



## **“AU Small Finance Bank Q4’FY26 Earnings Conference Call”**

**April 27, 2026**



**MANAGEMENT:**

- Mr. Sanjay Agarwal - Managing Director and Chief Executive Officer**
- Mr. Uttam Tibrewal - Deputy Chief Executive Officer**
- Mr. Vivek Tripathi – Executive Director and Chief Credit Officer**
- MR. Yogesh Jain – Chief Operating Officer**
- Mr. Gaurav Jain - Chief Financial Officer**
- Mr. Ankur Tripathi - Chief Information Officer**
- Mr. Prince Tiwari - Head of Investor Relations & FIG**



*AU Small Finance Bank  
April 27, 2026*

**Moderator:** Ladies and gentlemen, good day, and welcome to the AU Small Finance Bank Q4 FY26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Prince Tiwari, Head of Investor Relations. Thank you, and over to you, sir.

**Prince Tiwari:** Thank you, Sagar and Good evening everyone and a warm welcome to AU Small Finance Bank's earnings call for the fourth quarter of financial year 2025-26. We thank you all for joining us this evening. On today's call, from the management, we have our Founder, MD and CEO Mr. Sanjay Agarwal, Deputy CEO Mr. Uttam Tibrewal, Executive Director and Chief Credit Officer Mr. Vivek Tripathi, our COO Mr. Yogesh Jain, our CIO Mr. Ankur Tripathi and our newly appointed CFO Mr. Gaurav Jain and the IR team. As we announced today, Mr. Gaurav Jain has been appointed as the CFO of the Bank and I take this opportunity to congratulate Gaurav on his appointment.

We will start today's call with a 15 to 20-minute opening remarks from Gaurav, highlighting the Bank's performance, positioning and outlook. We will then follow it up with a Q&A of 40 to 45 minutes from the participating analysts and investors. For the benefit of all participants and so that we can take everyone's question, we would humbly request everyone to keep the number of questions restricted to two per participant and join back in the queue in case you have any further questions.

With that, I now request Gaurav to kindly take us through his opening remarks.

**Gaurav Jain:** Thank you, Prince. Good evening, everyone, and thank you for joining the call. It's a pleasure to welcome you all to our earnings call for the fourth quarter of FY26.

On 19th April, we completed 9 years of our banking journey and I would like to take this opportunity to thank all of our stakeholders for their continued trust and support. As we enter the decadal year of our operations, we continue to focus on our core philosophy of sustainable growth and achieve our long-term objective of building a forever bank.



*AU Small Finance Bank  
April 27, 2026*

Coming to the operational highlights for the quarter, let me start with the operating environment. Geopolitical tensions in West Asia continue to weigh on global energy prices, currency markets, and supply chain, elevating overall risk sentiment. Indian macroeconomic environment, whilst relatively on a better footing, did see volatility across currency, yields, and business sentiment towards the latter half of March.

As a retail-focused bank, we have no meaningful exposure to borrowers directly impacted by trade or supply chain disruptions. However, we remain watchful of the second-order effects, particularly fuel prices pass-through into inflation, consumption, and credit.

Amidst this environment, we delivered a strong quarterly performance helping us to finish the year on a high note. Deposits growth remained strong at 10% quarter-on-quarter and 23% Y-o-Y versus estimated private sector banking growth of 13%. Loan portfolio grew by 8% Q-o-Q and 21% Y-o-Y versus estimated private sector banking growth of 13%. Secured assets grew by 7% quarter-on-quarter and 23% year-on-year. Unsecured businesses also turned around with a 7% quarter-on-quarter growth, led by MFI and personal loans.

On a Y-o-Y basis, unsecured portfolio declined by 1%. Margins expanded by 24 basis points quarter-on-quarter to 5.96%, led by a decline of 12 basis points in cost of funds, 6 basis points benefit from lower gross slippages and higher NPA resolutions, and around 7 basis points seasonal benefit from lower day count in February.

Cost to assets ratio continues to improve despite ongoing investments in manpower, distribution, branding, and technology. Excluding CGFMU premium, cost to assets ratio for full year declined by 19 basis points to 4.1% from 4.3% in FY25. Including CGFMU premium, cost to assets ratio was lower by 16 basis points to 4.2%.

Asset quality saw continued improvement led by normalization in unsecured portfolio and seasonal improvement in secured assets. Slippages declined by 17% quarter-on-quarter to ₹659 crores, leading to GNPA ratio declining by 27 basis points to 2.03%. Credit cost for Q4 declined to 0.6%, whereas credit cost for full year came at 96 basis points of average assets. Credit cost inclusive of CGFMU premium was around 1% of average assets for the full year.



*AU Small Finance Bank  
April 27, 2026*

Profit for the quarter grew by 25% quarter-on-quarter and 65% year-on-year to ₹832 crores with ROA improving to 1.8% for the quarter. Profit after tax for the full year grew by 25% to ₹2,641 crores with ROA improving to 1.6% and ROE at 14.2%.

Now let me briefly update you on some of our strategic initiatives. First, on the universal banking license. Pursuant to the Bank's request, the RBI has amended the NOFHC requirement, which will now apply to the transition, universal bank only if the Bank or its promoter group proposes to establish any group entity in the future. Following this amendment, we filed the final license application in March '26 and await regulatory approvals.

Second, on the succession planning. The Board and Executive Management continue to invest in increasing the leadership depth and we had made certain announcements during last quarter in this regard. To further update, RBI has approved the extension of our MD and CEO Sanjay Ji's tenure for three years till April 2029. Our Deputy CEO Uttam Ji completed his term as Whole-Time Director in April. He will continue in his capacity as Deputy CEO leading the bank's retail business vertical and increase his focus on on-ground engagement to drive growth, strengthen customer relationships. And expand the bank's presence across newer geographies. Our Chief Credit Officer, Mr. Vivek Tripathi, has assumed the role of Executive Director for a term of three years following RBI approval.

