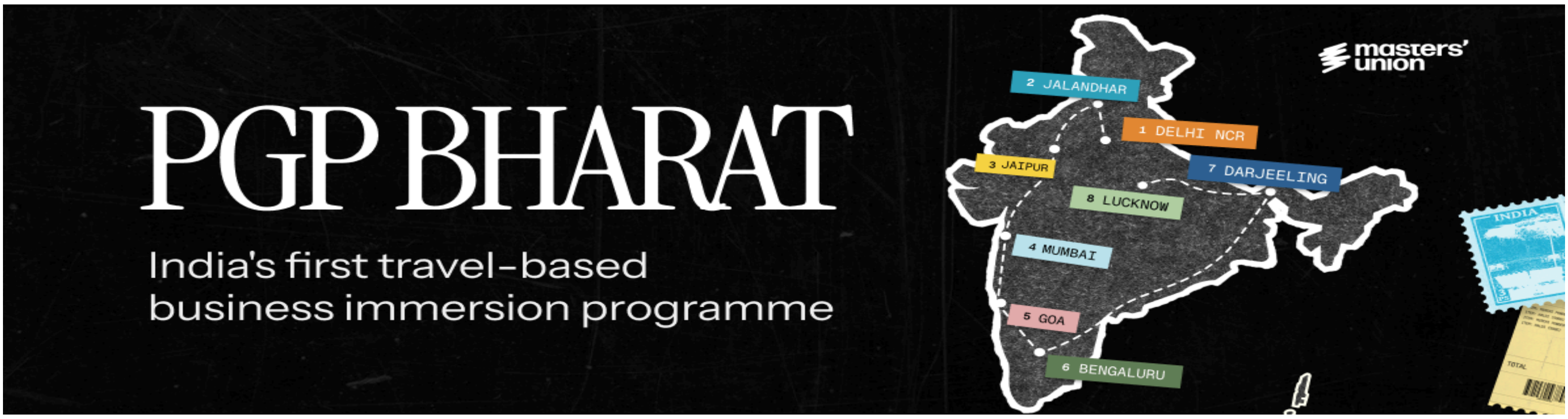


1. Why does this immersion matter?

Most banks in India were either started by the government or by big industrial families with deep pockets. AU Small Finance Bank wasn't. It was started by a 25-year-old chartered accountant from Jaipur with no family business background, no big capital, and no banking experience, just an idea that ordinary people in small towns and villages deserved real access to loans, not just big companies and wealthy customers.

That idea has now become one of India's largest small finance banks, and in August 2025, it made history: AU became the very first small finance bank in India ever given approval by the Reserve Bank of India (RBI) to become a full "universal bank", the same category as HDFC Bank or ICICI Bank. That's a genuinely rare achievement, and it happened because of decisions made over nearly 30 years by one person you're about to sit across from.

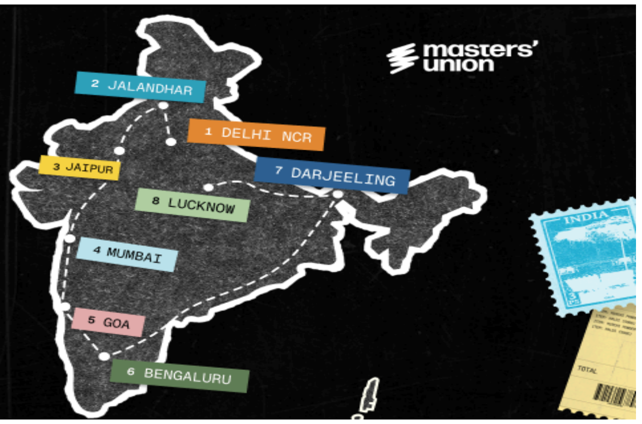
A few numbers worth knowing before you walk in: the bank has over 1.1 crore customers, more than 2,380 branches and touchpoints across 21 states, deposits of over ₹1.3 lakh crore, and a market value of around ₹80,000 crore. It started in 1996 as a small company financing trucks and vehicles for people banks wouldn't lend to.

Your time with Sanjay Agarwal is a rare chance to ask someone who actually built something from nothing, not someone who inherited it or joined later. Use it to understand not just what AU does today, but how someone decides, again and again over 30 years, to keep building instead of selling out, slowing down, or playing it safe.

