

Cautious, Conservative and Consistent Growth

CLSA Investors' Forum

9th September 2019

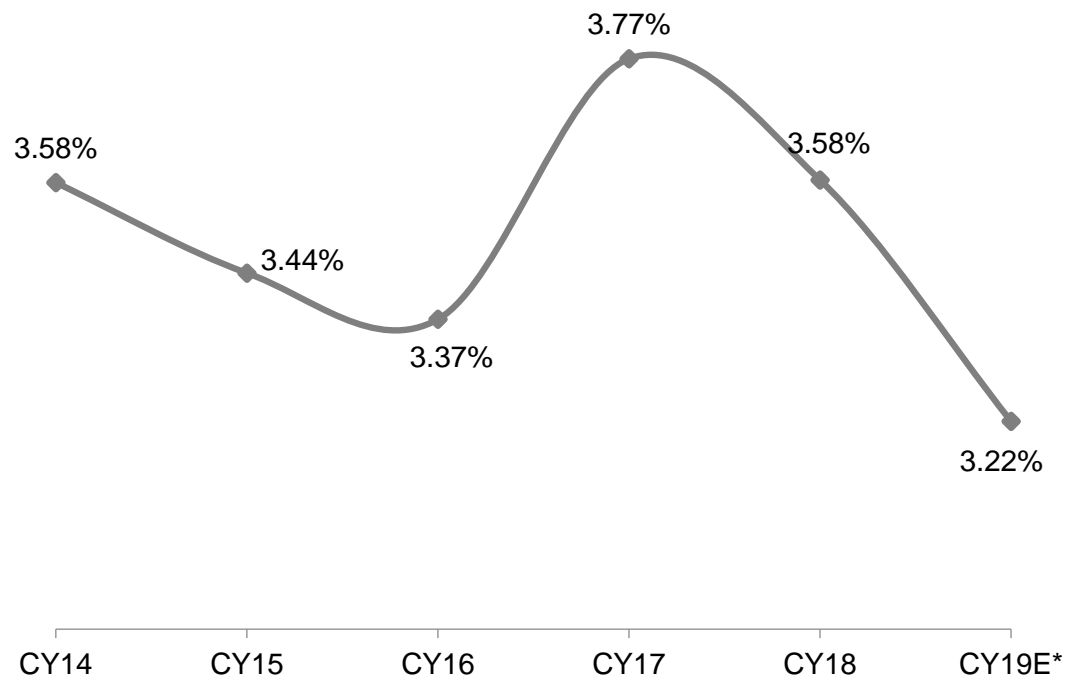


Macro Environment showing signs of weakness

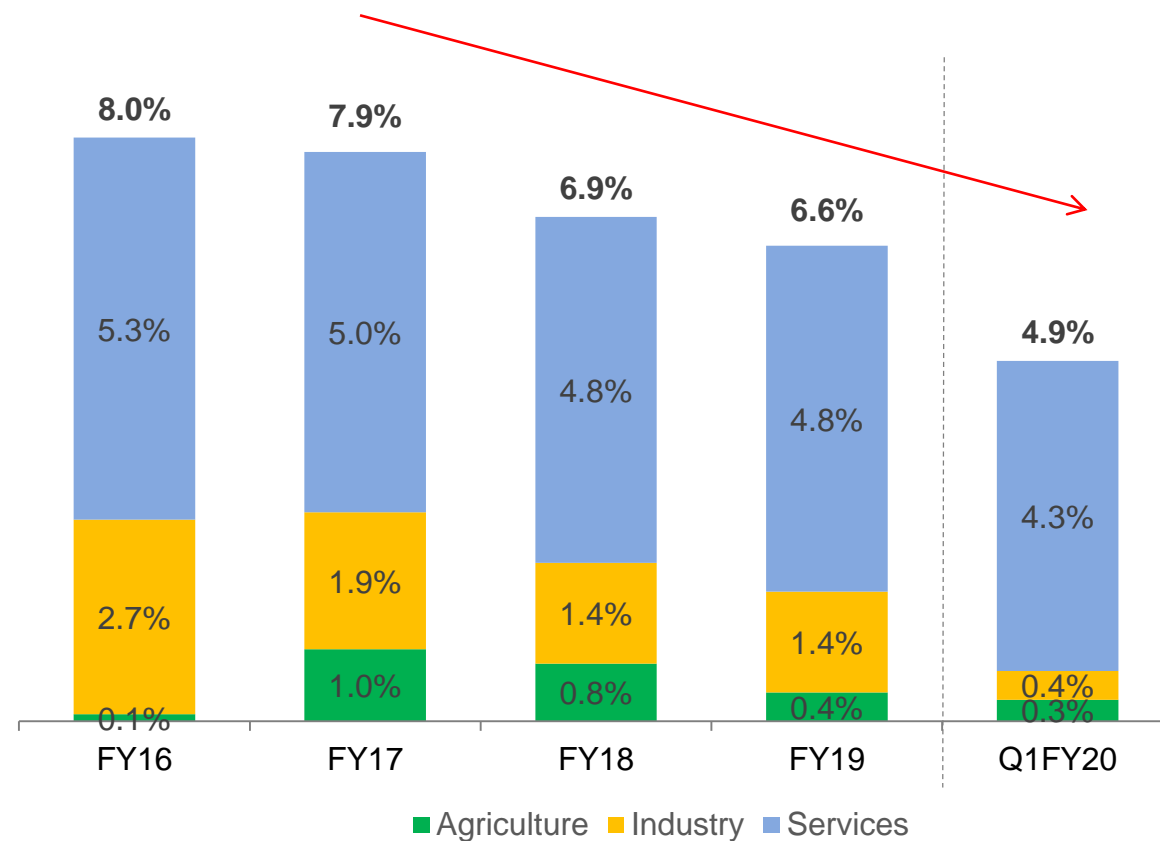
Global economy is slowing, reflected in India too with growth weakening



