

Ref. No.: AUSFB/SEC/2023-24/215

Date: October 29, 2023

To,

National Stock Exchange of India Ltd. Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai 400051, Maharashtra. NSE Symbol: AUBANK	BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400001, Maharashtra. Scrip Code: 540611, 958400, 974093, 974094 & 974095
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Dear Sir/Madam,

Sub: Presentation to investors on Amalgamation of Fincare Small Finance Bank Limited into and with AU Small Finance Bank Limited

Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

In continuation to our letter dated October 29, 2023 informing about Board of Directors' approval of Scheme of Amalgamation by AU Small Finance Bank Limited for the Amalgamation of Fincare Small Finance Bank Limited ("**Transferor Company**") into and with AU Small Finance Bank Limited ("**Transferee Company**") subject to approval of shareholders, RBI & CCI at its meeting held today on October 29, 2023, we submit herewith the Presentation on the same.

The Presentation may also be accessed on the website of the Bank at the link: <https://www.aubank.in/investors/quarterly-reports>.

This is for your information and records.

Thanking You,

Yours faithfully,

For AU SMALL FINANCE BANK LIMITED

Manmohan Parnami
Company Secretary and Compliance Officer
Membership No.: F9999
investorrelations@aubank.in

Encl: As above



AU
SMALL
FINANCE
BANK



fincare
Small Finance Bank

Investor Presentation

AU Small Finance Bank and Fincare
Small Finance Bank Merger

29 Oct 2023

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Figures for the previous period / year have been regrouped wherever necessary to conform to the current period’s / year’s presentation. Total in some columns / rows may not agree due to rounding off.

Note: All financial numbers in the presentation are from Audited Financials or Limited Reviewed financials or based on Management estimates.



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Transaction Overview (1/2)

Transaction Summary

- ❑ Fincare Small Finance Bank (“Fincare SFB”) to merge into AU Small Finance Bank (“AU SFB”), through RBI administered scheme of amalgamation under Section 44A of the Banking Regulation Act, 1949
- ❑ Merger to be effected through a share swap transaction:
 - Shareholders of Fincare SFB to receive 579 shares in AU SFB for every 2,000 shares held in Fincare SFB
 - Post transaction, existing shareholders of Fincare SFB shall hold ~9.9% in AU SFB
- ❑ Transaction completion is subject to:
 - Shareholders approval (for both Fincare SFB and AU SFB)
 - Regulatory approvals by RBI and CCI
 - Capital infusion of ₹ 700 Cr by promoters of Fincare SFB
- ❑ All Fincare SFB customers to have seamless integration into the AU SFB and benefit from a wider product and service offering
- ❑ All Fincare SFB employees to be onboarded as part of AU SFB Family post merger
 - MD & CEO of Fincare SFB to be designated Dy CEO of AU SFB post merger
 - Divya Sehgal, a current director of Fincare SFB’s board will be joining the AU SFB’s Board
 - Aon is onboarded to bring best global HR best practices for people integration



Transaction Overview (2/2)

Highlights of Fincare SFB (Sep'23)

- ❑ Leading digital first small finance bank with focus on underbanked customers and a diverse suite of deposit & asset products
- ❑ ~54 Lacs customers with ~93.6% of Microfinance loans located in rural areas
- ❑ Total Deposits of ₹ 9,453 Cr of which 79% are retail
- ❑ Gross Advances of ₹ 10,541 Cr consisting of Microfinance (54%), Micro Business Loans (MBL) (19%), Affordable Housing Loans (14%) and Gold Loans (10%)
- ❑ Network of 1,292 banking outlets across 23 states & union territories, with strong presence in South India
- ❑ Dedicated team of 14,867 employees
- ❑ Long term credit rating: ICRA A; Positive and CARE A; Stable

