

Building a “Forever Bank”

Today.
Tomorrow.
FOREVER.



Address by Mr. Sanjay Agarwal (Founder, MD & CEO – AU Small Finance Bank)

MO Conference, August 21st, 2023

**BADLAAV
HUMSE HAI**



22

Years as NBFC

6

**Years as Small
Finance Bank**

NBFC Journey Built on Principle of 'Financing with Responsibility'

Managed Every Stakeholders in this Journey



BUILT ON FIRST PRINCIPLES

- Diversified book
- Go to market
- Lending to un-served
- Customer focus
- Speed
- Geographic Diversification
- Challenging Status Quo



BEST IN CLASS ASSET QUALITY

- Credit Culture
- Granular Book
- Secured Lending
- Pricing Risk
- In-House Origination and Collection Team



EXECUTION TRACK RECORD

- Team Building
- Profitable Growth, RoA/RoE
- Consistency
- Implementing Learnings



REMAINED WELL GOVERNED

- Stakeholder Management
- Communication & Transparency
- Building Trust
- Tax Compliance

Only Asset Finance Company to receive the SFB license

Continued with Same Approach - 6 Years as Bank

Largest Small Finance Bank Empowering India: Financially. Digitally. Socially

RETAIL FOCUSED FRANCHISE



41 Lakh+
Customers

45%
Incremental Addition
via Digital Bank

BUILDING GRANULAR DEPOSITS



69,000 Cr+
Deposits

68%
CASA + Retail TD

SEASONED ASSETS BOOK



63,000 Cr+
Gross Advances

91% Secured
Pristine Asset Quality

PRUDENT GROWTH



Driving Profitable
Growth

5 Year Avg²
RoA 1.7%/RoE 14.9%

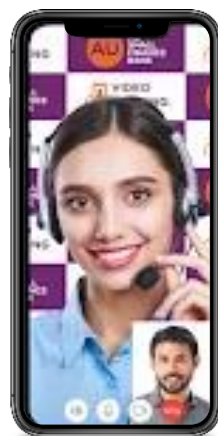
Reinforced by Innovations leading to Digital Bank

Our **Customer Centric** Digital Strategy Adding Layers to our Traditional Flywheel