Global growth has slowed down recently

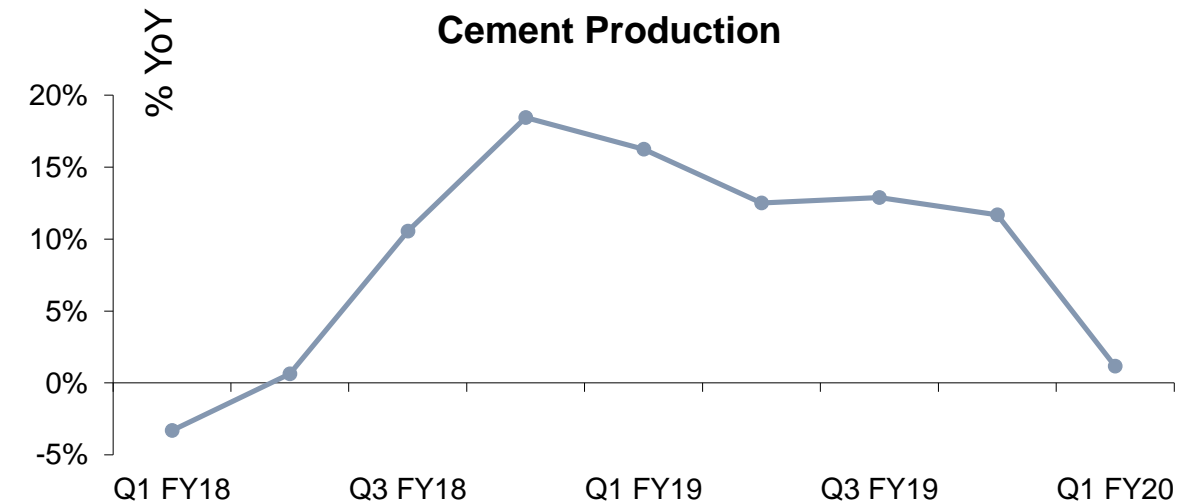
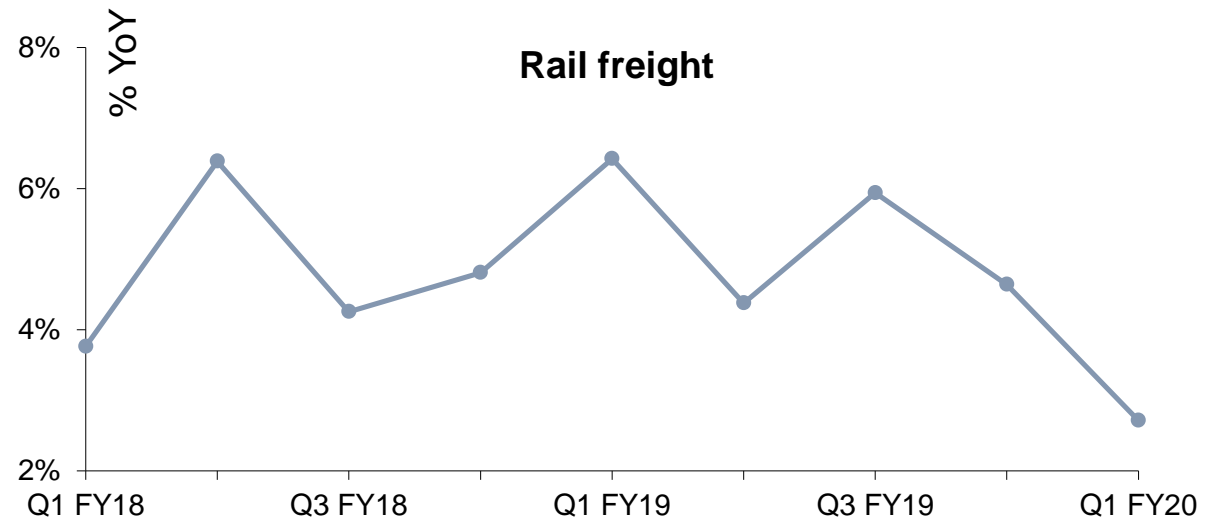
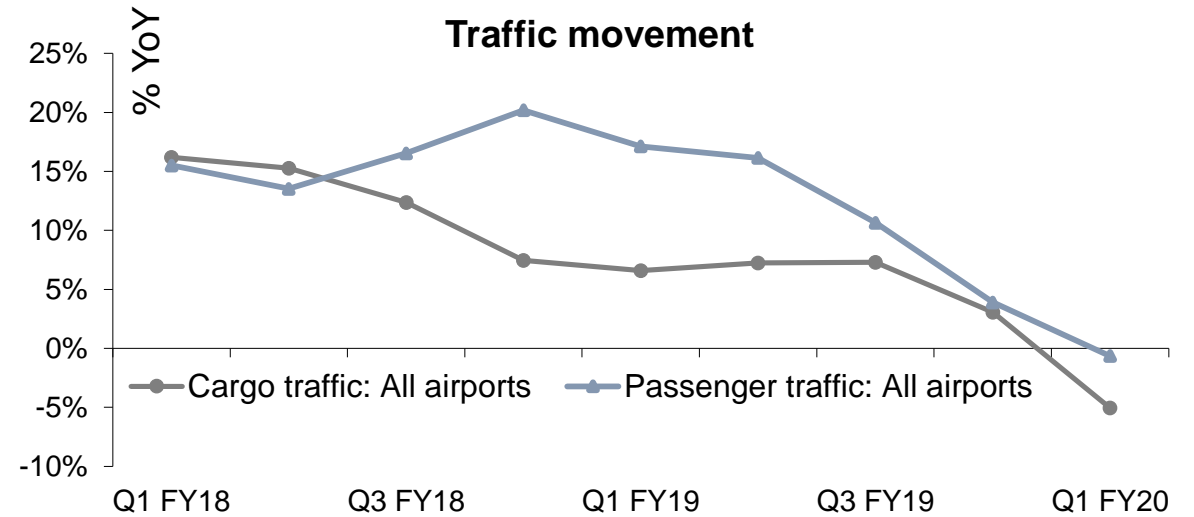
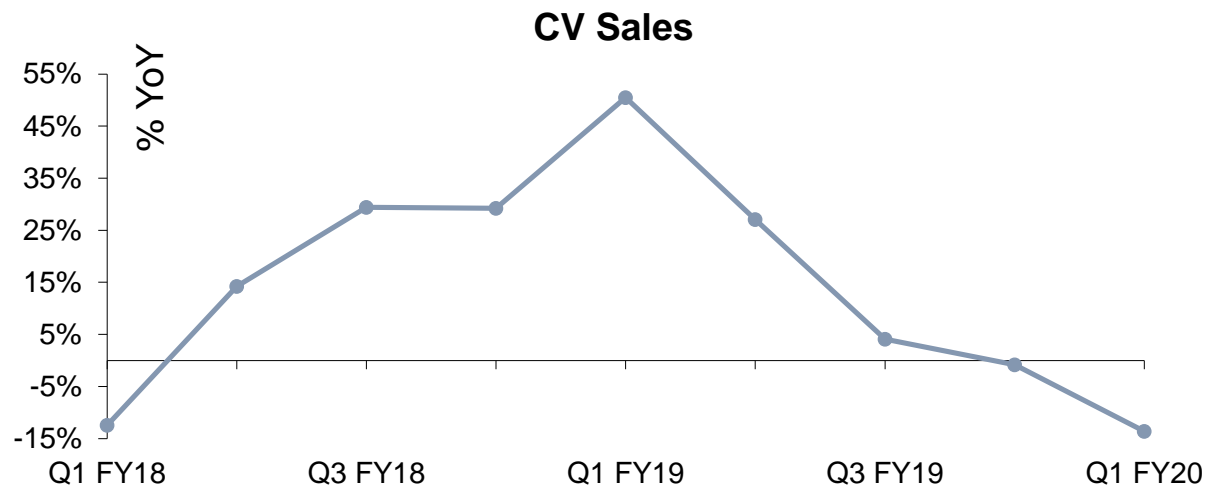


India GVA growth



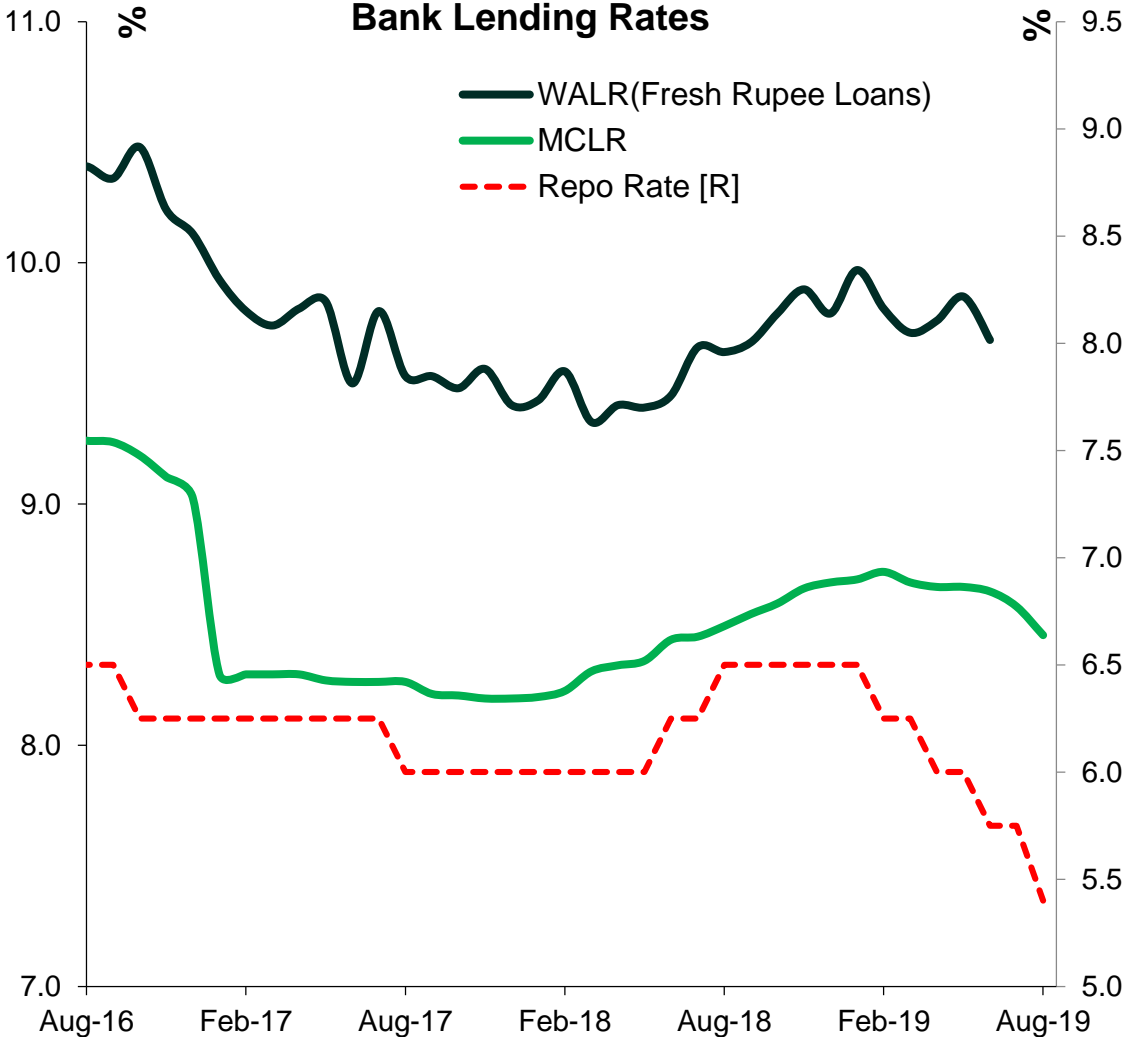
Source: *IMF Estimates, MOSPI, Axis Bank Research