Proforma Business and Financial Metrics

- ❑ On proforma basis, merged entity shall have:
 - 2,334 Touchpoints, ~ 98 Lacs Customers, ~ 43,000 Employees
 - Combined Balance Sheet size of ₹ 1.1 Lacs Cr+ as on Sep 2023 on proforma basis
- ❑ Transaction is accretive on all key financial metrics on a proforma* basis: EPS, BVPS, RoA

Notes: * Pro forma number includes primary capital Infusion of ₹ 700 Cr



Key Strategic Rationale



Complementary branch footprint building a truly pan India Small Finance Bank



Diversification of portfolio with access to rural and financial inclusion focused Microfinance business



Significant opportunity to expand deposit and asset franchise in South India



Shared values, common regulatory regime and experienced team providing deep domain expertise



Compelling synergy potential especially in deposits, technology and scale driven efficiencies over time



Complementary branch footprint...

Wider coverage and deeper presence

Touchpoints	AU	Fincare	Proforma
North	17%	7%	12%
West	64%	20%	40%
South	2%	49%	28%
East	1%	16%	9%
Central	15%	8%	11%
Total	1,042	1,292	2,334

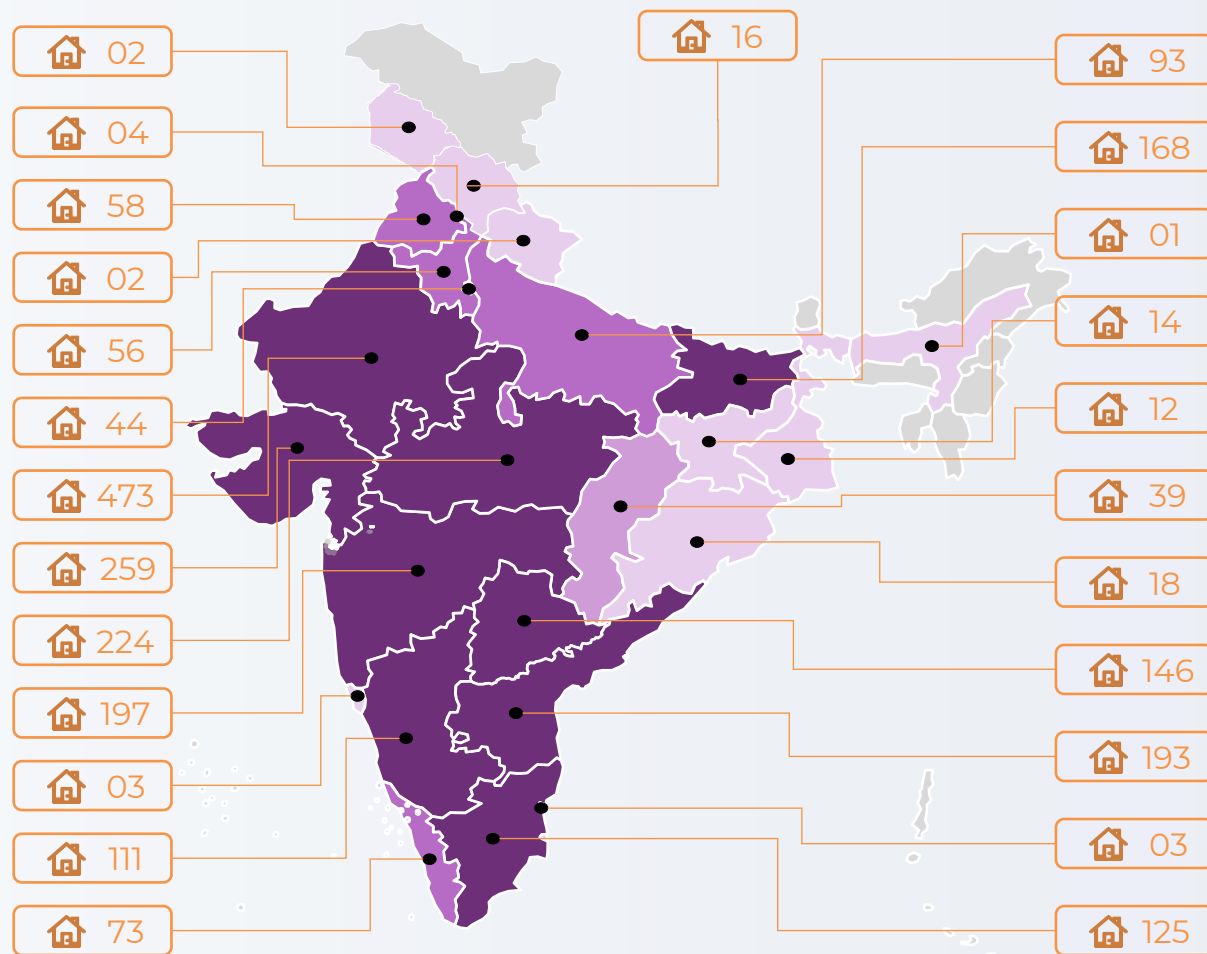
Branch density complementary in key states

