



**Rishta
25 saalo ka.
Bharosa
apno jaisa.**

Annual Report 2019-20



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25th
AUVERSARY

“

It is a matter of great honour and utmost satisfaction that we got this amazing opportunity of being associated with you and being worthy of your trust over the past 25 years. During this period, we have been through seasons of growth, plenty, and challenges. Whether it was the financial crisis in 2008, the oil crisis in 2014 or demonetisation in 2016, each adversity felt the most unsettling during the time when we faced it. However, it is our response to the adversity, not the adversity itself, that determines how our story develops. We, at AU Small Finance Bank (AU Bank), are the outcome of the choices that we make in our journey and we have always focused on growing the right way to build a resilient banking institution.”

Sanjay Agarwal
Managing Director & CEO

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We embarked on our journey 25 years back, to be a changemaker in India’s drive for financial inclusion. Opportunities were aplenty, challenges were no less. Today, as we look back and introspect, there is a humbling sense of accomplishment in building an organisation that has not only stood the test of time, but has also made a difference to the lives of millions.

Crises have come and gone, reshaping operating landscapes, and putting our resilience to test. We have emerged stronger out of every adversity on the strength of our character that we have built over the years, driven by the guiding principles of **prudence (samajhdaari)**, **sensibility (zimmedari)**, and **honesty (imaandaari)**.

Our story, woven around the hinterlands of India, is now spreading into super metros and urban areas with customer centricity at the heart.

We have been able to deliver growth and profitability even as a large base of our customers that we provided credit to were new to banking, with limited income proofs and no credit history.

Our sound underwriting principles, implemented uniformly with a focus on quality of collaterals,

and our collections ability have enabled us to create sustainable value for all our stakeholders.

We acknowledge the greater fiduciary responsibility that comes with being a custodian of public money with utmost sincerity. We are constantly fine-tuning our operations, risk management, and governance practices as we gear up to be the most dependable custodian of your trust for the times ahead!

Chalo aage badhein!





#25YEARS OF AU

We complete 25 years of our existence and what a memorable journey it has been.!

If we look back... Google was founded in **1998** by Larry Page and Sergey Brin in their Stanford dorm room. The Apple iMac hit the market. Europeans agreed on a common currency.

A new millennium dawned.

The smartphone came into being... the world shrunk into our drawing rooms moving at a rapid pace from the analogue to the digital... without taking a moment's break!

Our story began when an economically liberalised India had

just started to assert its influence on the world order... when Indian private banks burst onto the scene to reshape the industry landscape forever... and a first-generation entrepreneur in Rajasthan had an idea of launching a finance company that would one day become a Bank.

How it was managed, positioned and developed, speak volumes of the strong foundation and pillars on which AU was built.

An eventful journey that we cherish every moment...learning and growing and imbibing those lessons in our way of life...

...culminating into our six distinct 'Dharmas' that define AU Bank today.



[Click here to know more about 'Our Journey'](#)