High frequency indicators point towards slowdown in industry and services sectors



Source: Various government and private bodies

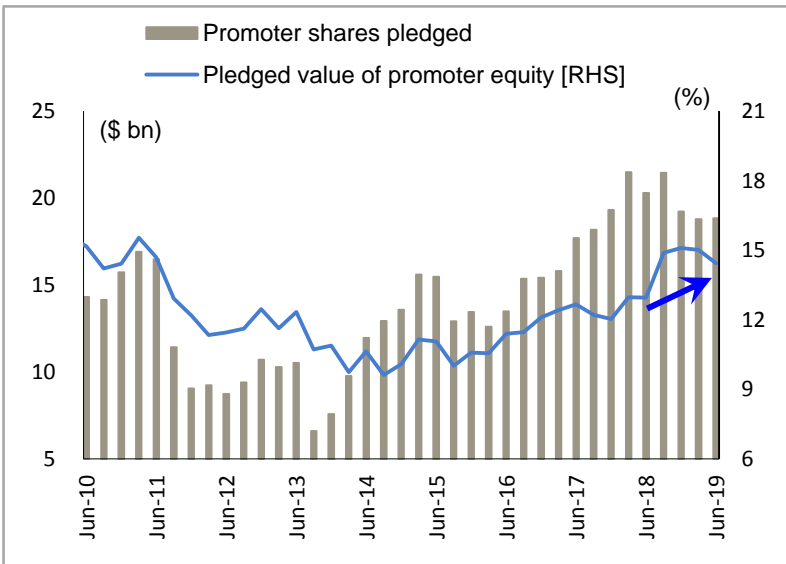
Liquidity has improved and rates have begun to come down, but offtake is still sluggish



Source: RBI, Axis Bank Research

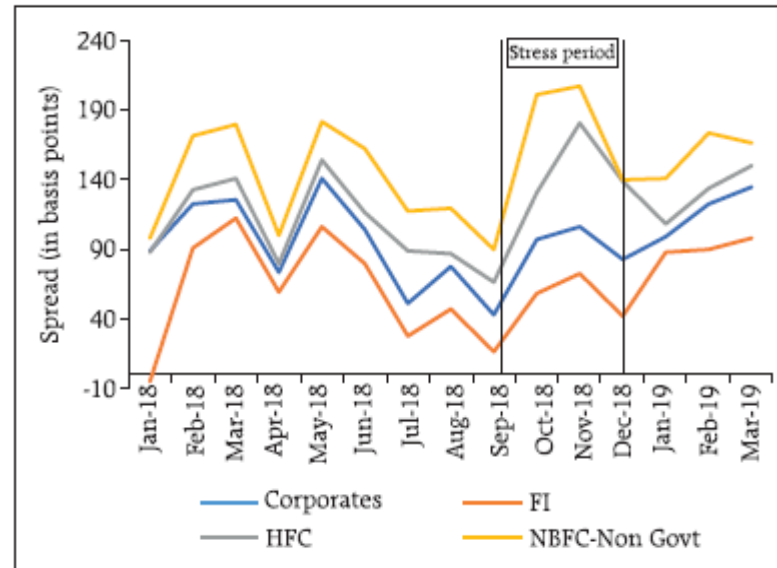
Some other factors affecting corporates

Promoter leverage remains high



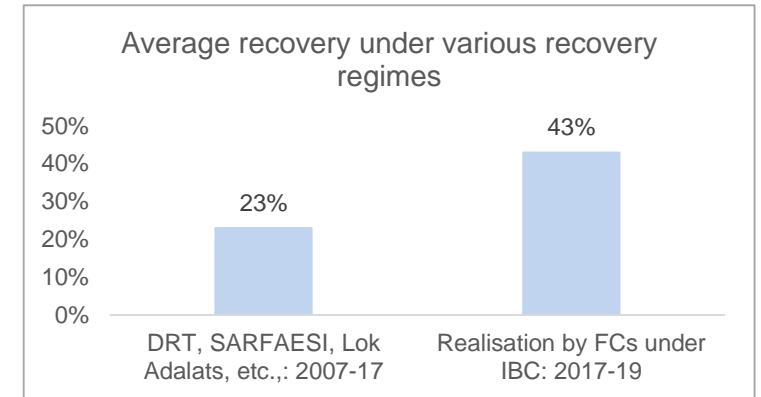
NBFCs with ALM/asset quality concerns have faced funding issues

Category wise 3-month CP spreads over 91-day T-bill

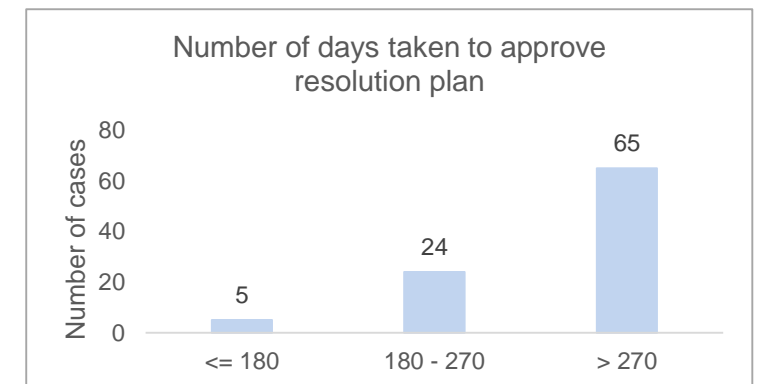


Resolutions taking some time

Though recovery rates are almost twice as high...



...Out of the 94 CIRPs that ended with resolution plan, 65 cases got approved after 270 days



Government's measures to boost growth



Banks/NBFCs

- Upfront release of ₹70,000 Crore Capital for PSBs
- Additional liquidity support of ₹20,000 Crore to HFCs by NHB
- Co-origination of loans by PSBs jointly with NBFCs



MSMEs

- Repayment of future GST refunds to MSMEs within 60 days
- Amendment to MSME Act being considered
- Decisions on U.K. Sinha Committee recommendations# within 30 days



Infrastructure

- Delayed payments from Government/ CPSEs to be monitored
- ₹100 lakh crores allocated for developing infrastructure over 5 years
- Decision to pay 75% of the arbitration awards



Automotive

- Revision of one time registration fees deferred till June 2020
- Higher depreciation at 30% for all vehicles acquired till March 2020
- Lifting of ban on purchase of new vehicles by Government Depts.