Third, on operating efficiency. There is a great degree of focus on driving operating efficiency over the medium term through multiple structural interventions. One of the key levers is Agentic AI, which provides an opportunity for us to completely reimagine our customer and employee-facing journeys. And we are systematically integrating Agentic AI capabilities into our core operations to make it exciting and easier for our customers to bank with us and faster for us to service them. We are also realigning our organizational structure by consolidating businesses, eliminating parallel hierarchies, and reducing redundancy. For example, agri business is now merged with business banking. And home loans and MBL businesses have started sharing back-end teams. We are also working to flatten our sales hierarchy, expand managerial span of control, enabled by real-time data visibility.

Whilst striving these interventions, we continue to invest in scaling our franchise by adding to the sales team, expanding our distribution, and investing in our brand. Fourth, on our tech initiatives. We are embedding AI decisively into our core



*AU Small Finance Bank  
April 27, 2026*

operating model. This is not an incremental adoption. It requires us to fundamentally reimagine how we operate, scale and serve our customers by delivering superior customer experience, higher productivity and scalable growth, without proportional increase in cost or headcount.

Our tech roadmap focuses on adopting an enterprise-wide Agentic AI platform, developing AI use cases on our data platform, and driving process automation. And lastly keeping our core architecture modern. First, on the Agentic AI platform. We have implemented a deterministic, rule-driven Agentic AI platform built for high speed, personalized customer engagement with full end-to-end traceability and auditability.

By removing the friction of fixed digital workflows, this platform empowers our team to serve our customers' needs more effectively and expand product reach at lower cost. Our first AI-native loan origination system built on this platform went live last week for our gold loan business. We are now actively expanding this Agentic platform to mortgages, commercial banking, wheels, personal loan, and credit card LOS journeys.

In parallel, we are building a model-agnostic multilingual platform for customer service enabling deeper customer understanding, end-to-end lead management, and enhanced cross-sell efficiency. To sustain and scale this transformation, we are establishing a center of excellence bringing together internal talent, global partners and cutting-edge capabilities to identify and implement AI use cases across the bank.

Second key initiative on the tech side is around data engineering and AI-based analytics use cases. The Bank has built a unified data platform wherein most MIS and dashboards have migrated to this automated platform and our internal meetings are increasingly being conducted leveraging this platform, improving timelines and decision making.

Building on this foundation, we are deploying AI and ML across credit underwriting, fraud decisioning, collections, and customer service. Multiple credit underwriting scorecards for new-to-bank and existing-to-bank customers are live for credit cards and personal loans enabling rapid decisioning.



*AU Small Finance Bank  
April 27, 2026*

Scorecards for personal cars, taxi, small CV, and vehicle refinance are under development. On AML monitoring, approximately 60% of alerts are reviewed and resolved through AI-based models with the majority identified as false positives within acceptable risk thresholds. Beyond dashboards and analytical models, a customer 360 view and customer-level profitability model covering both retail and commercial customers has been built to facilitate cross-sell and faster decisioning.

Now we are adding AI layer on top of this data platform which can be used for querying any business KPI dynamically by just writing prompts in plain English. Our AI-driven collections bot is live, improving engagement and resolution speed. On customer service, inbound calling was launched as the bank's first AI initiative across multiple languages. Outbound AI-led campaigns are underway across businesses with a target to scale up to 25% of total calls over the next 2 quarters.

The third area of focus is technology transformation and automation. On the customer-facing side, our 0101 retail app has been revamped with a more intuitive, customizable interface. Our website has also been refreshed this quarter. On the asset side, our wheels business runs entirely on Salesforce LOS, personal loans are now live on the same platform, and credit cards will follow shortly.

On liabilities, our branch banking account opening journeys are now fully STP with cross-sell embedded natively within onboarding process. On HR, we have migrated to Darwinbox consolidating our HRMS, employee helpdesk, and internal communications on a single platform. Across back-office functions, we are migrating to a workflow-based operating model with over 10 workflows being built across audit, risk, IT, compliance, and secretarial functions, reducing email dependency and strengthening audit trail.

Lastly, to update on our core architecture. Migration of Fincare's core banking system was completed in April. With this, the integration of Fincare into AU is complete. Now let me give some color on each of our businesses. Our deposit base now stands at ₹1.52 crores, growing by 10% quarter-on-quarter and 23% Y-o-Y.

CASA deposits grew by 9% quarter-on-quarter and 20% year-on-year with CASA ratio broadly stable at 28%. Our deposit strategy is anchored on three pillars: granularity, stability, and cost of funds. On granularity, we continue to grow our branch banking deposit book which constitutes around 60% of the overall deposits.



*AU Small Finance Bank  
April 27, 2026*

New CASA account acquisition for FY '26 grew by 62% year-on-year, crossing the milestone of 1 lakh monthly acquisitions in December, a run rate which we have since maintained. Strengthening and scaling our deposit franchise remains one of our top focus areas. We are opening 80 to 100 newer branches every year, investing in our brand, and expect significant benefits to accrue over time from the anticipated transition to universal banking license.

On stability, our focus within wholesale deposits has been on non-callable deposits in order to strengthen our resilience. Total stable deposits, which includes CASA, retail, and non-callable wholesale term deposits, was stable at 79%. On cost of funds, we saw meaningful improvement. Full year cost of funds declined by 32 basis points year-on-year to 6.75% versus 7.07% in FY25. Q4 cost of funds was at 6.49%, down by 12 basis points during the quarter. Our average LCR for the quarter was stable at 119% versus 118% last quarter. Also, the bank carried 15% additional liquidity in the form of non-LCR investments.