A bank is a different kind of business. It doesn't sell a product; it sells trust with other people's money. A manufacturing company can be judged mostly on revenue and margins, but a bank's real health sits in how safely it's lending, how cheaply it's borrowing, and how much cushion it's keeping in case things go wrong. That's why banks report a specific set of numbers every quarter that most other industries don't bother with, and why regulators like the RBI watch these numbers more closely than almost anything else in the business. Here are the ones worth understanding before you meet Mr. Agarwal and what each one is actually protecting against.

The first thing a bank has to track is how many of its loans are actually being repaid. This is captured through NPA, or Non-Performing Assets, loans where the borrower has stopped paying for 90 days or more. Gross NPA is the total value of these bad loans, and Net NPA subtracts what the bank has already set aside as a cushion, so it shows the real exposure still sitting on the books. For a bank that built its entire reputation on lending carefully, this is the number that tells you whether that discipline is holding up as it scales.

A bank also has to track where its money is coming from, because not all deposits cost the same. This is where the CASA ratio comes in, the share of deposits sitting in current and savings accounts rather than



fixed deposits. Current and savings accounts are the cheapest money a bank can borrow, since they pay little to no interest on them, so a higher CASA ratio means cheaper funding and fatter margins. It's worth asking Agarwal how a bank built for rural and semi-urban India builds the kind of low-cost, sticky deposit base that big-city banks take for granted.

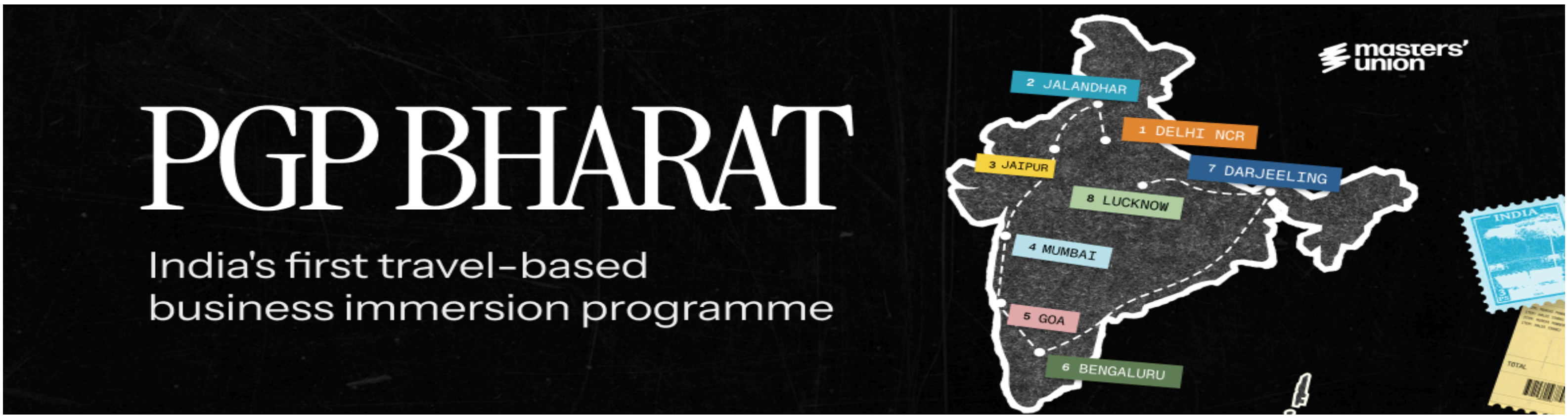
Once you know what a bank is earning on loans and paying on deposits, you can calculate its Net Interest Margin, or NIM, the single number that best captures how profitable its core lending business actually is. AU's NIM for FY25 stood at 5.94%, up from 5.45% in FY24. This is notably higher than most universal banks, largely because AU still lends heavily to small, underserved borrowers who pay higher interest rates in exchange for access that bigger banks won't give them. That's worth sitting with directly: AU's profitability is still built on the same kind of customer it started serving in 1996, even as it becomes a full-scale bank.

Every bank also has to hold back a cushion of its own capital in case loans go bad, and this is measured through the Capital Adequacy Ratio, or CRAR, the share of a bank's own capital held against its risk-weighted loans. The RBI sets a minimum every bank must maintain, so this number tells you how much of a shock a bank could absorb before it's in real trouble.

