



AU Small Finance Bank Limited

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For Immediate Release

AU Bank delivers a strong all-round performance in Q2'FY23 amidst challenging macro environment with tighter liquidity and high inflation - PAT grows by 28% QoQ to ₹ 343 Cr, CASA ratio improves to 42%, Gross NPA improves to 1.90% and Net NPA stable at 0.56%; Bank raises capital of ₹ 2,500 Cr to take CRAR at 23.4%

- **Bank raised capital** of ₹ 2,500 Cr during Q2'FY23 with Tier I equity capital of ₹ 2,000 Cr and Tier II capital of ₹ 500 Cr; both the issuances saw overwhelming demand from investors
- **Profitability** – Net profit for Q2'FY23 up 28% QoQ to ₹ 343 Cr; RoA for Q2'FY23 was at 1.8% and RoE at 15.3%
- **Deposits** was up 7% QoQ to ₹ 58,335 Cr – a growth of 11% since March'22;
- **CASA ratio** improved to 42% vs 37% as on March'22 and CASA + Retail TD mix improved to 73% compared to 67% as on March'22
- **Gross Advance** was up 6% QoQ to ₹ 52,452 Cr – a growth of 12% since March'22; The Bank securitised asset portfolio worth ₹ 715 Cr during Q2'FY23
- **Collection efficiency** for the quarter was at 108%
- **Asset quality** improved further as Gross NPA declined slightly to 1.90% QoQ; net NPA at 0.56%; Standard restructured advances declined to 1.7% from 2.1% sequentially
- **Provisioning Coverage Ratio (PCR)** continues to remain stable at 71% (74% including technical write-off); Additional provisioning in the form of **Contingency provision** of ₹129 Cr and **Restructured provision** of ₹ 148 Cr
- **Bank has hiked the FD rates by up to 60 basis points on 10th Oct'22** for retail deposits from 6.9% to 7.5% w.e.f. 10th October'22 for retail customers and 7.4% to 8% for senior citizens
- Bank has added **ICICI Lombard General Insurance** as Bancassurance partner to further strengthen Bank's third-party product offering to its customers

Mumbai/Jaipur 19th October 2022: The Board of Directors of AU Small Finance Bank Limited at its meeting held today, approved the financial results for the quarter ended September 30, 2022.

Executive Summary

Q2FY'23 saw a challenging macro environment where the outlook remained uncertain with risks arising from geo-politics, persistent inflation and hardening of interest rates globally. Domestically as well, liquidity tightened significantly, and inflationary pressures continued leading to hardening of interest rates. However, the domestic demand held up well and the overall credit environment in the Indian banking sector was resilient during the quarter.

Amidst this backdrop, AU Bank delivered a strong quarter where the Bank continued to make progress on all key parameters be it CASA deposit mobilization, credit growth, acquisition and engagement in digital products, increase in profitability and margins or collection efficiencies and asset quality. The Bank delivered a strong all-round performance and saw sustained growth in each of these metrics.

Deposits grew 7% QoQ to ₹ 58,335 Cr from ₹ 54,631 Cr, with further improvement in CASA ratio to 42% and CASA + Retail Term deposit mix to 73%. Fund-based disbursements were up 2% QoQ at ₹ 8,605 Cr as compared to ₹ 8,445 Cr Q1'FY23 and the Bank witnessed a growth of 6% QoQ in its Gross Advances to ₹ 52,452 Cr in Q2'FY23 as against ₹ 49,349 Cr in Q1'FY23. This was coupled with consistent collection efficiency of 108% for the quarter, resulting in sustained improvement in asset quality ratios. Bank maintains a strong position in Digital services with properties like AU 0101, Video Banking, Credit cards, UPI QR, etc. all of which continue to see strong momentum.

1. Financial Highlights

Business

- Bank's total balance sheet grow by 10% QoQ and 13% YTD to ₹ 77,878 Cr
- Deposits grew by 7% QoQ and 11% YTD to ₹ 58,335 Cr
- CASA at 42% as against 39% as on 30-Jun'22 and 37% as on 31-Mar'22
- Gross Advances grew by 6% QoQ and 12% YTD to ₹ 52,452 Cr; CD ratio at 89%
- 90% of loan book is retail in nature and 93% remains Secured
- Averaged Cost of Funds decreased 17 bps points in H1'FY23 over FY22

Profitability

- Total income for the quarter stood at ₹ 2,240 Cr, up 13% QoQ;
- NII at ₹1,083 Cr, up 11% QoQ
- Net profit stood at ₹ 343 Cr for Q2'FY23, up 28% QoQ
- Average Cost of funds increased by 10 bps QoQ
- Incremental spread on advances remained stable at 7.0% as the increase in disbursement yields offset the increase in incremental borrowing cost
- Net Interest Margin (NIM) for the quarter was at 6.2% compared to 5.9% in Q1'FY23
- For Q2'FY23, RoA stood at 1.8% and RoE at 15.3% even as we invest significantly in people, digital, branding, products and distribution to build a future ready bank

Asset quality

- Bank's Asset quality improved on QoQ basis with GNPA at 1.90% vs 1.96% as on 30-Jun'22
- Net NPA was stable at 0.56% of net advances
- Provision coverage ratio at 71% against 72% as on 30-Jun'22; Including technical write-offs, the PCR was at 74%
- Collection efficiency averaged 108% for Q2'FY23