Now moving on to our assets franchise. Retail secured assets, which includes wheels, mortgages, and gold loan, forms 66% of our portfolio and grew robustly at 21% year-on-year. Within retail, our wheels book grew by 27% year-on-year to reach approximately ₹46,400 crores, driven by improving affordability across segments.

Gold loan business has doubled this year from a low base to reach approximately Rs. 4,000 crores. Our mortgages business comprising micro business loan and affordable housing grew by 11% year-on-year to approximately ₹42,400 crores in a highly competitive market warranting disciplined pricing and underwriting.

Increasing growth rate in this business remains a key focus area and we are working to increase our productivity in newer geographies like Andhra, Karnataka, Telangana, Tamil Nadu, and UP. It's important to note that in the last two years, we have nearly doubled our retail asset distribution to about 900 to 1,000 branches for each of our retail secured businesses. This expanded distribution is expected to support growth over the next few years.

Moving on to commercial banking. Commercial banking forms 22% of our lending business and grew by 29% year-on-year and 12% quarter-on-quarter to reach around ₹31,000 crores with an additional non-fund based book of approximately ₹11,000



*AU Small Finance Bank  
April 27, 2026*

crores. We have carved out renewable energy as a dedicated segment within commercial banking, reflecting opportunity in this space.

A strategic priority for commercial banking is self-sufficiency on funding. Currently, commercial banking sources approximately 56% of their funding requirements. Combined with transaction banking and CMS, our intent is to progressively run this as a fully self-funded business, a model that strengthens both margin resilience and customer stickiness.

Now moving on to unsecured businesses. Our inclusive banking franchise, which primarily includes MFI, saw a strong sequential growth of 8%. Non-overdue collection efficiency in MFI has normalized to 99.7% for the current quarter compared to 99.3% for the previous quarter. 92% of the MFI book is now covered under the CGFMU guarantee scheme.

Our digital unsecured portfolio comprising credit cards and personal loans grew by 4% quarter-on-quarter. Personal loans portfolio witnessed a resumption in growth this quarter with a healthy 19% sequential increase from a low base. Credit card business broadly stabilized this quarter after nearly five quarters of de-growth and should start seeing gradual growth going forward.

Moving on to P&L. Our profit after tax for Q4 grew by 25% quarter-on-quarter and 65% year-on-year to ₹832 crores with ROA of 1.8%. For the full year, profit after tax increased by 25% year-on-year to ₹2,641 crores with ROA of 1.6%. Net interest income increased by 10% quarter-on-quarter on the back of strong growth in loan portfolio, lower cost of funds, and seasonally strong margins in the quarter.

Full year NII growth was at 14%. Core other income saw 7% quarter-on-quarter growth driven by higher business volumes. Full year core other income growth was at 13%. Operating expenses for Q4 increased by 6% quarter-on-quarter, primarily reflecting higher business volumes.

Provisions were down 19% quarter-on-quarter on account of normalization in unsecured businesses and seasonal recovery in secured assets. Full year provisions were also down 10%. The Board of Directors has recommended a dividend of ₹1 per share for FY26, subject to requisite approvals.



*AU Small Finance Bank  
April 27, 2026*

To conclude, FY26 has been a year of disciplined, consistent execution true to our long-term vision of building a forever bank. Our priorities remain unchanged, growing our core asset franchises, scaling liabilities franchise, and driving structural efficiency through AI and technology.

We enter the next phase as a stronger, more diversified, and more efficient institution with products, technology, distribution, and people all firmly in place. We are inducting AI in our core operating model, which can lead to a complete reimagination of our customer journeys and provide a sustainable operating leverage over the coming years. We believe our franchise is capable of sustainably compounding at 2 to 2.5 x of India's nominal GDP growth rate, delivering consistent, predictable and long-term value to our shareholders. I thank our teams for their dedication and all our stakeholders for their continued trust.

With that, I will now hand over to Prince for Q&A.

**Prince Tiwari:** Thanks Gaurav. Sagar, we can open the call for Q&A.

**Moderator:** Perfect. Thank you. We will now begin with the question and answer session. Anyone who wishes to ask a question may press star and then one on their telephone phone. If you wish to remove yourself from the question you may press star and then two. Participants are requested to use handsets, while asking questions. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Again, to register for a question, please press star and then one.

Our first question comes from the line of Renish from ICICI. Please go ahead.

**Renish:** Yes, hi sir. Congrats on a good set of numbers. Just two things. One, on this contingency provision creation of Rs. 21 crs during Q4. So you have mentioned that we have built this towards some specific accounts. Can you share some more details around these accounts, like it pertains to which segment-NBFC, real estate, Commercial Banking or maybe what is the aggregate exposure at Bank's level? That's my first question.

**Vivek Tripathi:** Renish, Vivek here. See, these are normal, these are not some high-value specific cases. These are normal business banking, working capital cases. We made a risk assessment of what amount is covered through our security and other things and



*AU Small Finance Bank  
April 27, 2026*

there was a recommendation (from risk), hence we provided it. So, there is nothing specific to it.

**Renish:** Okay because in PPT we have mentioned that.

**Vivek Tripathi:** This is the internal risk assessment.

**Renish:** Okay, I mean there will be like number of accounts, not maybe two, three accounts, something like this?

**Vivek Tripathi:** Yes, these are standard accounts basis the risk assessment, we just provided an additional provision, that's it.

**Renish:** Got it. And my second question is on the rationale behind hiking interest rate in savings account and TD much ahead of the industry. So are we experiencing some challenges in raising incremental deposit or is it that we anticipate better growth going ahead and to maintain CD ratio maybe we are hiking just rates to remain competitive?