Digital App

21.6 Lacs
Digital customers



Video Banking

3.5 Lacs
Digital Savings Accounts

1,310 Cr+
Total relationship value



Credit Card

6.1 Lacs
Live cards



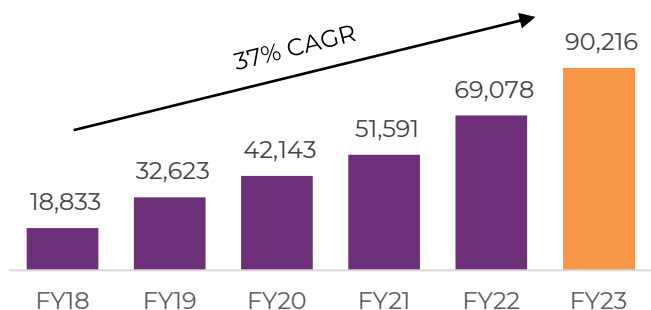
UPI QR

1 million+
QR Codes installed

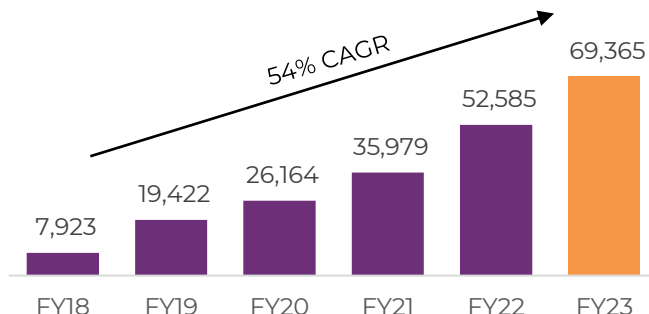
Reflected in Our Numbers

₹ in Crores

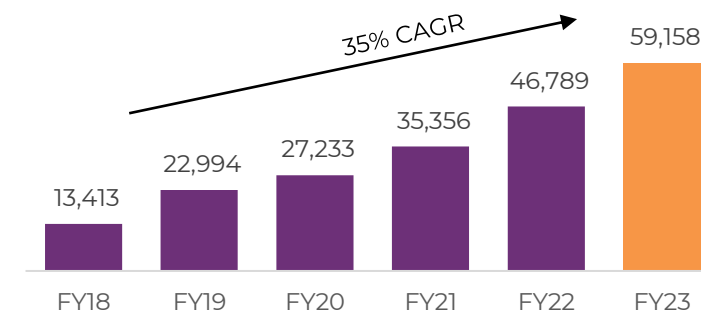
Balance Sheet Asset



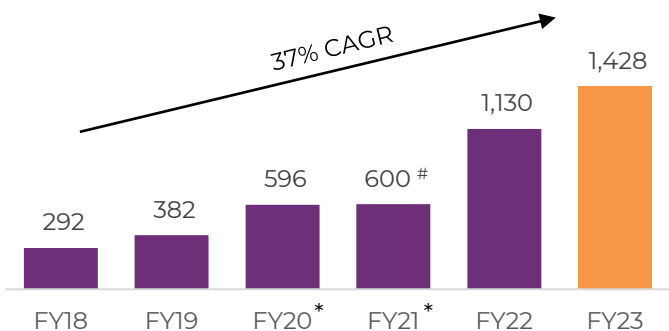
Deposit



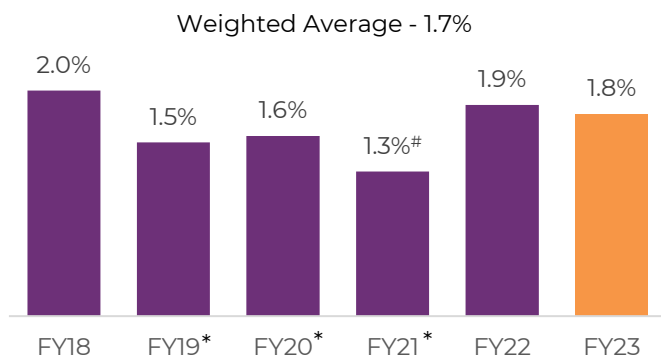
Gross Advance*



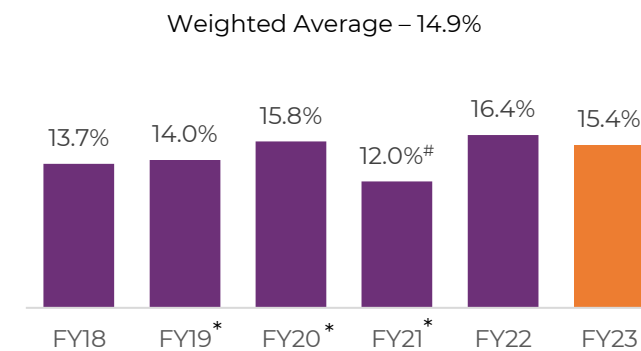
PAT



RoA



RoE



Strong Foundation in Place

For A Resilient & Forever Bank

Distribution

1,038 touch Points
21 States & 3 UTs

Capital

Healthy CRAR @ 22.2%*
Diversified Funding
Sources

Human Resource

28,000+ Winning Team With
vast BFSI Experience

Product Suite

Comprehensive Product
Suite completed with the
Receipt of AD-I

Nimbleness

Young Bank with
No Legacy Overhang

Governance

8 out of 10 Independent
Directors on the Board

Amidst Challenging Environment

The Better You Understand, The Better You Execute.