1996
2000

2000
2003

2003
2008

2008
2014

2014
2017

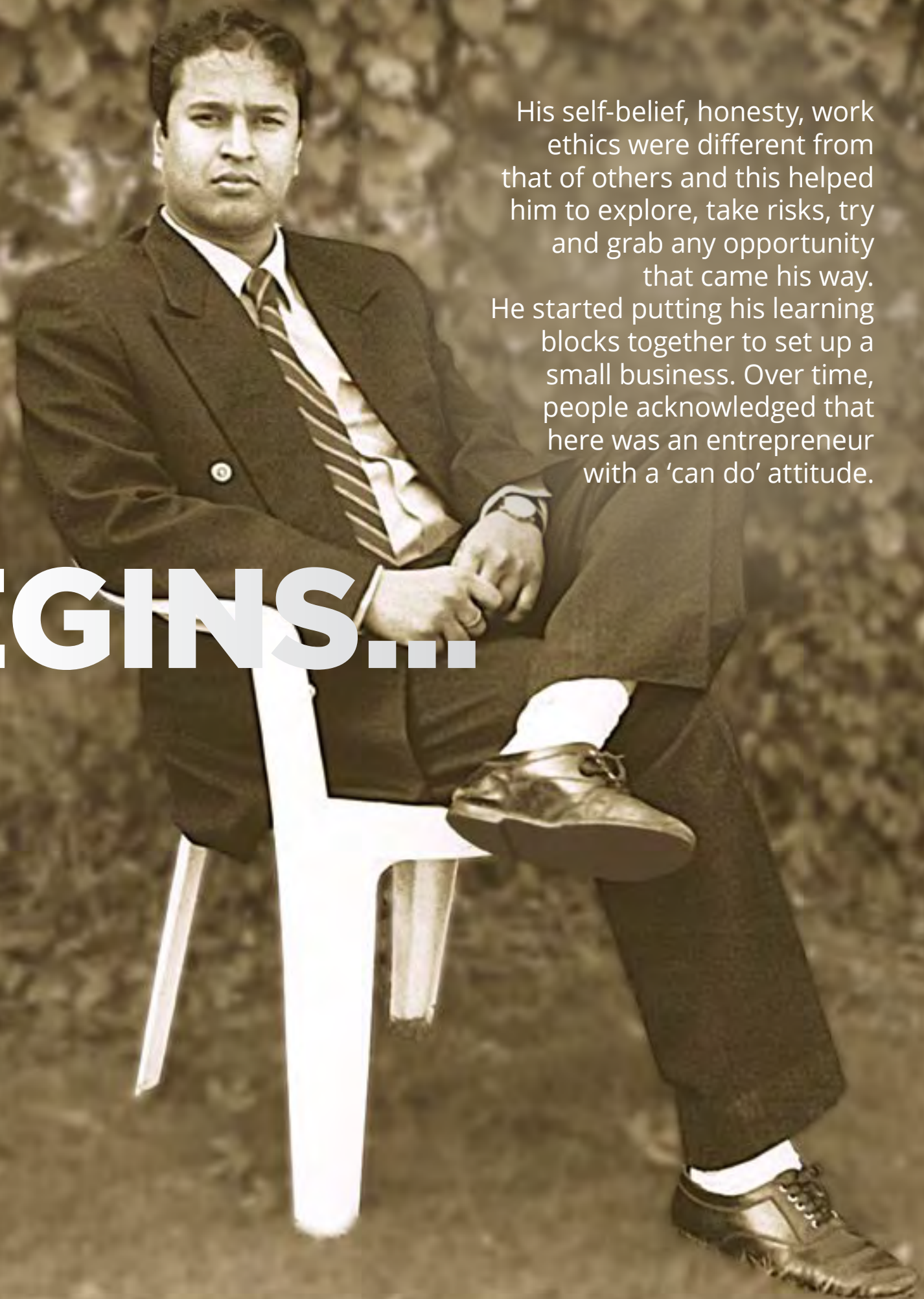
2017
2020

THE LEARNING BEGINS...

The journey of AU Small Finance Bank (incorporated as L.N. Finco Gems Pvt. Ltd.) was started by Mr. Sanjay Agarwal, a Rank Holder CA and a first generation entrepreneur who began with...

*...no money,
no business plan and
no clients.*

His self-belief, honesty, work ethics were different from that of others and this helped him to explore, take risks, try and grab any opportunity that came his way. He started putting his learning blocks together to set up a small business. Over time, people acknowledged that here was an entrepreneur with a 'can do' attitude.





ROLLING THE PITCH....

The Company became a Direct Sales Associate of various banks such as HDFC Bank, Citibank, among others, to do financing business.

Learnt the mechanics of finance.



The Company firmly adhered to its values of building relationships with a personalised touch and, most importantly, 'financing with responsibility' because the money of HNIs and Banks could not be lost.





CHANGING GEARS...

The Company become a Channel Business partner for HDFC Bank in Rajasthan.

The industry noticed us.



The values, credit ethos and processes of a good financial institution were ingrained in us in these years. It made us believe that opportunities in Financial Services were immense. We needed to be straightforward and transparent with an eye for detail.





THE PLATFORM

Channel business expertise, good governance, faith of global marquee investors and a robust business model propelled the turbine of success. With strong execution, we expanded our operations to new geographies, added products and developed a professional team.

Multifold increase in Balance Sheet size.



With the right DNA and strong execution capabilities, our faith became stronger that scale and size is just a number and opportunities are immense in the financial service space. We just needed to apply ourselves sensibly.

READY TO SCALE...





SMALL IS THE NEW BIG

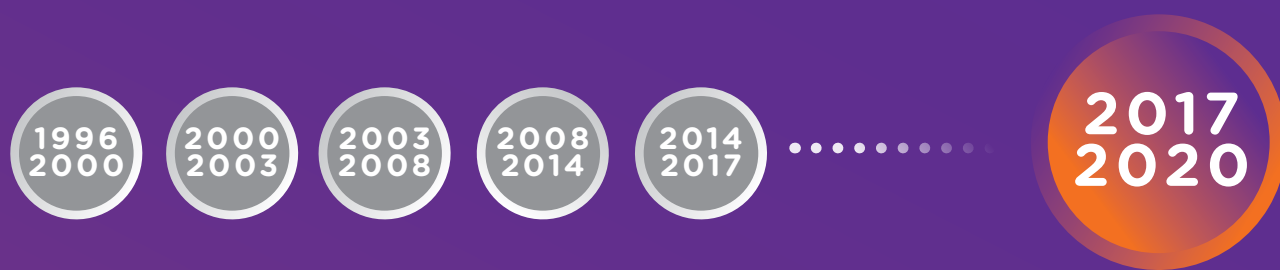
Small Finance Bank guidelines were announced in November 2014. We read it and immediately realised that we fitted in perfectly within this carefully designed proposition.