Tied closely to CASA is the cost of funds, what it actually costs a bank, on average, to raise the money it then lends out, across deposits and borrowings combined. Becoming a universal bank should help bring this down over time, since the licence opens up cheaper sources of funding, like large corporate deposits and interbank borrowing, that were closed to AU as a small finance bank.

Finally, banks in India have to track Priority Sector Lending, or PSL, a regulatory requirement forcing certain banks to direct a fixed share of their lending toward agriculture, small business, and other priority sectors the RBI wants to protect. Small finance banks are required to maintain a far higher PSL share than universal banks. This single rule shaped AU's entire loan book for nearly a decade, and it's exactly what the universal bank licence changes. AU no longer has to hit the stricter small finance bank PSL targets, which frees it to lend more to large corporates and diversify its book.

Together, these numbers are how you'll be able to tell, sitting across from Mr. Agarwal, whether AU's next chapter as a universal bank is actually working or just looks good on the surface.



2. Company snapshot

Item	Detail
Name	AU Small Finance Bank Limited
Founded	1996, as AU Financiers, a vehicle finance company
Founder	Sanjay Agarwal
Became a bank	April 2017
Headquarters	Jaipur, Rajasthan (registered office); Mumbai (corporate office)
Customers	Over 1.1 crore (11 million+)
Branches/touchpoints	2,380+ across 21 states and 4 union territories
Employees	46,000+
Deposits	Over ₹1.3 lakh crore
Net profit, FY25	₹2,106 crore, up 32% from the year before
Market value	Around ₹80,000 crore
Big recent milestone	First small finance bank in India to get RBI approval to become a full "universal bank" (August 2025)
CEO & MD	Sanjay Agarwal, since 2017

3. The founding story: from repeating class 8 to building a bank

Sanjay Agarwal's story doesn't start with success. As a kid, he actually repeated class 8 and later gave up on a dream of playing cricket professionally to focus on studies instead. His father worked at the Rajasthan State Electricity Board, an ordinary government job, not a business family at all.

What changed things was one exam. In 1995, Agarwal cracked the Chartered Accountancy exam and topped it, winning a gold medal from the Institute of Chartered Accountants of India. Most people in his position would have joined a big firm or a bank. He didn't. A year later, in 1996, at just 25 years old, he started his own company in Jaipur called AU Financiers, along with a close associate, Uttam Tibrewal, who is still one of his key partners today.

The idea was simple but genuinely useful: in small-town and rural Rajasthan, banks weren't interested in lending to ordinary people, truck drivers, small shop owners, and first-time vehicle buyers, because they had no big collateral to offer and no paper trail banks trusted. Agarwal built his company specifically to serve them, starting with vehicle finance, lending money for trucks and commercial vehicles based on whether someone could actually repay, not just what they could put up as collateral. He has said it plainly himself: "If I can't repossess something, then I am not interested." That one line tells you a lot; he wasn't reckless. He built the business carefully, on secured lending, even while trying to serve people bigger banks ignored.

For close to two decades, he grew this business slowly and steadily. Between 2013 and 2018 alone, the company's loan book grew from ₹3,704 crore to ₹10,734 crore, and profits nearly tripled. That slow, careful growth is exactly why the RBI trusted the company enough to hand it one of the very first small finance bank licences in India in 2015. Two years later, in April 2017, AU Financiers officially became AU Small Finance Bank, with Agarwal as its CEO.

4. How does the business actually work?

AU didn't start as a typical bank chasing wealthy customers in big cities. It grew up serving people most banks overlooked: small business owners, first-generation entrepreneurs, and people in semi-urban and rural India who needed a vehicle loan, a small business loan, or a home loan but didn't fit the paperwork big banks wanted.