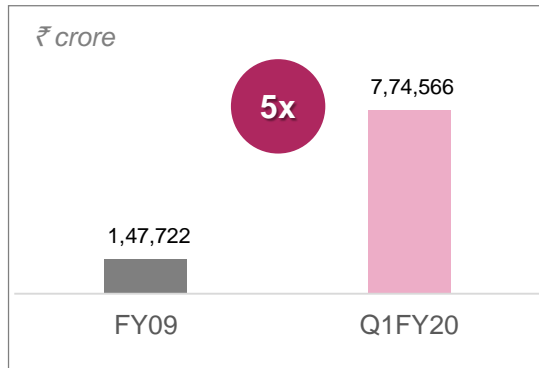
include recommendations such as on ease of credit, marketing, technology, delayed payments

Ministry of Finance has shown intent to further continue engaging with stakeholders for timely and suitable interventions for different sectors

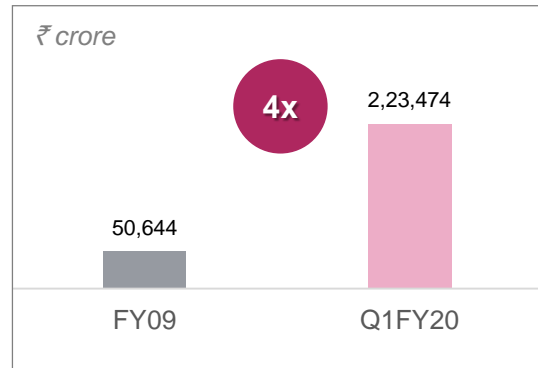
The Axis Bank Story – *Recent Performance*

Over the last 10 years, Axis Bank has built an enviable franchise

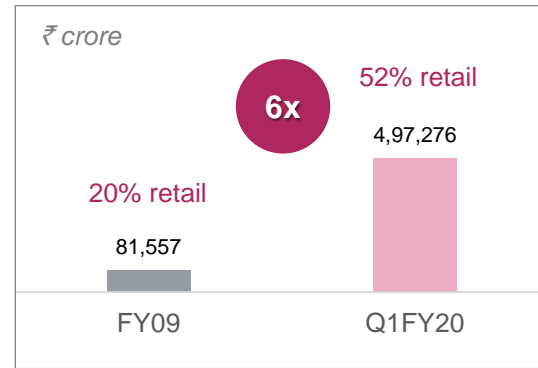
Balance Sheet



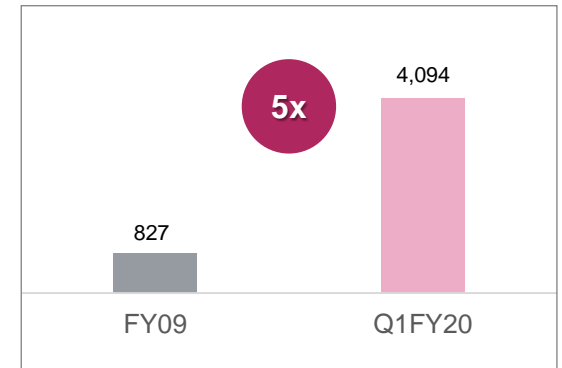
CASA Deposits



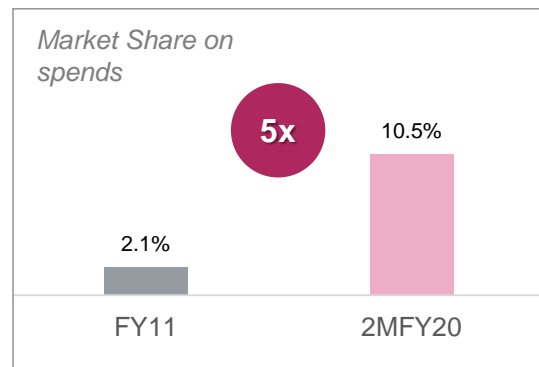
Advances



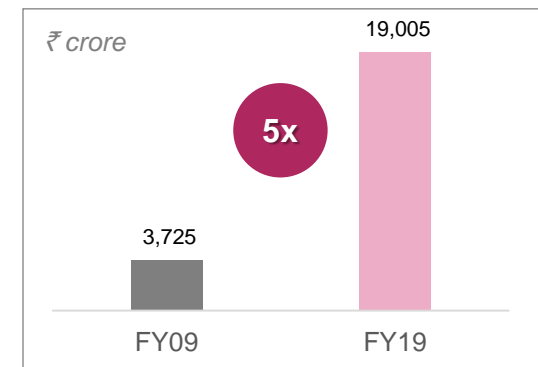
Branches



Credit Cards



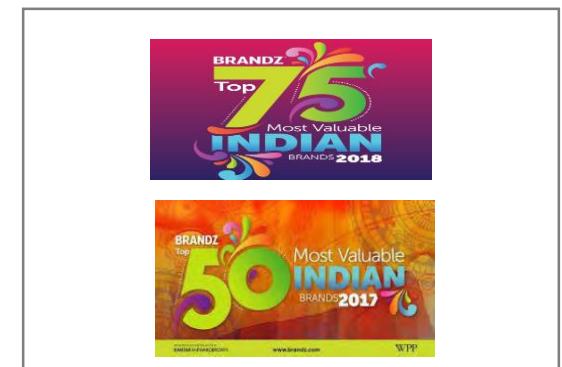
Operating Profit



Subsidiaries



Brand



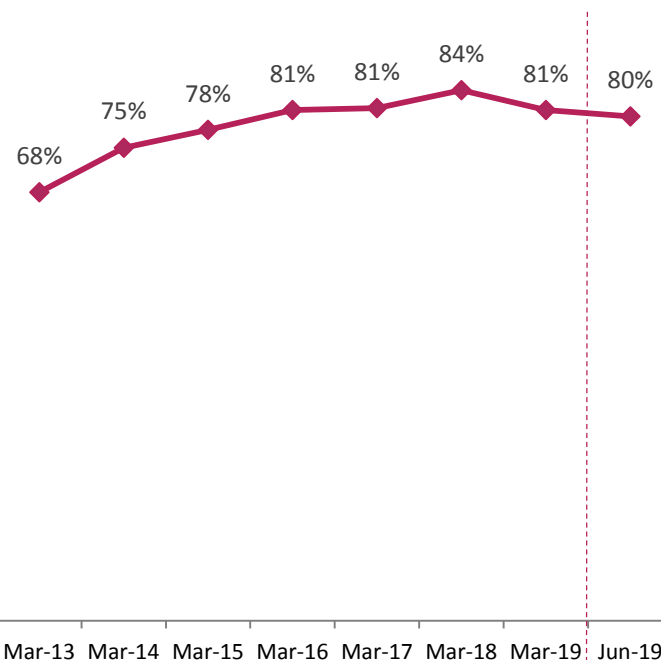
The Bank's Retail franchise continues to remain robust



