carries ₹ 278 Cr of COVID-19 related provisions** which constitutes ~1% of Gross Advances; Based on activity levels of complete Moratorium cases and collection feedback, **we have not made any further COVID-19 related provisions**
- Bank has made additional provision of INR 5.5 Cr (including reversal of interest income) on INR 25 Cr portfolio which would have slipped into NPA in the absence of Hon'ble Supreme Court order

Digital Banking – Imbibing Tech in everything we do

- **QR ecosystem** - Deployed 10,000 merchant QR Codes in 100 days* – to boost CA acquisition, analytics-based lending
- **Video Banking** – Video KYC, SA and FD A/c opening modules live - 100+ SA and 30+ FD A/c opened on pilot basis
- **Complete ecosystem on digital payment** – Live on all channels (UPI, FASTag, BBPS, AePS etc.)
- Working on launching **our own Credit card and Pre-paid cards** to capture end to end value chain
- **Paperless Account Onboarding through TAB Banking** – after opening ~90%+ SA A/cs via TAB, traction picking up in CA – 8,000+ (~60%) new CA A/c opened paperless via TAB; Live for all 3 categories - **Sole/Prop, Partnerships and Pvt. Cos.**
- **Received ISO 27001:2013 Certification** – a recognition of the Bank's cyber security capabilities
- First [Digital Annual Report](#) launched

AU Shopping Dhamaka – 21st Sep to 22nd Nov

- **Our biggest offers campaign launched with the onset of Festival season** – to drive merchant sales growth and deepen engagement and activation with our customers
- Engaged with **pan-India e-commerce players** (Amazon, Myntra, Grofers, BigBasket etc.) as well as with hyperlocal city-based merchants (LMB, Kanji etc.) to provide offers on our Debit Cards
- During our campaign, per day spend was 24% higher than the average*
 - 78% customers were new activations on Amazon for AU Bank;
 - Online CASA leads per day went up by 5x during Amazon offer
 - 5x/20x increase in per day transactions & 7.4x/27x increase in per day spends on Myntra/Grofers

Update on Treasury

- As on 30th September'20, the bank had adequate liquidity cushion with LCR maintained at ~140% (LCR at 150% as on 30th June 2020 and 133% as on 31st March 2020) against regulatory requirement of 80%
- The Bank had maintained excess liquidity during the quarter which had an approx. impact of 18-20 bps on NIM
- With uptick in business momentum and easing of operating environment, the Bank has been focusing on reducing the excess liquidity buffers; Going forward we will maintain optimum liquidity levels basis market conditions and overall environment
- **Capital adequacy remains strong with CRAR and Tier 1 at 21.5% and 18.3%** (against a minimum requirement of 15% and 7.5%) respectively. Further, the Bank holds 4.57% stake in Aavas Financiers (as on 30th Sep'20)

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

"The on-ground situation has considerably improved in Q2FY21 and we saw positive momentum across all key metrics which include our Digital Banking journey, activity levels, collection efficiencies, retail deposits, and disbursements. Various pro-active initiatives taken by the Government and RBI have helped to mitigate the pandemic impact on borrowers. Further, AU Bank remains actively engaged to help affected customers. During these challenging times, the Bank stood tall and the team worked with courage and zeal on the ground, and we remain deeply committed to serve society with utmost dedication and agility."

Key Financials:

| (All Figures in INR Crore) | 1H FY21 | 1H FY20 | Y-o-Y | Q2FY21 | Q2FY20 | Y-o-Y | Q1FY21 | Q-o-Q |
|--|-------------|-------------|------------|------------|------------|------------|------------|------------|
| | Unaudited | Unaudited | | Unaudited | Unaudited | | Unaudited | |
| Net Interest Income | 1076 | 847 | 27% | 561 | 452 | 24% | 516 | 9% |
| Other Income | 340 | 285 | 19% | 141 | 151 | -6% | 199 | -29% |
| Income from sale of Equity Shares of Aavas Financiers Ltd. | 172 | 77 | 123% | 144 | - | - | 27 | - |
| Total Net Income | 1588 | 1209 | 31% | 846 | 602 | 40% | 742 | 14% |
| Provisions (other than tax) and Contingencies | 99 | 93 | 6% | 57 | 61 | -6% | 41 | 40% |
| Covid-19 Provisions | 140 | - | - | - | - | | 140 | - |
| Profit Before Tax | 673 | 476 | 41% | 409 | 217 | 89% | 264 | 55% |
| Tax expenses | 151 | 114 | 32% | 87 | 45 | 94% | 64 | 37% |
| Profit After Tax | 523 | 362 | 44% | 322 | 172 | 87% | 201 | 60% |
| Profit After Tax* | 373 | 291 | 28% | 196 | 172 | 14% | 177 | 11% |

*(Excl Profit on Sale of equity stake in Aavas Financier Ltd)

| (All figures in INR Crore) | 30-Sep-20 | 30-Sep-19 | Y-o-Y | 30-Jun-20 | Q-o-Q |
|----------------------------|-----------|-----------|-------|-----------|-------|
| Net Worth | 4,916 | 3,516 | 40% | 4,588 | 7% |
| Total Assets | 44,014 | 35,826 | 23% | 42,143 | 4% |
| Deposits | 26,980 | 22,149 | 22% | 26,734 | 1% |
| Advances | 27,233 | 24,809 | 10% | 26,250 | 4% |

Key Ratios

| | 30-Sep-20 | 30-Jun-20 | 30-Sep-19 |
|---------------------------------|-----------|-----------|-----------|
| Gross NPA (%) | 1.5% | 1.7% | 2.0% |
| Net NPA (%) | 0.5% | 0.6% | 1.1% |
| Capital Adequacy Ratio (%) CRAR | 21.5% | 21.7% | 17.9% |

| | Q2FY21 | Q1FY21 | Q2FY20 |
|-------------------------------|--------|--------|--------|
| Return on Average Assets (%)* | 1.8% | 1.6% | 2.0% |
| Return on Average Equity (%)* | 16.5% | 15.8% | 20.0% |

*(Excl Profit on Sale of equity stake in Aavas Financier Ltd)