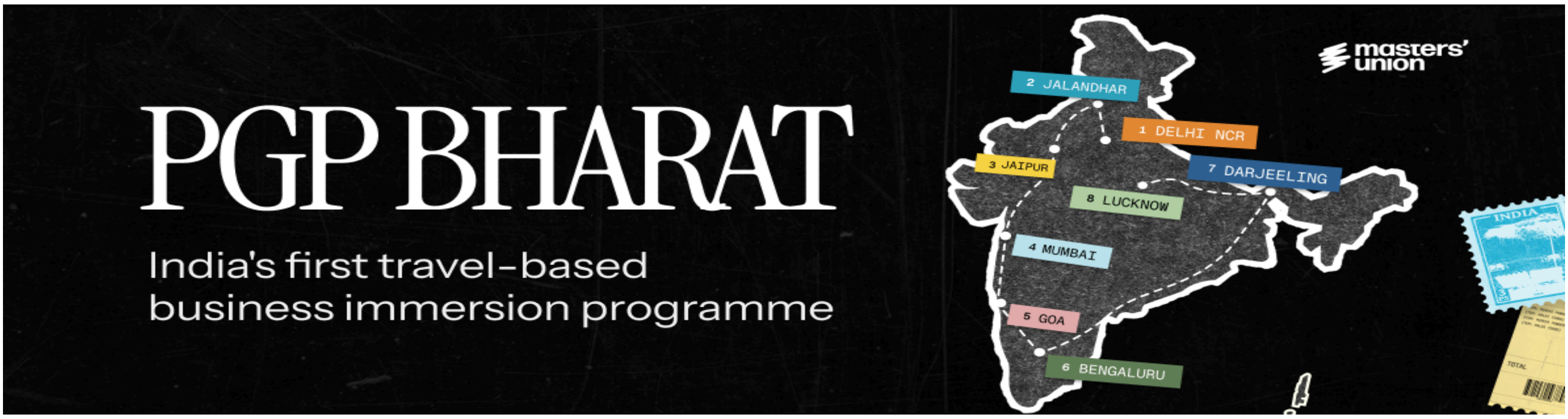
Even today, after becoming a full bank, that core idea hasn't disappeared. AU still runs a genuinely wide mix of products: vehicle loans, small business loans, gold loans, home loans, credit cards, and now, wealth management and larger corporate lending too, since a universal bank licence allows it to serve big companies as well, something a small finance bank legally couldn't do before.

The bank has also grown through a big merger: in April 2024, Fincare Small Finance Bank merged into AU, adding scale and reach almost overnight. And it has invested seriously in technology, things like 24x7 video banking, WhatsApp banking, and its own AU 0101 app, so a bank that started by physically visiting small-town vehicle buyers now also competes digitally with much bigger, older banks.

5. Why is the universal bank licence such a big deal?

To understand why this moment matters so much, you need to understand what a "small finance bank" actually is. The RBI created this category specifically to get more banking into underserved areas, but it comes with real restrictions: small finance banks must lend a large share of their money to priority sectors like agriculture and small business, and they've historically struggled to be taken seriously by large depositors and big corporate clients. Agarwal has spoken candidly about this exact problem: "The biggest problem earlier was people would wonder if we are a co-operative bank or whether we can accept large deposits."

Becoming a universal bank removes those restrictions. AU can now lend to large companies, offer a wider range of products, and no longer have to follow the strict rural-lending rules of a small finance



bank does. It's also likely to lower AU's cost of borrowing money over time, which means it can eventually offer customers better loan rates too.

But this is also a genuine test, not just a reward. Running a universal bank is a very different, much more complex job than running a small finance bank; it means new risks, bigger corporate clients, and far more regulatory responsibility. There's also a real risk worth asking Agarwal about directly: as AU chases bigger clients and more scale, does it risk drifting away from the small-town, underserved customers it was actually built to serve?