2016
Demonetization

2017
GST

2018
NBFC Crisis

2019
Bank Crisis

2020
Global Pandemic

2022
Ukraine Crisis

2023
High Inflation & Interest Rate



On a slippery slope
HDL more well-off, NBFC stocks are trading at a discount of more than 50% compared to their 52-week high

Company	Current	52W High	52W Low	P/B Ratio
Nandini Home Finance	48.80	152.00	50.00	0.32
Cherry Housing Finance	30.00	95.00	34.40	0.31
Cap Fin Home	20.00	56.70	21.40	0.35
MetLife Capital Finance	75.00	138.50	71.00	0.54
IC Housing Finance	26.00	65.00	25.00	0.40
JM Financial	86.20	190.20	85.00	0.45
Maheshwari Finance	78.40	150.40	78.00	0.52
Nagar New Finance	45.60	78.00	45.00	0.58
Nagma Finance	12.00	28.00	11.00	0.43
DL Housing	60.00	120.00	58.00	0.50
Edelweiss Finance	21.80	34.00	21.00	0.63
LC Housing Finance	43.00	85.00	41.00	0.51
Indiabulls Housing Finance	83.00	155.00	77.00	0.53
PNB Housing Finance	138.20	158.40	137.00	0.87
Sirasa City Union Finance	180.00	200.00	175.00	0.90
Shree Tripartit	15.00	30.00	14.00	0.50
Chandrabhan Investment	120.00	150.00	115.00	0.80
Indiabulls Finance	60.00	110.00	58.00	0.54
Bay Finance	2,300.00	2,500.00	2,100.00	0.94
Sundaram Finance	130.00	140.00	128.00	0.93
Sundaram Financial	45.00	50.00	43.00	0.87
Cap Finance	30.00	35.00	29.00	0.82
Nandini Finance	40.00	50.00	38.00	0.78
PMFC	1,70.00	2,00.00	160.00	0.82

Source: BSE

MINT GRAPHITI
TIMELINE OF TROUBLES

The arrest of HDIL's promoters comes on the back of their alleged involvement in irregularities at PMC Bank, which prompted RBI to impose regulatory restrictions on the bank for six months.

- 23 Sep** RBI CURBS PMC's activities for six months, puts a ₹1,000 cap on withdrawals and appoints an administrator.
- 21 Sep** PMC BANK managing director Joy Thomas writes a letter to RBI admitting that the lender hid its total exposure to HDIL.
- 26 Sep** RBI EASES withdrawal cap to ₹10,000, a move that lets 60% of the depositors take out all their money.
- 27 Sep** HDIL PROMOTERS Rakesh and Sarang Wadhawan arrested. Central bank raises PMFC withdrawal limit to ₹25,000.
- 3 Oct** THOMAS SAYS loans given by PMC to HDIL grew in the last six-seven years and were not reported to the central bank.

Source: Mint research

COVID MONTHLY PROGRESS IN VID SINCE ONSET

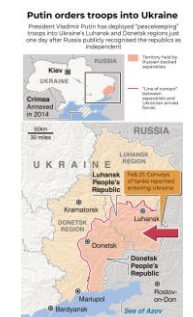
	C	R	D	Jan-21	Feb-21	Mar-21	
Mar	4	7	1	21,065	21,254	409	
Apr	294	75	11	46,746	27,717	420	
May	1,362	1,082	55	1,55,574	1,12,200	1,455	
June	2,932	2,359	91	3,83,545	2,92,195	5,670	
July	10,323	6,596	229	2,19,827	3,39,336	5,053	
Aug	43,981	27,090	1,202	1,72,71	42,669	624	
Sept	90,204	77,519	2,428	3,070	4,523	74	
Oct	49,827	66,161	1,492	Rec*	15,609	14,222	1,075
Nov	28,074	27,968	535	TOTAL	11,14,885	10,92,899	21,339
Dec	25,177	29,926	515				