**Sanjay Agarwal:** Yes Renish, hi, Sanjay this side. So in terms of liabilities, we are not focusing on one data point or one way of building it up. It is a combination of three-four variables, like how much you want to raise, the cost of money, how you want to play [position] your CASA, how you want to play your retail versus wholesale liabilities, the overall CD ratio. But if you see our whole last year's performance, our CASA ratio remained stable at around 28% - 29%. Our stable money is around 80%. Our cost of money, which we anticipating that it may a drop by only 15 bps to 20 bps, but it actually dropped it by around 32 bps. Our ALM is perfect match.

So if you ask me, I think we want to play it in this manner this year too and it's a periodic, month-on-month working. You can't predict, you can't have one specific rule for the entire year. There is ALCO every month and there is RBI's monetary policy committee meeting every two months. So, we need to play with the environment.

But focus will remain on two to three things. One, we want to build a very stable liability franchise. The focus of the Bank is entirely on that, be it the quantity, the quality and I'm very happy that being an SFB, where we don't have a right to win much, but still the team is doing a phenomenally good job. They are building quality,



*AU Small Finance Bank  
April 27, 2026*

quantity, [managing] overall cost of money. So, we are not playing a perfect game, right? We need to build it somehow, from somewhere.

**Renish:** Got it.

**Sanjay Agarwal:** I think I would say that our 9-year journey has taught us that liabilities is a day-to-day business and we need to play every day.

**Renish:** Got it. Okay. So, there is no, let us say, a structural trend one should assume, based on this. It is maybe on quarterly basis...

**Sanjay Agarwal:** No, no Renish. I believe we need to play every day. We need to build it every day and the deeper we are going into a banking franchise, the more stable and more predictable we are now.

**Renish:** Got it. Okay, that's it Sir. Thank you and best of luck.

**Sanjay Agarwal:** Yes, thank you.

**Moderator:** Thank you. Our next question comes from the line of Kunal Shah from Citigroup. Please go ahead.

**Kunal Shah:** Yes, thanks and congratulations on a good set of numbers. So firstly, with respect to ROA, we are almost at 1.8% now on exit level. So, what would be the focus, maybe we would still try to drive it up further or sustenance of that will be critical? And what would be the levers available to drive it? No doubt there would be some levers on opex, but would it get offset by other measures and we will just try to sustain it at 1.8%?

**Gaurav Jain:** So Kunal, obviously, we know that Q4 is always seasonally strong. So the ROA at 1.8% reflects that strong seasonality. Our goal would be to maintain this ROA or achieve this ROA on a full-year basis for next year. And, the levers on that clearly, as we mentioned earlier as well, we are doing a lot of work on our operating efficiency, so we should see continued improvements year-on-year on the opex to assets ratio. So that's one. Second is, we are coming out of some of a...

**Kunal Shah:** Any targeted level?



*AU Small Finance Bank  
April 27, 2026*

- Gaurav Jain:** Sorry, no, so there's no target. I'm just giving you, directionally what we are working on. It's difficult to guide you on a line-by-line basis on the ROA tree. And second is on the credit cost front, as we are coming out of somewhat of a crisis in MFI and the credit cost has normalized. Similarly in the credit card business as well, the credit cost is normalizing. So we expect on a full-year basis next year these two things in particular to drive our credit cost lower than the full year in the current year. So I think these are the two levers to watch out for next year and we'll see how we perform against these two.
- Kunal Shah:** Sure. And on margins, you've indicated some break-up with respect to, say 6 bps benefit because of the lower slippages and 7 bps due to lower day count. So is there an element of IT refund as well, as some recoveries which is indicated in that paragraph. So how much if you can quantify that because there would be some pressure on yields as well?
- Gaurav Jain:** So, I think on this there was some IT refund. I would not say that it was material to the overall movement. It helped by a tiny bit but nothing specific to call out there. But in terms of, overall outlook on the margin, we've seen sort of strong improvement in our cost of funds continuing for the last two quarters.
- But with this rate increase that we've taken, we think cost of funds may have bottomed. And some of the seasonal factors which I spoke about, which were there in this quarter, won't be there for the next quarter or two. So, I think to that extent, there'll be an impact on margin.
- Kunal Shah:** Got it. Perfect. Yes, thanks and all the best. Yes.
- PT:** Thanks, Kunal, thank you.
- Moderator:** Thank you. Our next question comes from the line of Nitin Aggarwal from Motilal Oswal. Please go ahead.
- Nitin Aggarwal:** Hello, Yes hi, good evening. Congratulations on strong performance. So, I have two questions. One is on technology, like we have spent a good time on technological prowess that the Bank is building including the investments in Gen AI, Agentic AI. How do you see this translating into our business volumes and what kind of cost ratios will



*AU Small Finance Bank  
April 27, 2026*

you now target over the next two-three years as the Bank transitions to Universal Bank?

**Sanjay Agarwal:** Yes, so Nitin, second question?

**Nitin Aggarwal:** No, second is more on similar lines like because as an SFB, the range on cost ratios is generally very tight and it's very narrow across the banks. Most SFBs are like operating around late 50s to somewhere in 60s. And but as a Universal Bank, the range is very vast. There are banks below 40s also and so where like AU, which generally has been best-in-class on many parameters as an SFB, how will you want to position yourself on cost ratios now, as you undertake this transition

**Sanjay Agarwal:** No Nitin, so let me answer first. So I think why we have given you an elaborate, description in our presentation and of course by our CFO, Gaurav, is because we are investing a lot in our tech. And you know that we have around 7-8 asset classes, we need to build our liabilities franchise, we want to build it pan-India and there is lot of challenge in terms of language, in terms of making everybody understand product, process and align everybody to one goal. When you want to become a pan-India franchise, something needs to be stitching everybody, right? And we believe at AU tech is that medium that can connect, you know, all our 60,000 people with all the diversity on the ground be it product, be it distribution, channel, processes, policy; there is a lot of friction honestly. You might want to do lot many things from top, but you can't do it on the ground because there is high friction at every level.