All numbers in ₹ bn

Share of Retail in Deposits

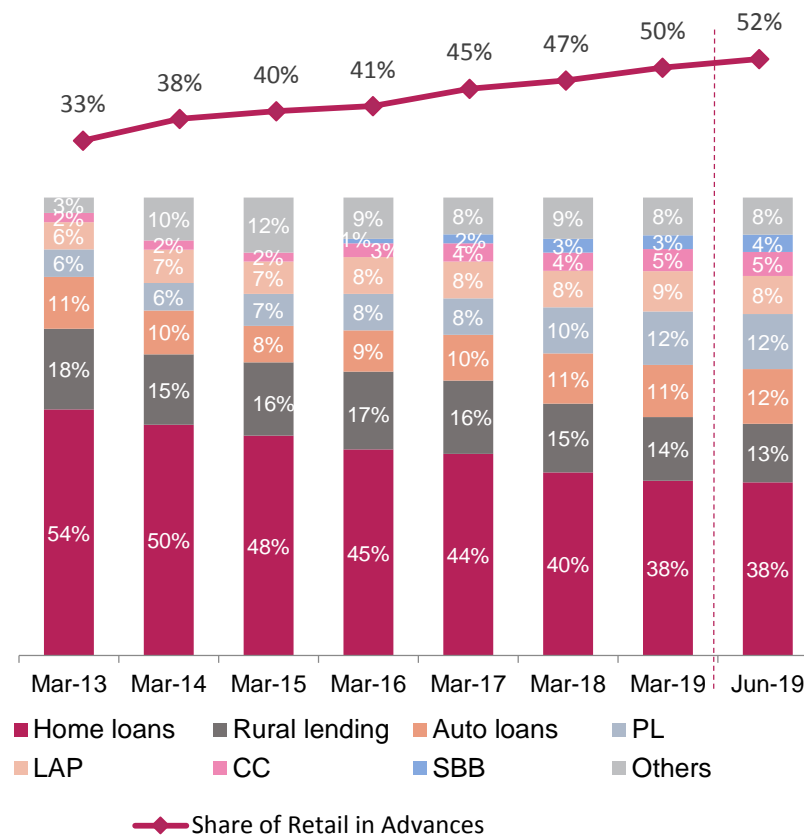
Retail Deposits* CAGR[^] 16%



* Includes CASA and Retail TD

Retail Loan mix and share in Total Advances

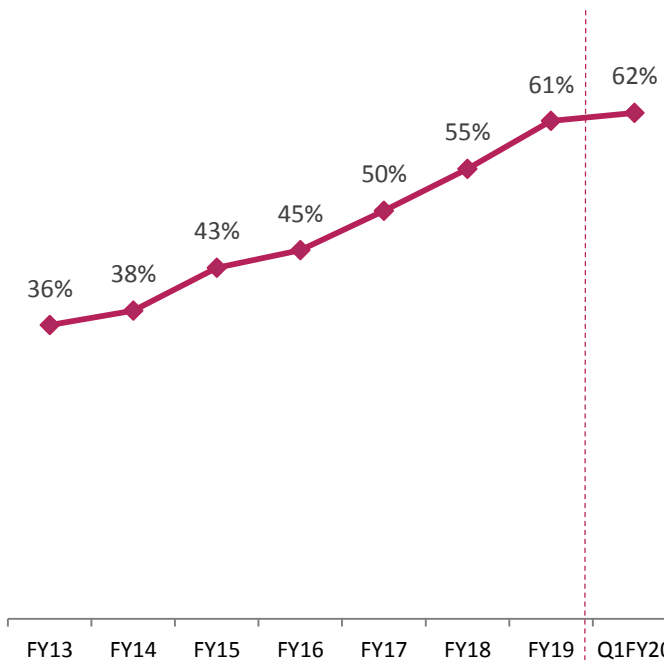
Retail Advances CAGR[^] 25%



PL – Personal Loan, SBB – Small Business Banking, LAP – Loan against Property, CC – Credit Cards

Share of Retail in Fee Income

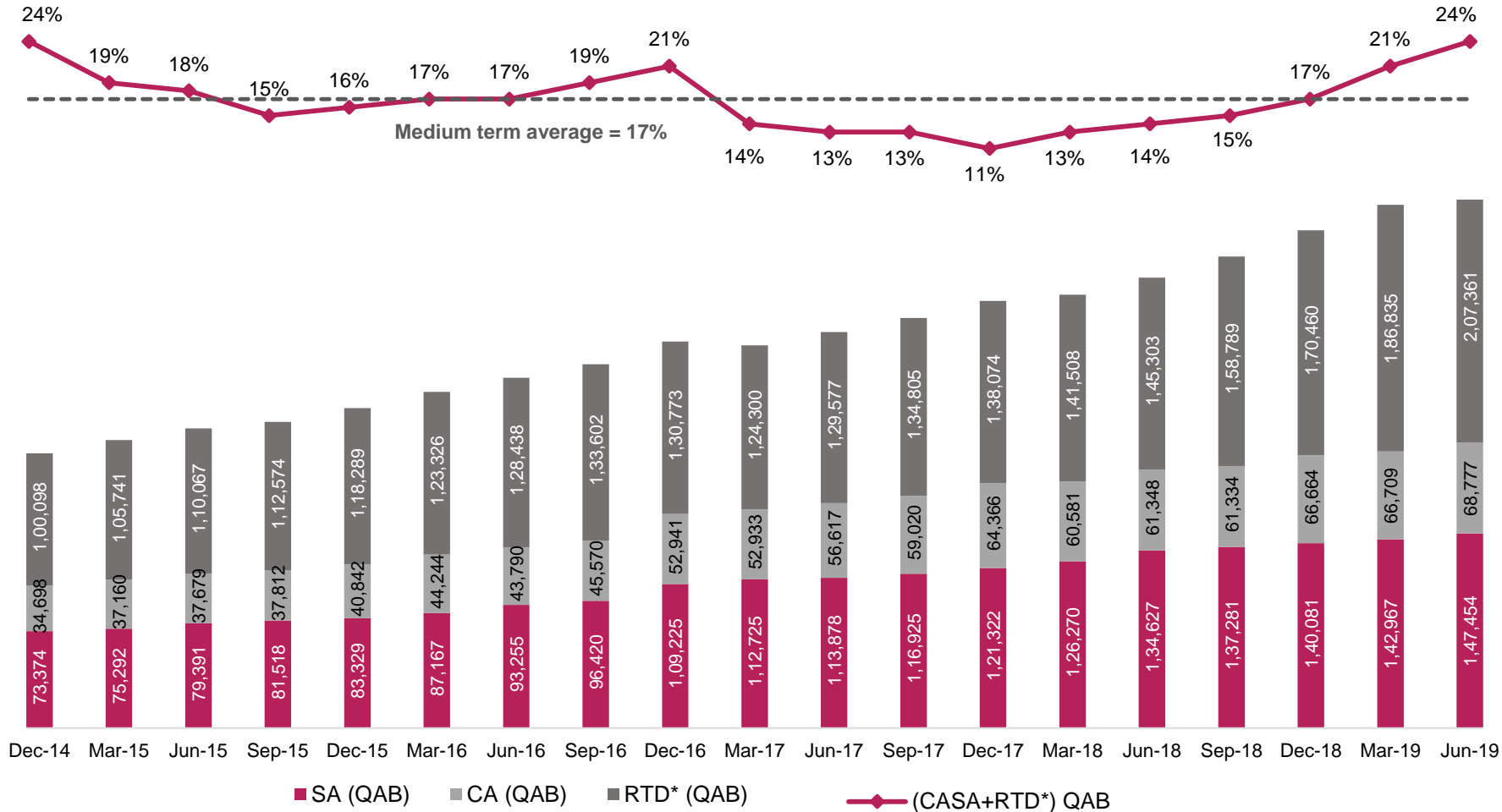
Retail Fees CAGR^{**} 21%



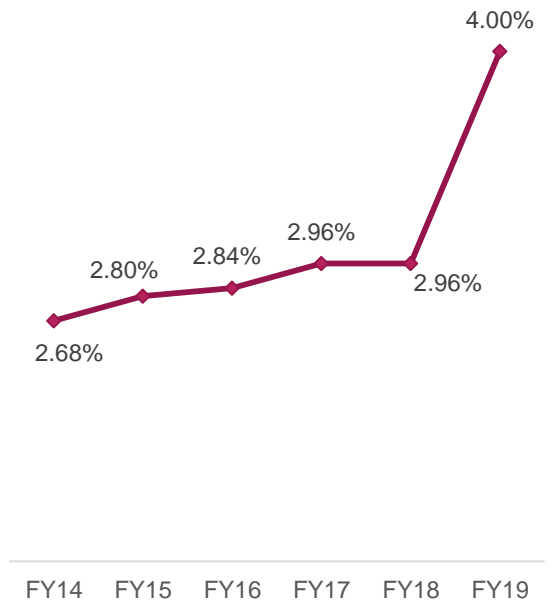
[^] CAGR over Mar'13 to June'19
^{**} CAGR over FY13 to FY19