States	AU	Fincare	Proforma
Rajasthan	401	72	473
Gujarat	151	108	259
Madhya Pradesh	139	85	224
Maharashtra	115	82	197
Andhra Pradesh	1	192	193
Bihar	1	167	168
Telangana	6	140	146
Tamil Nadu	4	121	125
Karnataka	9	102	111
Uttar Pradesh	19	74	93

The merged entity to have 9 states with more than 100 touchpoints each



...building a truly pan India Small Finance Bank



2,334
touchpoints post merger

	AU	Fincare
Deposit Branches	549 *	136
Asset Center (AU) / Micro Banking Units (Fincare)	230	763
Business Correspondents	263	393
Total	1,042	1,292

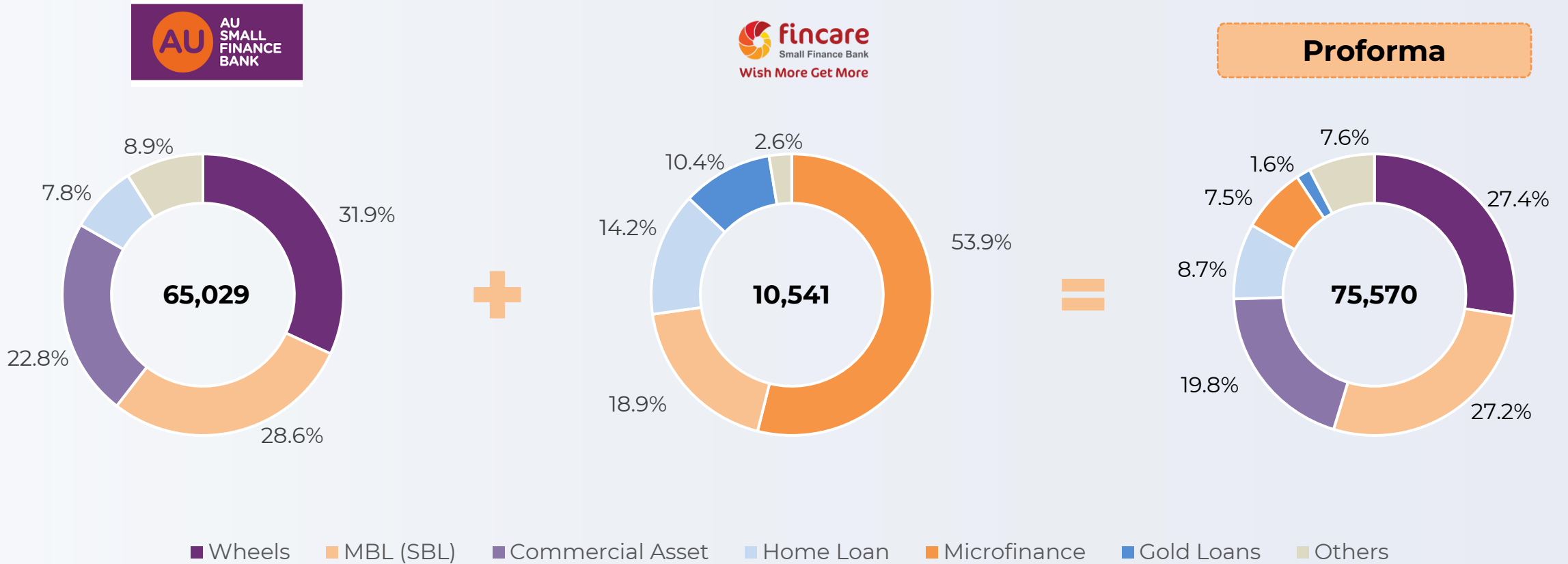
* including 76 unbanked branches

🏠 # Touchpoints <25 25-50 50-100 100+



Diversification of portfolio...

Gross Advances (in ₹ Cr)



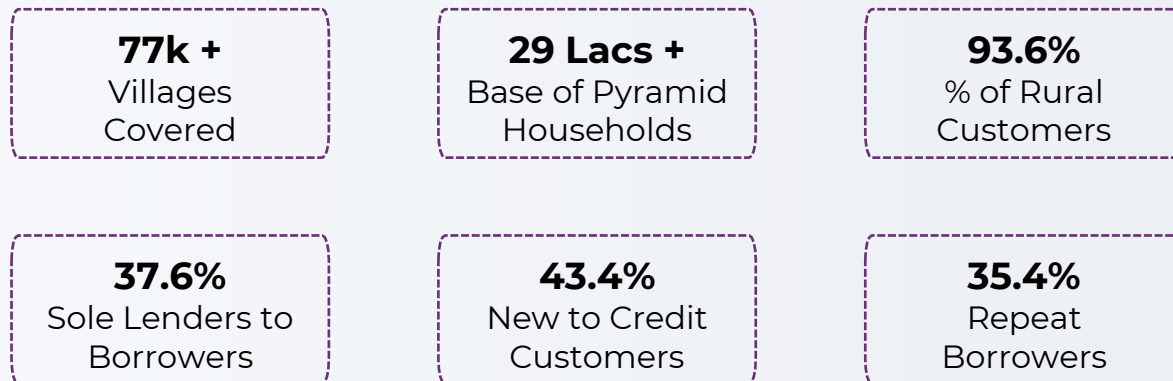
On proforma basis, Microfinance portfolio forms ~7.5% of Gross Advances

Notes: Others: For AU SFB includes credit card, personal loans, SME (run down), ODFD, term lending, gold loans and others; For Fincare SFB includes loans to staff, supply chain financing, 2 wheeler finance, Loan against FD, intuitional finance and others; Data as on Sep'23