So I think now tech is actually solving it, much has been solved over the years, but I think now AI is really helping us lot into it. And we are not saying that AI only will help us in back-end automation or back-end processes or back-end policies, we want to take it to the front-end as well. And I'm so happy to say to all that we have launched our first AI-led LOS in Gold loans and we actually have given two-three loans on Saturday, today also, which is a 5-10 minute journey, frictionless.

We believe that AI will allow us to connect with people internally and externally seamlessly, in their own comfort, language. So in my opinion, even if there is a 10th pass employee, they can also be given job and with the help of AI tools in their hand, they can be as productive as anybody else on the ground because AI will be doing lot much, as the main I would say communicator with the customer and the boy will be only doing the necessary things.

So we want to invest a lot on those things and I'm not able to imagine what kind of cost reduction AI will do because it's in a very early stage. But, if you ask me, being an retail physical-oriented franchise where the cost would always be high, I think AI will help us in two ways. One, our productivity will go up, our channel distribution can go up. Our scale management will be lesser in terms of risk and all those things. So eventually the cost will get addressed, right? But to get to some number is difficult Nitin on this call. Maybe down the line, one year, we will be able to figure out that, how much it will help us. But there is a clear-cut advantage to the franchise when we do AI-led acquisition or AI-led assistance, in many cases I'm seeing a clear-cut differentiation in times to come.

And I don't want to say that AU will be the first AI-native bank, but we want to be in that category and we'll put lot of focus, money, people to achieve that. But I'm sorry, I am not able to build it around cost. But overall, the focus on cost is huge, if you ask me. You know, we have gone from 4.3% to 4.1% in this year itself. I believe next year, this current financial year, we should be lower than 4%. So this will be done organically, right? But if you want to disrupt it, I think it has to be tech-driven. And for that we are on the course and I believe, because once you talk about the universal bank and other things, the scale is very different. So I can't compare myself to the level of 2-2.5% kind of the expense on asset, you know. Rather I would say that the first benchmark should be that can I do around 3.5? And that too in three to four, three to five years, right?

But I think, it's so difficult to reduce our cost somehow. But I think the tech is able to give us that hope that if you start building it more on tech and allow people to work on tech, this can be achievable, faster than what we are projecting on this call also. Gaurav, do you want to add something?

**Gaurav Jain:**

No, I think you've captured it all, right?

**Nitin Aggarwal:**

Right, right. Thank you Sanjay ji for such a detailed answer and very good clarity provided on it. And one more question that I have is around asset quality. It's very heartening to see that the Bank has delivered 1.8% ROA what it guided for FY27 right in the fourth quarter itself. But from here on, how are you looking at the asset quality is shaping up, as this quarter was particularly very strong.



*AU Small Finance Bank  
April 27, 2026*

Should we benchmark our estimates around credit cost basis this quarter number because if I look back, we used to like have much lower credit cost versus what we have seen in this year. And now we are approaching closer to that number in Q4 now. So should this be sustainable?

**Sanjay Agarwal:**

Nitin, two-three disclosures I want to say. I think Gaurav very well articulated that this is a seasonal quarter. Always Q4 remains very strong in every sense. I wouldn't advise anybody that you should build our this quarter's credit cost as an overall cost for next year. And if you ask me, we should build it around 90 bps or maybe in that range so that it allows franchise to have some kind of risk-taking capability. I don't want to drive too tight in terms of credit cost estimation and in the market which we operate, it is not good for the organization, right? Because we need to take risk in our market, in our business, I would say, build it around 0.90%. If we save something, it's all of us to share. And I don't think that 1.8% this quarter ROA should be seen as our the permanent ROA because there are external challenges which we all know about.

But I think at AU, Nitin, we are building it as foundation where we can build a long-term very solid franchise, be it people, be it distribution, channel, geographies, products, we are investing in every side of the business. And you have seen how we are building our tech stack also. But I can say that AU will be very sustainable in their results, because we are working on a lot of inputs.

And I think this year is our 10th year of our working and I already mentioned maybe a couple of years back that it takes around 10 years to build a very strong foundation and lot of learnings, from last maybe couple of years. So we are taking every learning to really build AU in a sustainable franchise.

And I'm very happy that the way the team is, taking the ownership, team is learning and building it up so beautifully. So I believe that, people should not judge us from our this quarter's number. I think if you see the whole year number and last two years' number, I think we remain very strong in our performance.

**Nitin Aggarwal:**

Right, right. Got it. Got it Sanjayji. Thank you so much and wish you all the best.

**Sanjay Agarwal:**

Yes, thank you. Thanks Nitin.