Granular deposits have seen strong growth during the last four years

All figures in ₹ Crores

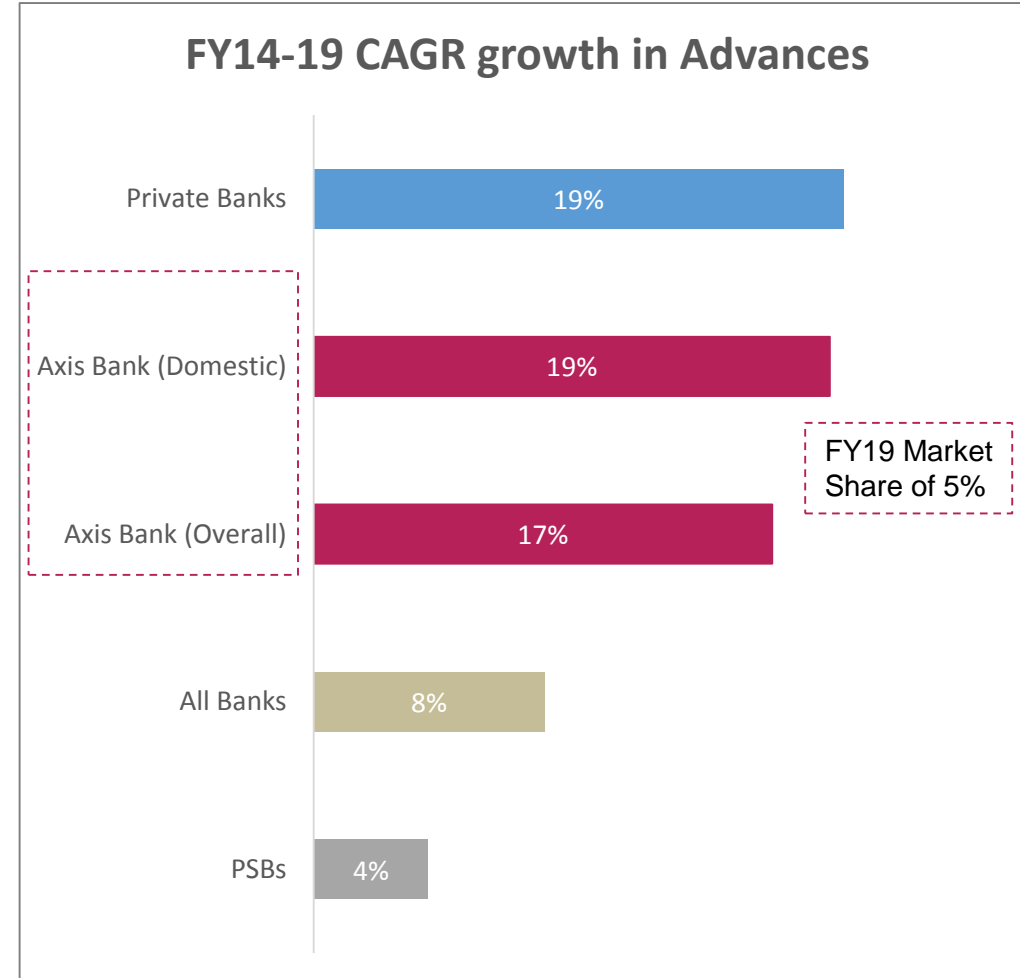
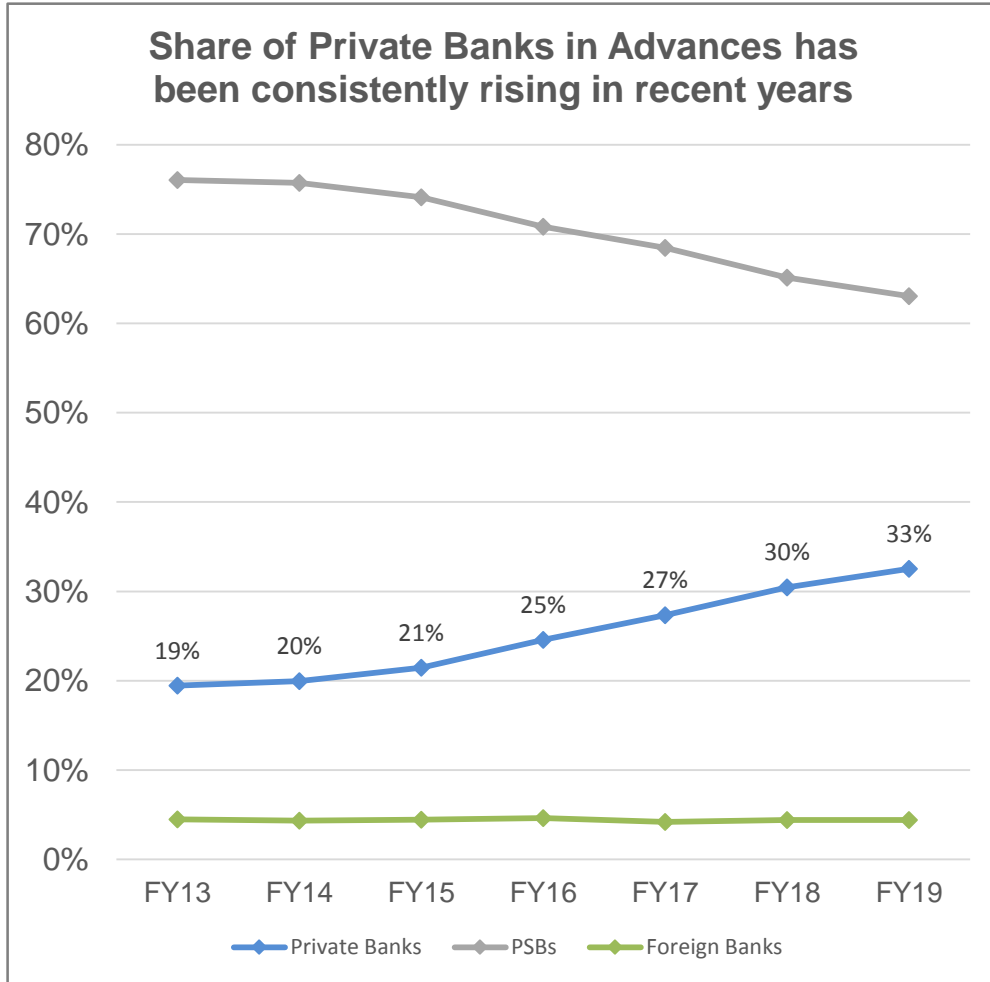


Axis Bank Market share in Term Deposits



* Retail Term Deposits

The Bank has historically grown at much higher pace than industry



Our Credit Cards business has grown strongly in the last 6 years and is now the 4th largest in the country