C: Cases; R: Recoveries; D: Deaths * Rec: Reconciliation

WHY JULY IS BEST

- Lowest monthly new cases since July 2020
- Lowest under treatment cases since June 2020
- Highest recovery rate (98%+) for the first time
- More than 95% of hospital beds are vacant
- Cases down in rural
- Lowest test positivity since September 2020
- Lowest under treatment cases since June 2020
- Highest recovery rate (98%+) for the first time
- More than 95% of hospital beds are vacant
- Cases down in rural

Varidhar despite school reopening
Vaccine is here, considerable population is vaccinated now



Ocean of Opportunities

Long Growth Runway for the Bank

Geographic Opportunity

21/28

States

3/8

UTs

241/766

Districts

Market Share

0.4%

Banking Market Share

Product Led

AD-I

Forex Transaction Banking

Others

Insurance, Payments,
Investments

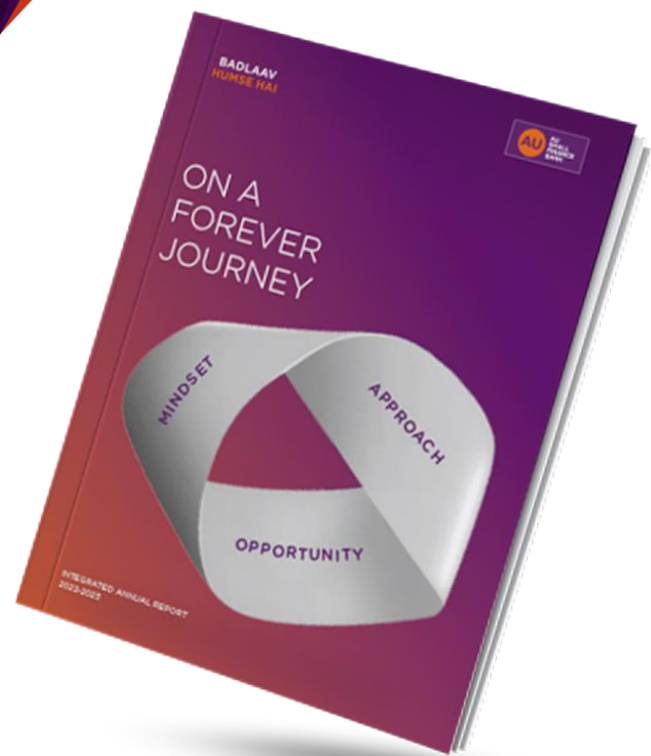
Digital

Tech Led Bank

Digital Banking,
Video Banking,
Merchant App
Customer Centric
Innovations

Building a Forever Bank

We are in Middle of Our "10 Years' Journey" to "Build a Forever Bank"