...with access to rural and inclusion focused Microfinance business

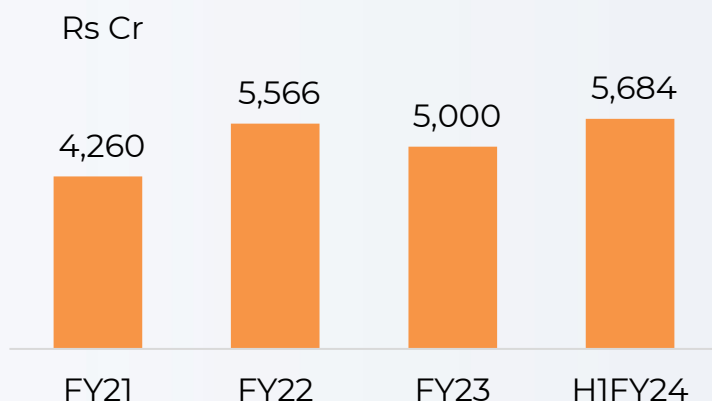
Microfinance Snapshot



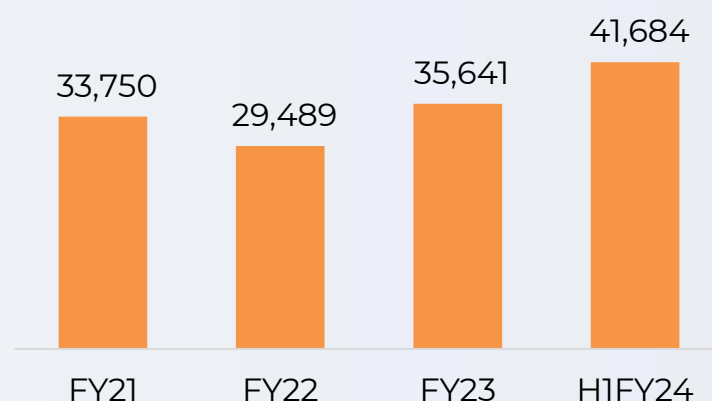
Key Characteristics

- ❑ Very strong and experienced team with a vintage of ~10 years at senior level
- ❑ Lending exclusively to women from low-income rural & semi-urban areas
- ❑ Traditional Microfinance model of group-based lending (2-20 members)
- ❑ 44% Gross advances is focused on Agri and Agri allied activities
- ❑ End to end digital journeys