Featured Cards



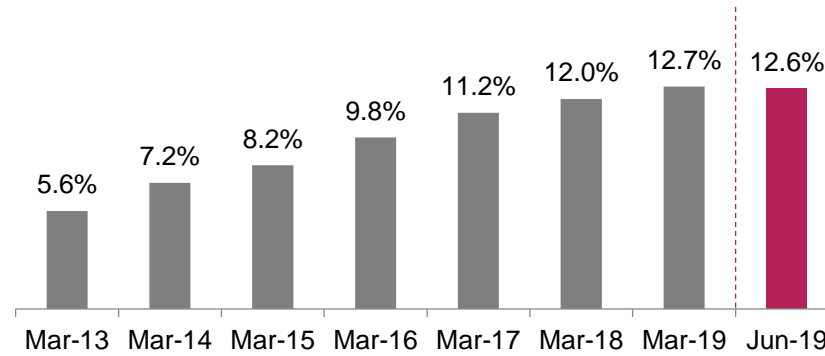
Co-branded Cards



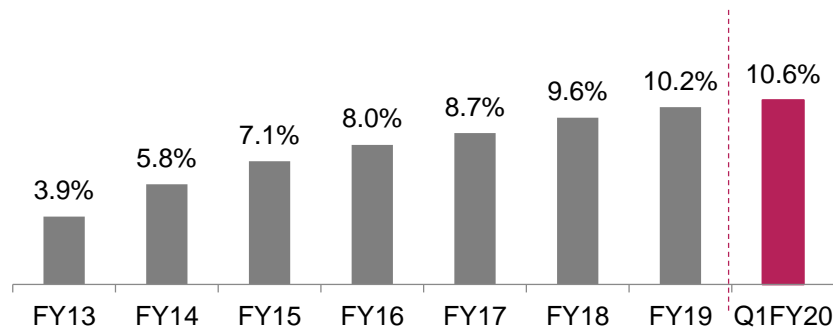
Premium Cards



Credit Cards in Force – Market Share*



Credit Cards Spends – Market Share



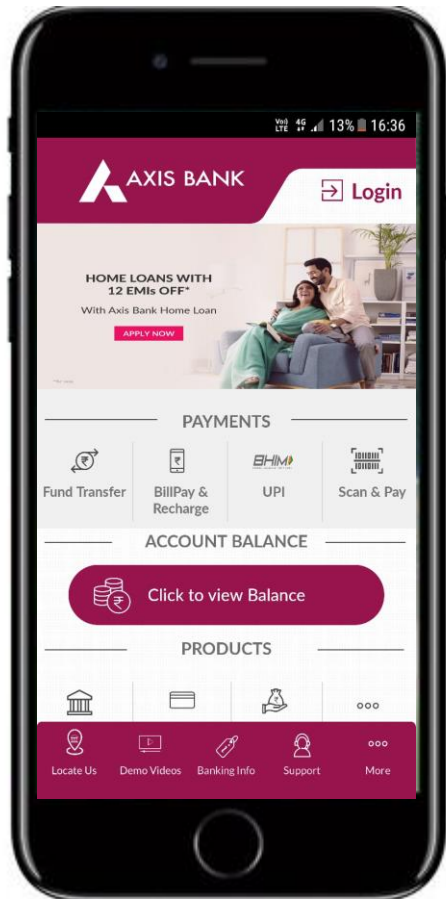
Flipkart Axis Bank Credit Card



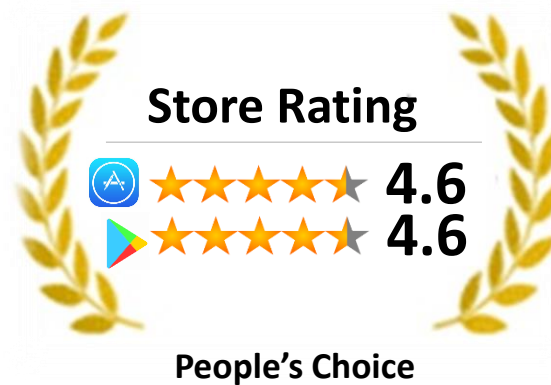
- Strong digital distribution channel
- Partnership with industry leaders as preferred merchants across categories
- Real time Issuance over Flipkart & existing Axis Bank channels
- Instant credit card issuance & usage on Flipkart

We are among the top rated players in mobile banking

Axis Bank Mobile App

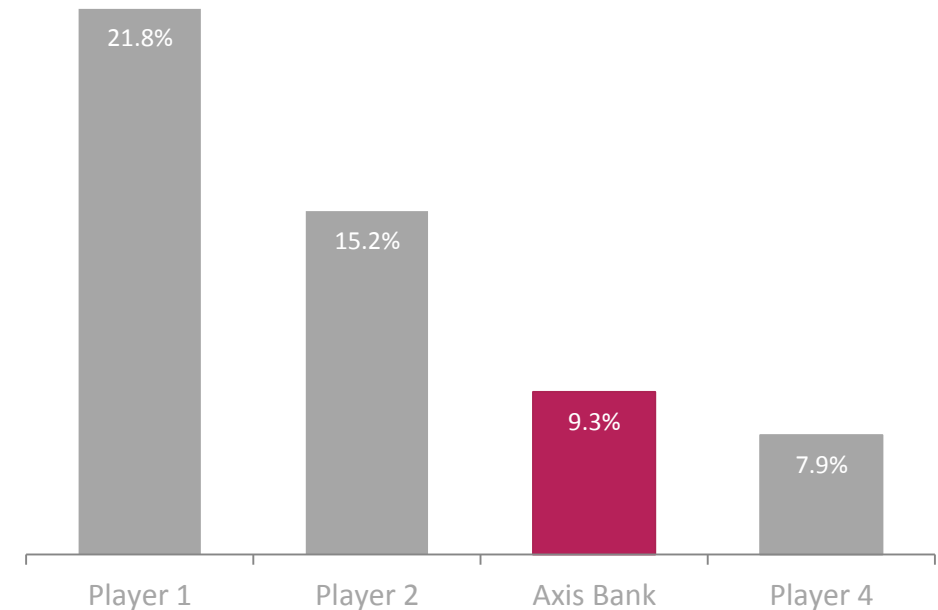


FORRESTER®
2018 Global Rank
#14
vs. #32 in 2017
Among 42 leading banks worldwide



Store Rating
4.6
4.6
People's Choice


Mobile Transactions Market Share for Q1FY20 (by Volume)

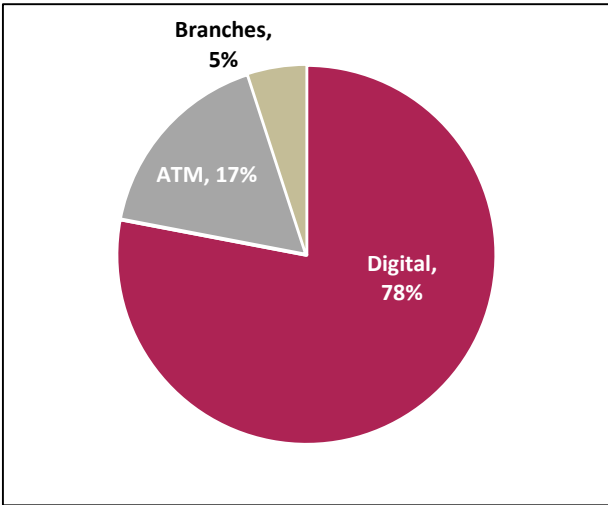



Source: RBI data

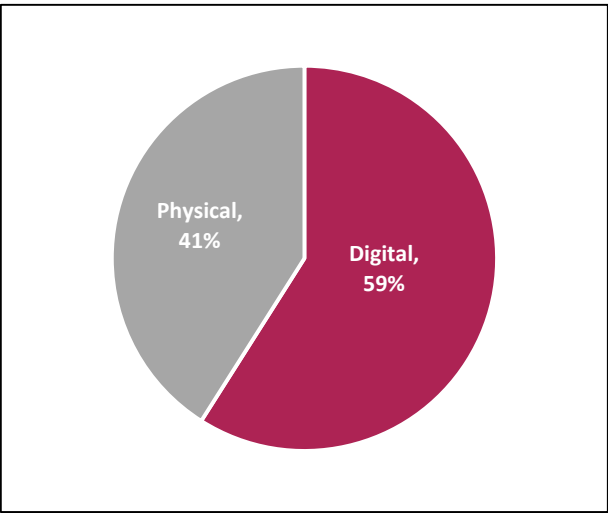
Digital Channels contribute substantially to overall transaction, sourcing and disbursement volumes