6. Meet the CEO: Sanjay Agarwal

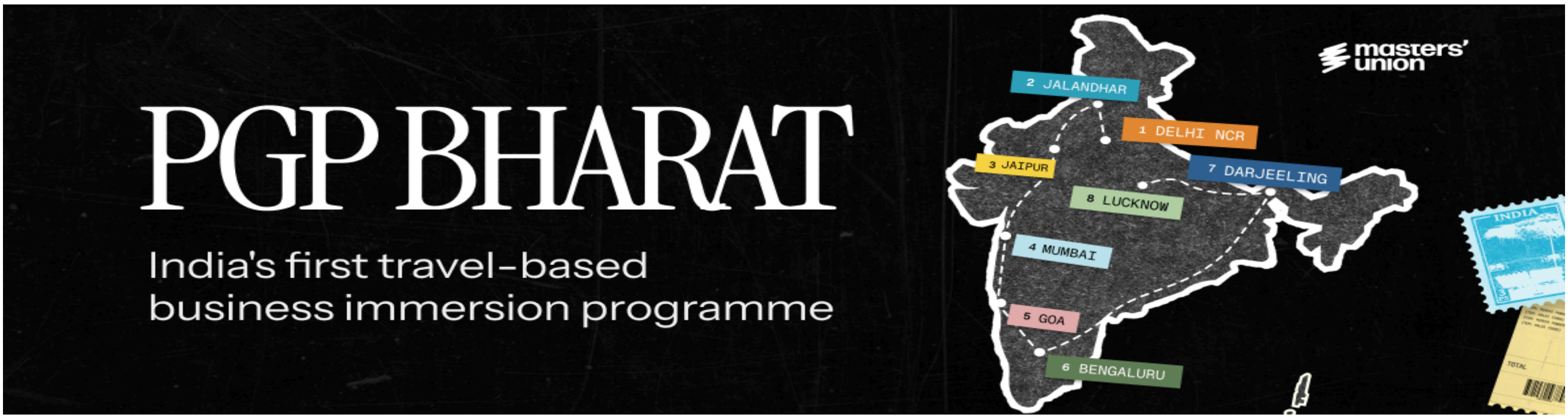
The Kind of Beginning Most CEOs Don't Talk About

Sanjay Agarwal doesn't come from money, and he doesn't hide that. His father was a government employee at the Rajasthan State Electricity Board, an ordinary salaried job, not a business family.

Before any of this, though, he was a cricketer. He played for Rajasthan's state team in 1990, and cricket clearly shaped how he thinks about business even today; more on that below. After finishing his commerce degree, he cleared India's Chartered Accountancy exam in 1995 and topped it, winning a gold medal. Most people in his position, a topper CA with no family business to inherit, would have taken a safe, well-paying job. He didn't. In 1996, at 25, he started lending money out of Jaipur with backing from a handful of local wealthy individuals, promising them their capital was safe and they'd get a fair return. That handshake-level trust, from people who barely knew him, was literally the seed capital for what is now an ₹80,000 crore bank.

His risk philosophy

This is probably the most useful thing to understand before meeting him. Agarwal has explained his approach to risk plainly. He's given a specific, concrete example of this in action. In the 2000s, when microfinance lending was the hot trend across India, and everyone was rushing into it; Agarwal



deliberately stayed out. His reasoning: "Microfinance was more of a process model, not a credit model. If a borrower defaulted, there was very little you could do; you couldn't recover the money. In contrast, if you lend against an asset, you can enforce recovery through that resource." That single distinction, lending against something real versus lending on pure trust, is why even today, roughly 95% of AU's loan book is secured against real assets. It's a genuinely unusual level of discipline in Indian retail lending, where chasing growth often wins out over caution.

Building for "Forever", not for a quick exit

One thing that separates Agarwal from a lot of Indian entrepreneurs is that he never seemed interested in building AU to sell it. When the RBI opened the door in 2015 for NBFCs (non-banking finance companies) to convert into small finance banks, he took the harder, slower path on purpose. His own reasoning: "An NBFC is a transactional model, whereas a bank is a relationship model. Relationships last longer; transactions don't." He's also been candid that this wasn't an easy call, as an NBFC founder, he could have just kept running things comfortably without ever facing a regulator's scrutiny. Instead, he chose to build something he describes as meant to last, not just for him, but for generations of employees and customers after him.

7. Guiding questions for the CEO interaction

1. You started this business at 25 with no banking background. What's one decision from those early years you'd make differently today and one you'd make exactly the same way?
2. As AU becomes a universal bank, what's the biggest risk that you personally lose sleep over, not for the business, but for the original customers AU was built to serve?
3. Small finance banks were created specifically to serve people big banks ignored. Now that AU is becoming a "big bank" itself, how do you make sure you don't become the very thing you built AU to be different from?
4. Looking back, what's the hardest year you personally remember, and what actually got you through it?

8. Resources to go through

1. Sanjay Agarwal LinkedIn
2. https://www.au.bank.in/au-journey
3. AU Small Finance Bank's Big Leap: Sanjay Agarwal's blueprint to break into India's banking elite