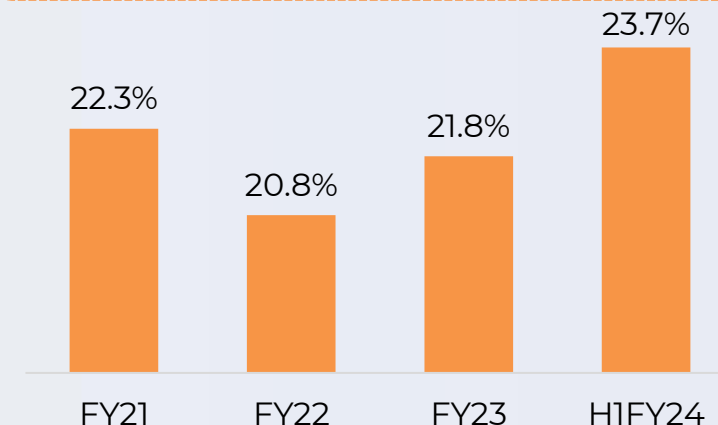
Microfinance Gross Advances



Microfinance – Average Ticket



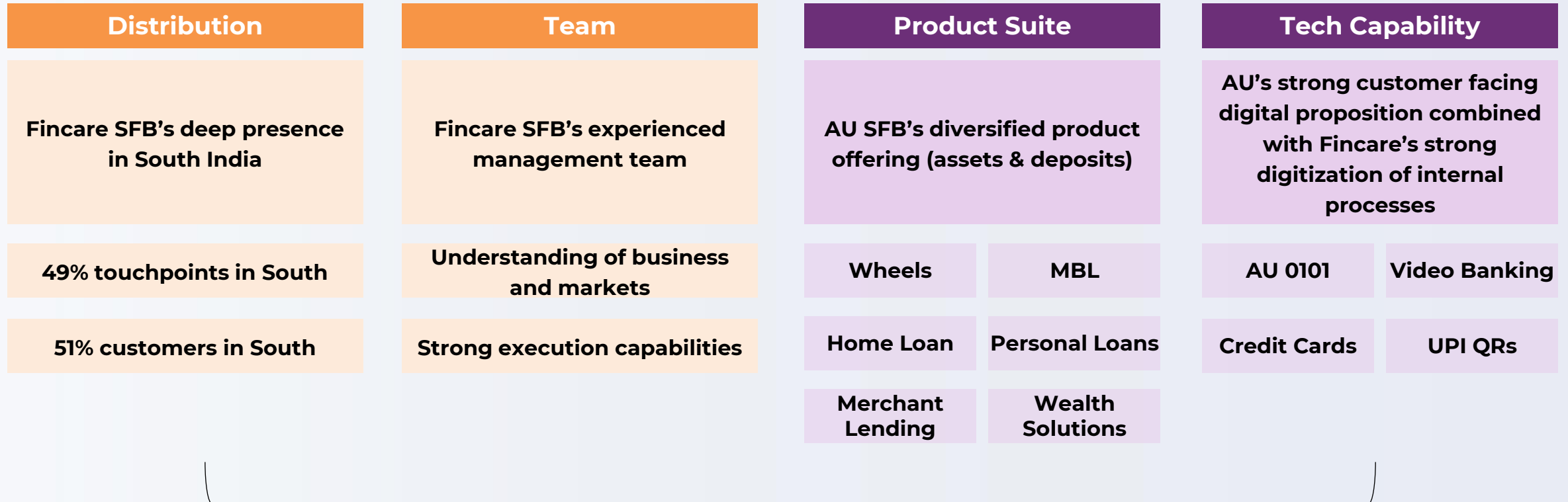
Microfinance Yield %



Notes: Data for Fincare SFB as on Sep'23



Significant opportunity to expand deposit and asset franchise in South India



Key ingredients in place for expanding deposit and asset franchise in South India



Compelling synergy potential

Cross-sell AU's product basket including wheels, personal loans, UPI QR / merchant lending, credit cards and wealth solutions to Fincare's urban deposit customers

17.6 Lacs

Fincare SFB Metro + Urban deposit Customers

Expand Microfinance business in states where AU SFB has a stronger presence

806

AU SFB touchpoints in Rajasthan, Gujarat, MP and Maharashtra

Accelerate internal digitization to achieve **scale driven cost** synergies over time

~200

Members in Fincare SFB IT Team to complement existing AU SFB team

Lower cost of funds

6.64% vs 7.36%

AU SFB COF v. Fincare SFB COF

Further strengthen management team with deep domain experience and enhanced execution capabilities

~26 years

Average experience of leadership team

Strengthen lending to Small & Marginal Farmers (under Priority Sector Lending)

44%

of Fincare SFB's Gross Advance is towards Agri and Allied Activities

Integration to be smooth and seamless

Two Small Finance Banks...



- ❑ Alignment of charter to promote financial inclusion
- ❑ Common regulatory framework
- ❑ Humble beginnings with experienced teams