*AU Small Finance Bank  
April 27, 2026*

- Moderator:** Thank you. Our next question comes from the line of Jayant Kharote from Axis Capital. Please go ahead.
- Jayant Kharote:** Thank you for the opportunity. First of all, congratulations on a great set of numbers. First was on credit cost, we also have RBI ECL norms coming through as we speak. So any impact on steady-state credit cost for us given the Fincare book experience in recent years and since we are growing that book again? So in regard to that, the 90 bps guidance, how should that look with the new ECL guidelines?
- Sanjay Agarwal:** ECL guidelines have just come in, right? And we haven't...
- Jayant Kharote:** It's exactly the same. It's exactly the same as draft.
- Sanjay Agarwal:** And I'm so sorry to not give any guidance around it. You have to give us some time. And I've been told that we as an SFB is not covered under that ECL program. Is it right?
- Jayant Kharote:** Yes, I know, I was talking after you transition to a universal...
- Sanjay Agarwal:** Let us become that. But I don't think, of course Vivek is on the call, Vivek can you comment on that.
- Vivek Tripathi:** No, so Jayant, it's too early to comment on it. Let us understand that, right? You need to understand just one underlying factor that 90% is our retail secured asset plus I would say secured commercial banking book. So it has a very different connotation to it. Any guideline or any credit cost calculation would eventually work on the loss given default and, probability of default, right? So for us, loss given default in retail asset has always been low. I just want to give that guidance. And in MFI, 100% of my incremental book is covered under CGFMU and 90%, as we speak, close to 92% [of the overall] book is covered, you know. So to that extent, any guideline, even the draft guideline had this provision that any government coverage would continue to be get benefited out of it, right?
- Jayant Kharote:** Yes, thank you. Second question was regards to the geographical liability expansion so to say. Next two years as you transition to Universal Bank, I do understand on the asset side you have some focus areas in the south. If you can help us understand what would be your strategy on liabilities geographically? I do see some higher contributions from markets like UP, Karnataka. So why would their asset side not match up equally, I mean just trying to understand the strategy overall.



*AU Small Finance Bank  
April 27, 2026*

**Sanjay Agarwal:**

No, so I think if you ask me, the most important strategy which we work on a daily basis or in execution or in any meeting or any review is around liabilities franchise. And I think you would have seen that at this level also without having any right to win in those markets, we are able to grow our liability franchise this year too by 23%.

And if you ask me, we have all the facets there. The retail bank which is around 60% of overall deposit franchise, then we have a government business and the corporate bank, then we have commercial-led deposits, then we have a FIG, then we have CDs - that is the treasury-led deposits.

If you ask me internally, we know that all are building up very nicely. And the focus remains to build all four-five facets for the liability franchise so that, we don't miss anything, right? In the retail franchise also, there is sub-sector like NR, TASC, special markets [Salary markets]. And we are building all product lines, all channels and nowadays we are also focusing to cross-sell more as the franchise is becoming more mature and mature. As of now, our liability franchise is not talking to the asset franchise largely. So we want that to happen from this year onwards so that when we acquire a liability customer, it's not only a single transaction, it is more relationship, right? And we want to become a pan-India franchise. We want to open around 80-100 branches every year. We want to build a brand around it. Once we become universal, then the whole value of franchise will go up, people will understand us more and more. Our visibility will go up more and more. So I think this year or maybe the next year, we'll have a double-down approach on where we want to build it, more faster, more granular, more impactful.

And I can assure everybody here that we became a bank to build a liabilities franchise, right? We know that our strength lies in our assets, but our core expertise or core leadership or core acceptance of us as an individual [Bank] is around our leadership, our liabilities franchise. So you will see us more and more visible in times to come, pan-India and I'm sure that by being so successful on SFB platform, if we will be on a better platform, our performance will be far-far better.

**Jayant Kharote:**

And safely to assume sir, since we are building this franchise, we shouldn't be building in rate cut on the SA TD side at least in near term?

**Sanjay Agarwal:**

Sorry, sorry?



*AU Small Finance Bank  
April 27, 2026*

**Jayant Kharote:** Rate cut on the pricing of deposits. Since we are in the build-out phase, we should assume that we are comfortable here or are there any more opportunities on the SA/TD cuts that you see in the next two-three quarters?

**Sanjay Agarwal:** I can't tell you, any guidance around it as I already commented in my earlier answer that liabilities franchise, at our level, at our franchise is a daily business. We have to take the cognizance of market, of reality on a day-to-day basis. We have ALCO every month and there we take decision about how much we can go up, how much we can go down, which sector we want to build, how much we want to build it. So it's very operational in my opinion. But if you see the overall result this year too, our cost of money has gone down by 32 bps. Our CASA is around 28-29%. Our retail and stable money is around 70% (correct number is 80%). Our LCR is around 118% (correct number is 119%). So we remain so well in all matrices, right? And idea is to not to have one side or two side, to remain very holistic in our liability build-up.

**Jayant Kharote:** Definitely sir. Congrats once again on a great set of numbers and all the best.

**Prince Tiwari:** Thank you. Thanks Jayant.

**Moderator:** Thank you. The next question comes from the line of Pritesh Bumb from DAM Capital Advisors. Please go ahead.

**Pritesh Bumb:** Hi, Good evening team. Congrats on a great set of numbers. Few questions. One is on the asset quality side. So, we have now come out from the asset quality cycle. How are we looking to strengthen the residual asset quality metrics like PCR, contingency provisions and ECL as we go along?

**Vivek Tripathi:** Pritesh, I think, if you look at our Q4 numbers, it will tell you the exact story. We've - we've always been very-very strong on retail secured assets, commercial assets have been range-bound, large part of that was coming from our unsecured piece which was credit card and MFI. Now both businesses are settling down, right? And there was a seasonality impact, but overall, things look very different, right, from the days when these two portfolios had a bit of stress. And PCR is not a defined number. It goes by the provisioning policy and there is no change in the provisioning policy, right? And the ECL guideline as it would come and we need to follow from 1st April 2027, obviously some of it will have an impact on Stage 1, Stage 2, but then your accelerated provisioning at Stage 3 might get released. So that working is yet to be



*AU Small Finance Bank  
April 27, 2026*

done, I'm saying that the precise, what is the final guideline, the underlying, that's very difficult to comment at this point in time. We need to go through it, we need to put it in our model and we need to perfect our model first, right? And then only we will be able to comment on it.