- Apart from provision of ₹ 667 Cr against GNPA pool, Bank has, additionally, maintained following provision buffer
 - Provision against restructured book at ₹ 148 Cr (17% of restructured book)
 - Contingency provision of ₹ 129 (0.2% of advances)
 - Floating provision of ₹ 41 Cr (0.1% of advances)
 - Standard provisions of ₹ 162 Cr (0.3% of advances)

H1'FY23 highlights

Profitability

- Total income for H1'FY23 stood at ₹ 4,219 Cr up 33% YoY
- NII at ₹2,059 Cr, up 39% YoY
- Net profit stood at ₹ 610 Cr for H1'FY23, up 27% YoY
- RoA stood at 1.7% and RoE at 13.9% for H1'FY23; RoE impacted due to capital raise in Aug'22
- Net Interest Margin (NIM) for H1'FY23 at 6.0%
- CRAR was 23.4% and Tier I at 21.3% as on 30th Sep'22; including interim profits, CRAR was at 24.7% and Tier 1 at 22.6% as on 30th Sep'22

2. Digital and Payment business

- The Bank's digital properties like AU 0101, Video Banking, Credit cards, UPI QR etc. continue to see strong momentum
- Till date the Bank has issued 3.1 lac+ credit cards and installed 8.1 Lac+ QR codes
- For the total credit cards outstanding in more than 150+ districts of the country, 37% of the customers are first time credit card users
- 2 Lac+ Savings Account opened digitally via Video Banking since launch last year and total relationship value of these accounts now at ₹ 850+ Cr

Other key updates

- Bank fortified its balance sheet, ahead of any possible macro headwinds, by raising capital of ₹ 2,500 Cr (Tier 1 of ₹ 2,000 Cr and Tier 2 of ₹ 500 Cr) in Aug'22 amidst difficult market condition and received an overwhelming response to the issues; **Net worth of the Bank has now surpassed ₹ 10,000 Cr, a growth of 5x in ~5 years**
- The Bank has expanded its presence to 27 new touchpoints and its physical network is now spread across 980 touchpoints as on September 30, 2022 across 20 states and 2 UTs
- India Ratings has upgraded the long-term rating of the Bank to 'IND AA/Stable' and now all 3 rating agencies, CRISIL Ratings, CARE Ratings and India Ratings have rated the Bank as "AA/Stable"
- The Bank has also initiated tie-up ICICI Lombard general insurance as Bancassurance partner with a view to expand the Bank's third-party product offering to our customers

3. Awards and Recognitions

- AU Bank received “India’s Best Small Finance Bank 2020-21” by Financial Express
- AU Bank won ‘Numero Uno Exemplary Award’ by PFRDA
- AU Bank was awarded “The Economic Times Employee Excellence Award 2022”
- AU Bank was recognized by the Asian banking and Finance Retail banking Award 2022 for:
 - Financial Inclusion Initiative of the year
 - Digital Consumer Banking initiative of the year
- Bank was the first runner up and received “Front benchers Award 2022” for Badlaav Humse Hai – an integrated marketing communications campaign

Commenting on the performance, Mr. Sanjay Agarwal, MD & CEO, AU Small Finance Bank said, ““The operating environment in Q2’FY23 saw uncertainty over inflation, liquidity and rates intensify significantly which continues to be the case. While the domestic outlook is encouraging, the possibility of a lagged impact of these factors on demand and activity levels can’t be ignored and we are watchful. Within this context, the Bank delivered a strong operating performance for Q2FY’22 and made progress on all key parameters - retail deposit mobilization, credit growth across all lending verticals, and sustained acquisition and engagement in digital products. Collection efficiencies remained strong resulting in robust asset quality performance. Further, the balance sheet was fortified by raising capital of ₹ 2,500 Cr in the form of ₹ 2,000 Cr of equity capital and ₹ 500 Cr in Tier 2 capital which makes us even more resilient amid this uncertainty, and well prepared to capture growth opportunities.

The opportunity for India in this decade is immense and our banking foundation has been well stitched in the first 5 years as a Bank. We have laid the framework for a sustainable banking franchise, and the endeavour over the medium term is to deepen and consolidate this foundation to build a highly sustainable Bank which can capture these opportunities for decades to come.”

About AU Small Finance Bank:

AU Small Finance Bank Limited (AU Bank) is a scheduled commercial bank, a Fortune India 500 Company and the largest Small Finance Bank in the country. Starting its journey from the hinterlands of Rajasthan, today AU Bank is the largest Small Finance Bank with a deep understanding of the rural and semi-urban markets that has enabled it build robust business model facilitating inclusive growth. With 27+ years legacy of being a retail-focused and customer-centric institution, AU started its banking operations in April 2017 and as on 30th Sept 2022, it has established operations across 980 banking touchpoints while serving 33.3 Lakh customers in 20 States & 2 Union Territories with an employee base of 28,677 employees. With a balance sheet size of ₹ 77,878 Cr, the Bank has a net worth of ₹ 10,114 Cr, a deposit base of ₹ 58,335 Cr and Gross Advance of ₹ 52,452 Cr. AU Bank enjoys the trust of marquee investors and is listed at both the leading stock exchanges viz. NSE and BSE. It has consistently maintained a high external credit rating from all major rating agencies like CRISIL, CARE Ratings and India Ratings.