- ❑ Shared values and strong connect to the Ground
- ❑ Complimentary geographic presence and product basket

...joining hands to become One Family

- ❑ All Fincare SFB employees (14,867) to become part of AU family
- ❑ Fincare's Management team to add depth and further strengthen AU's team
- ❑ Detailed integration plan to be worked out
 - Aon onboarded to ensure smooth HR transition



Proforma H1 FY24 Financials: Key Metrics

			Pro Forma	Delta vs AU
Gross Advances	65,029	10,541	75,570	16%
Deposits	75,743	9,453	85,196	12%
Net Worth	11,763	1,539	14,002*	NA
Equity Shares Outstanding (Nos.)	66,82,28,624	22,07,79,720	74,17,01,512*	NA
Book Value per Share (in ₹.)	176.0	69.7	188.8*	7%
Capital Adequacy Ratio (%)	22.4%	22.3%	23.5%*	110 bps
PAT	789	219	1,008	NA
Earning per Share (in ₹.)	11.8	9.9	13.6*	15%
Annualized ROA	1.7%	3.2%	1.9%*	18 bps

Notes: All figures in ₹ Cr unless stated; * Pro forma number includes primary capital Infusion of ₹ 700 Cr



Process and Timeline Overview

Key Activities	Particulars
Board Decisions, Announcement	<ul style="list-style-type: none">29th October 2023
Appointed Date of Merger	<ul style="list-style-type: none">1st February 2024
Governing Regulations	<ul style="list-style-type: none">Section 44A of the Banking Regulation Act, 1949
Approvals Required	<ul style="list-style-type: none">Reserve Bank of IndiaCompetition Commission of IndiaShareholders of AU SFB & Fincare SFB
Effective Date	<ul style="list-style-type: none">Upon receipt of approvals (per above)Expected timeline 4-6 months