**Sanjay Agarwal:**

But to add on to Vivek, we have the provision policy, but every quarter, the Risk Committee meets and assesses if anymore provisioning requirement that might be there. So this time also if you really see our PCR, if you take the credit guarantee book out of it, then we are around 70%, right? So I believe you should see us there only and I can assure everybody on the call that our focus always remains to secure any kind of probable loss through this PCR. So that is there.

**Pritesh Bumb:**

The second question was Sanjay, just wanted to understand the philosophy for the approach on home loans from here. It's been mostly flat for some time now. Will we focus on asset duration than yields in the next few years? Anything on that?

**Sanjay Agarwal:**

So home loan, honestly we are doing more affordable housing, right? And there I would say again, I think in last call also or a call before, I highlighted that that market has become too competitive and every new NBFC or HFC is coming and building their book there only and I don't think that now there is a risk-reward left there, right? So we are not going irrationally, and we don't want to just do it to build our growth there, because we have lot on table to really grow. So let's not look at one data point, because we have actually said that we want to grow around 2x or maybe 2.25x or 2.5x to the nominal GDP, and which we really delivered, right?

So, it will always be like this, some book will be growing, some book won't but overall, we know that we have diversified ourselves in asset classes. And we want to play a risk-reward game every year. And wherever we feel that it's better to grow that book, we want to double down there. And if we feel that this is not the right time to push this book, we don't want to do that, right? So I think you have to see that overall our growth is protected, which we are promising, right? But we'll play around wherever the risk-reward is there.

**Pritesh Bumb:**

Sure, that was clear. And the last question...

**Moderator:**

Sorry to interrupt Pritesh, may we request you return to the queue for follow-up questions please. Thank you.



*AU Small Finance Bank  
April 27, 2026*

- Pritesh Bumb:** Sure, thanks.
- Moderator:** Your next question comes from the line of Param Subramanian from Investec. Please go ahead.
- Param Subramanian:** Yes hi, good evening. Thanks for taking my question and congrats on a great quarter. Firstly, I just wanted to understand again how we should think about margins going into next year. So, I heard you call out that there is a day count benefit this quarter and benefit of lower reversals, but the benefit of lower reversals should stay, right, because slippages are say moderating year-on-year. So basically how to think about that going ahead?
- Gaurav Jain:** So I think on this specific thing, right, I'll repeat what I said earlier. On cost of funds, I think we've said that this quarter cost of funds may have bottomed out with the rate increases we have taken, right? Then on your point around the seasonality in Q4, that is 6 bps for lower slippages, so that had two elements. One is your lower gross slippages so that's a quarter-on-quarter improvement from Q3 to Q4. And second is your higher NPA reversals, right within that number. Now to the extent that Q4 is strong seasonally and Q1 is weaker, you won't see this benefit in the next quarter.
- Param Subramanian:** Okay, okay. So basically these one-offs will not be there and cost of funds have more or less bottomed out and should increase from here?
- Gaurav Jain:** Yes, Yes. And your asset yield will reflect whatever the asset mix is, right? That is a bit difficult to call out. It depends on what is the mix of growth within the asset verticals, right? Where your unsecured portfolio, even with the recovery, will probably grow at a pace slower than the rest of the book. So on a net-net basis, you may have some asset mix related pressure on yield.
- Param Subramanian:** Got it, got it. Thanks Gaurav. Secondly on fees, right? So generally in fourth quarter there is a sharper seasonal uptick, I think it's in the loan assets and in the general banking fees that you call out in your slide. So is there something that is not there this time that was generally there?
- Gaurav Jain:** No, I think there's nothing specific to call out there on that line.
- Param Subramanian:** Okay, it is normal is it? Okay.



*AU Small Finance Bank  
April 27, 2026*

- Gaurav Jain:** Yes, Yes.
- Param Subramanian:** Okay, okay. And lastly if you could just call out, your provision coverage is up. I think in the last call you had talked something about how you provide for CGFMU which is that you assume the recoveries will come through on the covered portfolio. But this quarter we are seeing PCR going up again, has anything changed there or we are completely status quo and this PCR is...?
- Gaurav Jain:** So Param, as Vivek mentioned, right, PCR is a function of accounting policy, right? So that and where is your NPA coming from, which asset class and what is the provisioning policy for that particular asset class determines what your PCR is. So it's an outcome rather than an input, if you will.
- Param Subramanian:** Perfect, perfect. Thank you so much. Congrats on the great quarter again. Thank you.
- Gaurav Jain:** Thanks Param.
- Moderator:** Thank you. Our next question comes from the line of Akshay Jain from Autonomous. Please go ahead.
- Akshay Jain:** Thank you sir, thank you for the opportunity. So I have one question on loan mix in Southern geography. How should we look at incremental growth coming from southern geographies and what proportion of the total AUM should come from southern geography in say next three to five years? And which segments...
- Vivek Tripathi:** Your voice is little muffled. I think your voice is not very clear. If you could just speak clearly...
- Akshay Jain:** Is it better now?
- Vivek Tripathi:** Bit better. Yes.
- Akshay Jain:** So my question was how should we look at AUM growth from the southern geography, what proportion of your incremental growth should come from south in say three to five years. And which segments will be driving this growth. And second related question is that in two years since the merger, the performance of the non-MFI segments often gets clouded due to the MFI weakness. So how has the early-



*AU Small Finance Bank  
April 27, 2026*

stage delinquency trends been in the non-MFI segment in the southern geographies now that we have two years of growth data there?