Received the RBI License for a Small Finance Bank.

The Company, Au Financiers (India) Limited, a systemically Important NBFC, applied for the Small Finance Bank License and in September 2015, we received the in-principal approval from the RBI. The whole team was ecstatic and on top of the world.

On 20th December 2016, the RBI issued us the prestigious Small Finance Bank (SFB) license. We were the only Asset Finance Company to receive the SFB license.





BUILDING A BANK U ALWAYS WANTED...

Building a Bank was a natural progression for us, and a hard-earned extension of the relentless work of serving the financial needs of millions of unserved and underserved people for over two decades.

Grand commencement of a Bank and successful listing on NSE and BSE.

AU Small Finance Bank received a Scheduled Bank status in November 2017 and became a Fortune India 500 Company in the very first year of starting its banking operations. Our core fibre of Six Dharmas and following them religiously brought us here. As a young, energetic and customer-centric institution, we will continue to challenge the status quo and usher in new age banking with simplicity and convenience.



Mr. Raamdeo Agrawal
Joint Managing Director
 Motilal Oswal Financial Services
 Limited (MOFSL)

AU in 25 years has come a long way. I am not surprised by what they have achieved. I bet they will outdo in the next 25 years and become a prestigious national asset.

MOTILAL OSWAL

Mr. Vishal Mahadevia
Managing Director
 Head of India, Warburg Pincus

AU's strong leadership, customer-centricity and risk orientation have kept them best-in-class through good and tough times and these qualities make an institution that can continuously grow without compromising its core. As a long term partner to AU, we are delighted to see the institution flourish over the last 25 years and wishing it many more years of continued success.

WARBURG PINCUS

Ms. Linda Broekhuizen
*Chief Investment Officer and Member
 of the Management Board*
 FMO, Entrepreneurial Development Bank

During our 7-year relationship with AU we have seen significant growth thanks to AU's focus on continuous improvement and quality. The financing of green vehicles has contributed to improving the energy efficiency of the local transport sector as well as improvement of air quality. We see AU as a quality Bank, professional and reliable and highly knowledgeable on the market segment they cater to. FMO is happy to have contributed to the institution AU has managed to become in 25 years' time, and we see a bright future for the Bank in the quarter century to come.



Mr. Mohammad Mustafa
Chairman & Managing Director
 Small Industries Development
 Bank of India (SIDBI)

I congratulate AU Bank on their 25th anniversary as a financial institution that has been focusing on the needs of MSMEs and small entrepreneurs both as an NBFC and as a Bank. It is their strength to identify the potential customers, guide them and provide them access to finance. The growth of AU Bank over the years is also appreciated. AU Bank has been associated with SIDBI for refinance and technical assistance for a long time now and the relationship is appreciated. SIDBI conveys its best wishes.



WORDS OF ENCOURAGEMENT

Mr. Mengistu Alemayehu
Director for South Asia
 IFC

IFC is proud to have partnered with AU Small Finance Bank in its journey to support financial inclusion among those most in need in rural India. In our decade-long association with AU, we have witnessed their transition from a regional asset finance company employing 325 people, to a Scheduled Commercial Bank with 17,000 employees providing multiple product lines across 11 Indian states, including low income states. A robust focus on the unbanked and underbanked has helped AU empower more than a million customers, many of whom had never before accessed financial services. They have supported more than 240,000 rural MSMEs and women-owned businesses in particular. AU's enthusiastic leadership, client-first approach and passion to make a difference have helped develop a sustainable model to scale up its business and those of its customers. We extend heartfelt congratulations to Sanjay and team on their 25-year milestone, and wish them the very best.



Mr. G. R. Chintala
Chairman
 National Bank for Agriculture and Rural Development (NABARD)

Starting from a humble beginning by a first generation entrepreneur as a vehicle financing NBFC and operating as a Bank today, AU has achieved multiple milestones the last 25 years and I congratulate the whole team on this achievement. As a development Institution, NABARD has always been supportive of organisations bringing the agenda of Financial Inclusion to the people and AU Bank has a footprint in providing livelihood to farmers and small businesses in meeting their personal and business needs especially in rural and semi-urban India. NABARD has supported AU through refinance, technology and also arranging training for their senior executives. We wish AU Bank and its dedicated team attain new peaks of performance and service to the society.