Deal Support

	AU SFB	Fincare SFB
Financial Advisors	Ambit, Mirae	ICICI Securities, Arpwood Capital
Legal Advisors	AZB & Partners	Anagram Partners
Diligence Advisors	KPMG	PWC
Independent Valuers	Bansi S. Mehta Valuers LLP	RBSA Valuation Advisors LLP
Fairness Opinion	JM Financial Ltd	IIFL
HR Consultants	Aon	-



About Fincare Small Finance Bank



Fincare SFB - Leading digital first Microfinance and Gold Loan Focused SFB

01 **Deep rural franchise** with over 15 years of experience in microfinance

02 **Pan India player** with multi-channel, low-cost distribution network and strong presence in South

03 Fast growing **granular and sticky** deposit base

04 **High yield portfolio** with significant scale and supported by cost efficient operations

05 **“Digital First” Bank** with focus on technology led operations across all aspects of banking

06 **Experienced** and professional leadership team with strong corporate governance practices



Fincare SFB - Leading digital first Microfinance and Gold Loans Focused SFB

Extensive Rural Franchise

Business model focused on **financial inclusion** in **rural** and **semi-urban areas**



~94%
Microfinance customers in rural areas



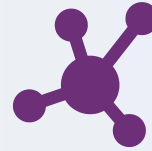
~43%
New to Credit Customers



~85%
Share of Priority Sector Advances

Extensive Network

One of the **highest number** of functioning offices amongst SFBs spread across **19 States and 3 UTs**



1,292
Touchpoints



~49%
Share of South India¹



~5.4 mn
Active Customers

High yield portfolio with scale

Advances Yields of 20%+



10,541 Cr
Gross Loan Advances



~64%
Share of Microfinance and Gold loans



10.9%
Net Interest Margin (%)

3.2%
ROA (%)

Note 1 In terms of touchpoints



Fincare SFB - Leading digital first Microfinance and Gold Loans Focused SFB

Stable Deposit Base

Growing deposit base across **existing microfinance borrowers** and newer customer segments



9,453
Total Deposits



~80%
Share of Retail Deposits



~80%
Term Deposits with tenor greater than 6 months

Digital First Approach

Superior delivery proposition with **scalable digital solutions**



>99%
Customers onboarded using employee assisted digital processes



100%
Cashless disbursement¹



200 members
Experienced and committed digital team

Experienced professionals

Proven track record of the **Senior Management team** and strong understanding of **rural banking**



21 member
Leadership Team



~26 years
Average experience of leadership team



48 members
Executive management team

Note 1 For Microfinance, Loan Against Property and Affordable Housing Finance



Fincare SFB: Company Overview

Shareholding (Sep'23)

Shareholders of Fincare SFB	%
Fincare Business Services Ltd. ("FBSL")	78.6%
True North	4.6%
Leapfrog	4.6%
Vistra ITCL	3.3%
TA Associates	2.5%
Tata Opportunities	1.2%
Others	5.2%
Total	100.0%
Shareholders of FBSL	%
TA Associates	17.8%
Indium IV (Mauritius) Holdings Limited + Silver Leaf	17.7%
True North Fund V LLP	16.5%
Tata Opportunities	8.4%
Leapfrog	4.9%
Vistra ITCL	2.4%
Others	32.3%
Total	100.0%