**Sanjay Agarwal:**

So I would say that it's too operational now. We have become one Bank and it's not about Southern market or Northern market. Certain branches perform, certain branches don't perform. That is why our overall growth estimation is linked to our nominal GDP growth rate, which is 2x or 2.25 or somewhere in that range. We want to be on that guidance.

In that, some product will work, some won't, some geographies will work, some geographies won't, that's the reality of the situation. But I think the way we have built ourselves overall as a franchise, we have built 10-12 products in asset classes, around 2,500 touch points (correct number: 2,790 touchpoints), we want to grow our distribution, we want to grow our team, we want to grow more and more into the market. And there would also be a change in our customer segment once we cross-sell more to our existing customer base. So I think it's not relevant because you want to judge our overall growth rather than growth in some market. So I think I would say that from here onwards, we really want to focus on overall growth matrix, overall NIM, other income, credit cost so that we remain solid in terms of overall performance because if we start picking one market, one product, then I think on an overall basis, I would say the fragrance of the franchise gets lost. But as I already communicated that I'm so happy in the way we are building ourselves as the next big thing in the banking franchise, where we want to become a pan-India franchise with lots of product offerings in liabilities and assets, with physical distribution and tech-led capabilities, with one data matrices which overall looks very good. So I think that's our approach and I think there is no perfect world honestly. And we have learned that in the last 9 years that there won't be any perfect day.

You have to go every day and build yourself in this whole imperfection. But the way we have understood the market is that in the end, it all becomes good. So I would rather say that this year again remains as one of the learning years for us and let's see how the next year goes into it. But I think after 10 years I would say that we'll become more predictable in every sense.

**Akshay Jain:**

Understood sir. And just on the ROA target of 1.8% from what I can get the call is that your margins might stay flat to maybe slightly down because of mix shift, credit cost you are asking us to build around 90 basis points versus 60 basis points in the current



*AU Small Finance Bank  
April 27, 2026*

quarter. So should we assume that large portion of the 1.8% ROA should come from cost?

**Sanjay Agarwal:** Akshay, I think Gaurav mentioned that we want to work on our cost. We really want to work on our credit cost. One is your own model where we want to project us 0.90%, but our performance should be better than that, but it's an outcome. So again, difficult to comment in this kind of time; where last year it was such a difficult environment, but in the end we have performed well. So I believe that once the external environment becomes, I would say more predicable or the vulnerability goes out, I think internally India looks very bright, internally India looks very sharp and we believe that we are building this bank for India and we will perform.

**Akshay Jain:** Understood, sir. Thank you. Thank you for the answers.

**Prince Tiwari:** Yes, thank you. Thanks Akshay.

**Moderator:** Thank you. Our next question comes from the line of Ashlesh Sonje from Kotak Securities. Please go ahead.

**Ashlesh Sonje:** Hi team, Good evening. First question is on deposits. So there is good progress on CASA deposits, especially on CA in FY26. The question is on cost of funds. I understand that there will be intermittent pushes and pulls from the rate cycle and competition. But through the cycle, do you have an internal target of where this cost of funds should be, let's say relative to the banks with the lowest cost of funds after you get the universal banking license? That is one. Along with that, if you can also share the amount of retail deposits on the balance sheet as on March 26?

**Sanjay Agarwal:** So I think the long-term target, I would say the way we are pushing internally that the cost of money should be around the repo rate prevalent at that time. So, if you ask me, at this time the repo rate is 5.25% and my cost is around 6.75%. And if you see any mid-sized bank, they are around 6.25% and the old three-four banks are around 5.25%, right. So ideally, once we become very mature in our universal banking avatar, then my cost of funds should be around the repo rate prevailing at that time. That's a long-term dream and target, but difficult to comment on the timing. because you're asking me, so that why I'm giving you that the view of us internally. Second question you asked around is retail – retail TD? Sorry, what's your second question?



*AU Small Finance Bank  
April 27, 2026*

- Ashlesh Sonje:** Amount of retail term deposit as on March?
- Gaurav Jain:** So Ashlesh, I think we've covered that in our commentary in terms of how we are looking at deposits within branch banking, maybe I'll just add a bit more color around this. So we have created four focused segments for our deposits business. One of them is branch banking, which is primarily targeting retail deposits. Branch banking's contribution to the overall deposit is about 60%, So that's one. And then the other segments are Wholesale Liabilities, Government Banking and Financial Institutions. Second data point we've disclosed is the stability of our deposit base, where if you look at CASA, retail TD and the non-callable wholesale deposits, that ratio we've disclosed is 79%, the ratio is sort of stable versus last year. So those are the two data points we've disclosed in our presentation.
- Ashlesh Sonje:** And secondly on the growth outlook, given the uncertainty on the macro, when do you expect to take any action on let's say curtailing risk or pulling back credit? Or do you intend to do that?
- Sanjay Agarwal:** Yes, it will happen automatically, we want to remain very risk-averse and wherever we find the indicators, which as of now are not there, and we already have said in our opening remarks that whenever we find that this market, or product, or a customer base might get affected because of this challenge [or the macro challenges], we don't onboard them. So it will happen automatically because we have built our credit underwriting model around this.
- Ashlesh Sonje:** Understood sir. Thank you.
- Sanjay Agarwal:** Yes.
- Moderator:** Thank you. Ladies and gentlemen, we will take that as the last question for today. I now hand the conference over to Mr. Prince Tiwari for closing comments.
- Prince Tiwari:** Thank you Sagar and thank you everyone for joining the call and your questions and for all your support. In case you have any further questions, kindly do reach out to the IR team. Good evening and good night.
- Sanjay Agarwal:** Yes, thank you so much. Have a good time.



*AU Small Finance Bank  
April 27, 2026*

**Moderator:**

Thank you. On behalf of AU Small Finance Bank, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.