**Foundation, built-up
& stabilization**

2017-2023

Navigating to prosper



**Sustainable growth,
Investment, consistency,
and consolidation**

2024-2027

strategic path to 2027

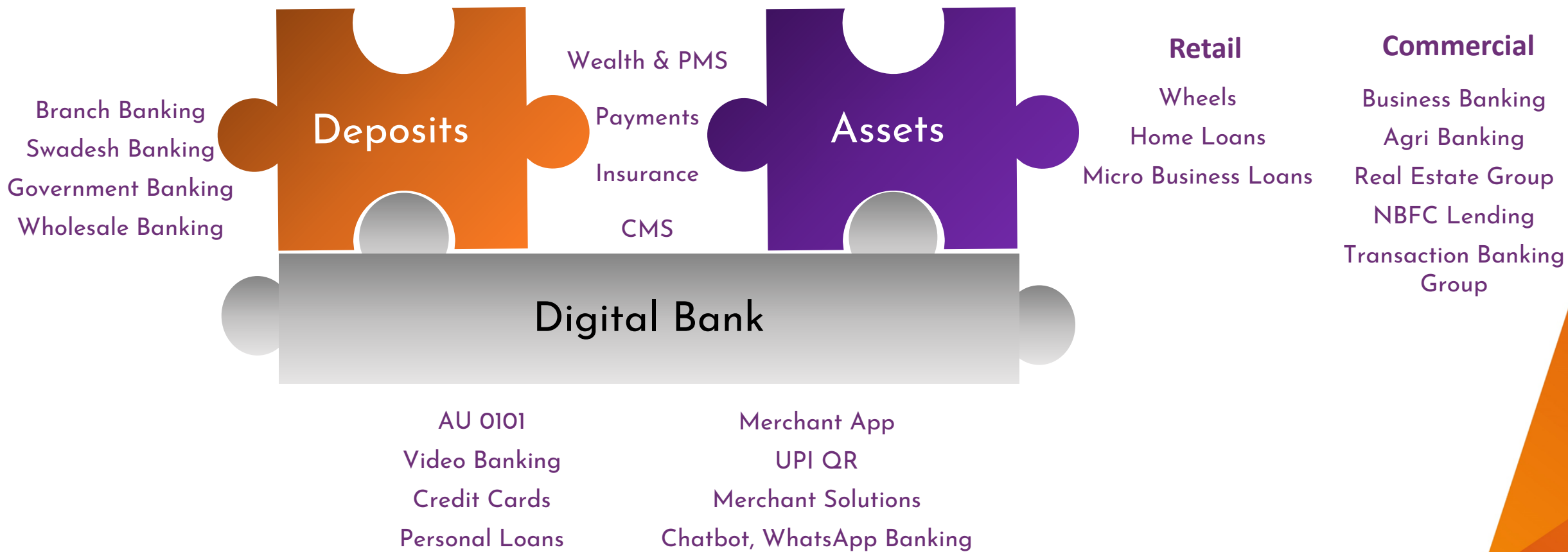


**Forever Bank with Trust,
Scale and Tech**

2027+



Design of Bank



Key Focus Areas

- **Financial inclusion & impact** through priority sector lending - Started SMF financing, Micro finance, Gold loans
- **Operationalize AD-I** and setup Transaction Banking Group

- **Scale newer lending businesses:**
 - ✓ Transaction / QR based
 - ✓ Guarantee backed (Govt. schemes)
 - ✓ Unsecured lending (PL)

- **Customer centricity** - UYC, Cross-sell, Product innovation
- **Attracting Talent**
- High standard of Governance & Compliance

- Deposit build up
- Manage Cost of money
- Productivity & Efficiency via process re-engineering
- **Cost to income ratio**

- **Continue to build digital aptitude**
 - ✓ Credit automation (Salesforce & FICO)
 - ✓ Data platforms, CRM
 - ✓ Cyber security, customer data protection

- **Monetizing** Credit Cards, Wealth & Insurance business & enhancing these offerings with Digital first outlook

Key Challenges/Monitorable



Deposit Competition



Changing Channel Preferences



Interest Rate Cycle



Geopolitical Situation



Operating Cost



Ever-evolving Compliances

Proving Ourselves Everyday

Addressing Some of the Perceptions Around Our Bank

Aggressive growth

- ❑ Calibrated growth in vintage asset business (~20%)
- ❑ Scale-up of new book
- ❑ Diversification with 9-10 asset books

Governance

- ❑ 4 independent director on board in last 2 years, one Ex Deputy Governor of RBI
- ❑ Rotation of Auditors (both Big 4)

RBI Interventions

- ❑ Extension for next 3 Year for MD & CEO and ED
- ❑ Received AD-I license

Attrition

- ❑ Top 50-60 executives with vintage of more than 7 year
- ❑ At the start of bank, we had ~6,000 employee and now ~28,500, all joined the Bank platform

Comparisons

- ❑ 6 year of legacy as a bank being compared to settled bank of ~20 years+
- ❑ Give us 10 year / 4 more years

Transition to Universal Bank

- ❑ Focused on operationalize AD-I; more focus on founding principle and scalability
- ❑ Aspire transition during next 4 year of our journey which will be **monumentous for building the customer Trust**



THANK YOU!

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