Strong Corporate Governance

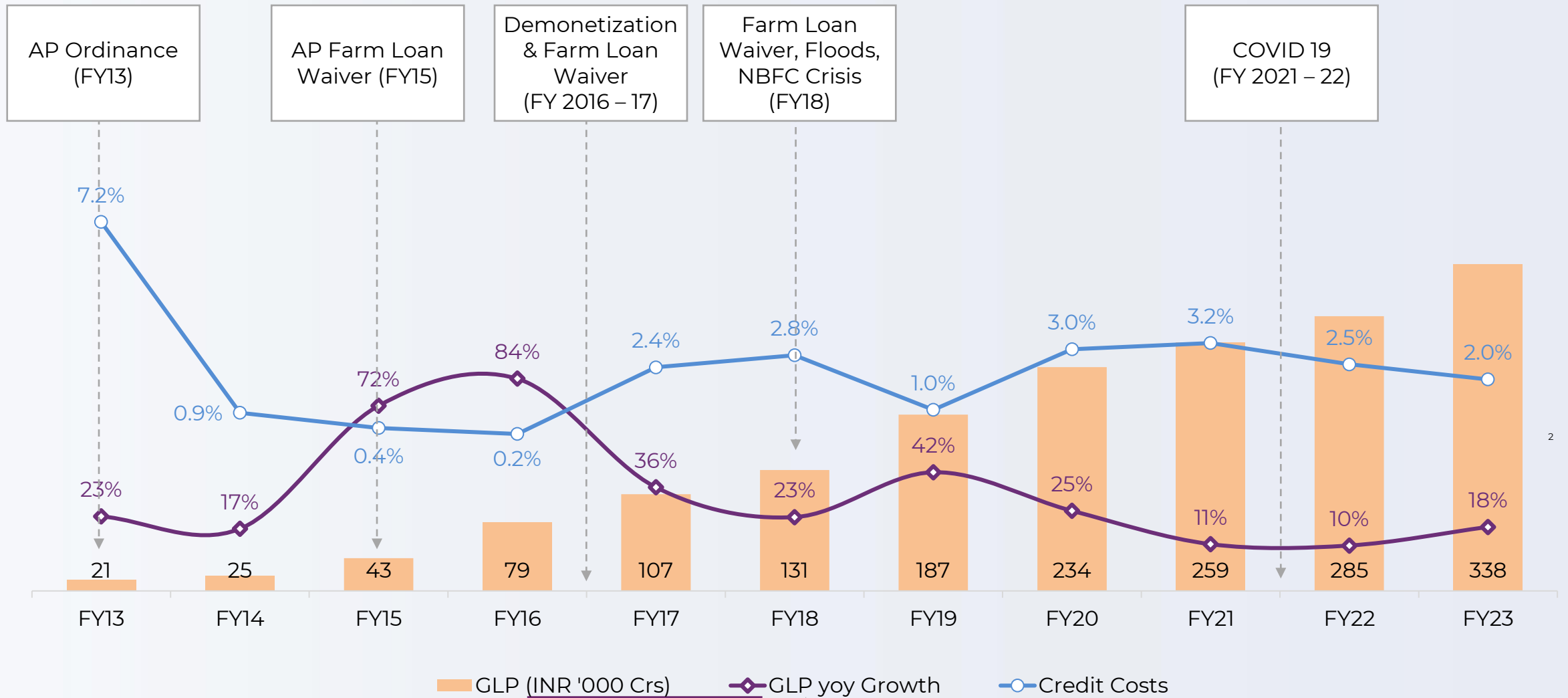
- ❑ The Bank has been governed by stable and experienced Board comprising of 11 Directors:
 - 6 Independent Directors
 - 3 Directors with RBI experience
 - 6 Directors with BFSI domain experience
 - 2 Private Equity nominee Directors

- ❑ The Board supported by senior leadership, has established a strong risk management culture:
 - Risk management committee chaired by an Independent Director
 - Independent Internal Audit function to evaluate controls and ensure adherence to processes

- ❑ Financial Statements are audited by S.R. Batliboi & Associates LLP



MFI industry has matured, proving its resilience through economic cycles, minimizing structural risks & has pathway to sustainable growth



Notes: ¹ Credit cost for FY23 basis estimates
Source: CRISIL M&A Research



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Thank You