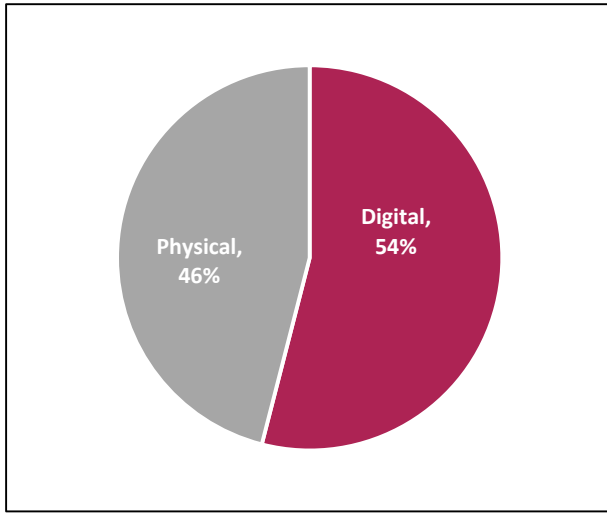
 **78% of all financial transactions* were digital**



 **59% of Savings Accounts were sourced through Tab**



 **54% of Personal loans were sourced through Digital channels**

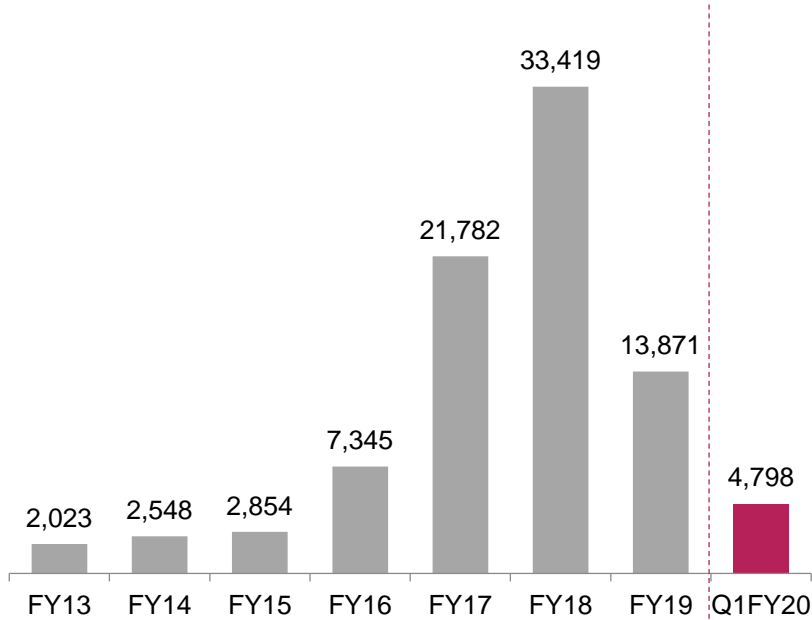


* Based on all financial transactions by individual customers

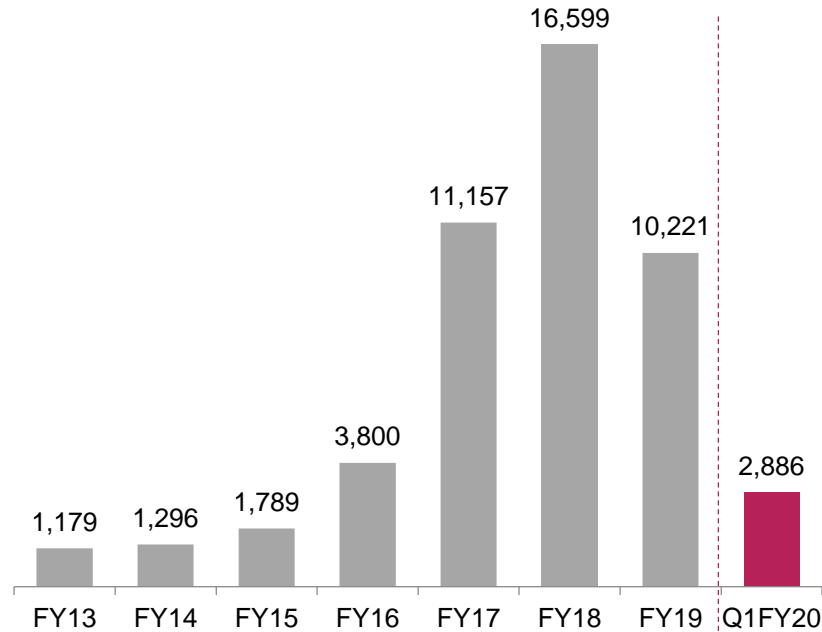
However, the last 2-3 years have been extremely challenging for the Bank

All figures in ₹ Crores

Gross Slippages

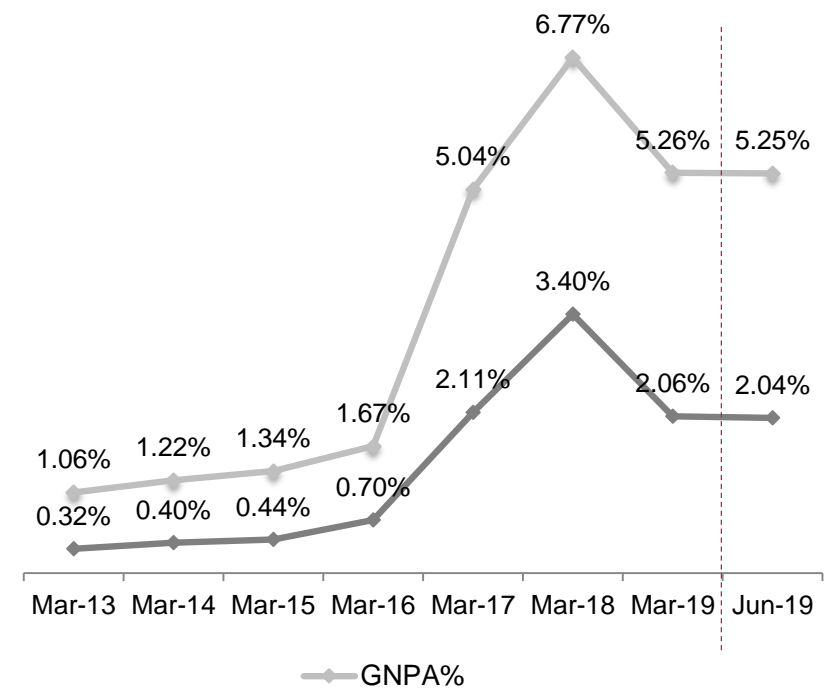


Provision for non-performing assets*



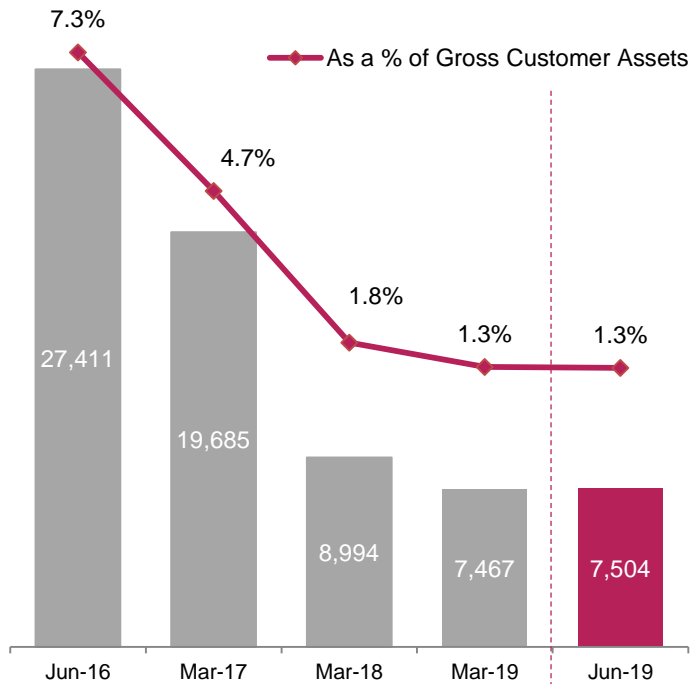
*including bad debts written off and write backs

GNPA and NNPA ratios

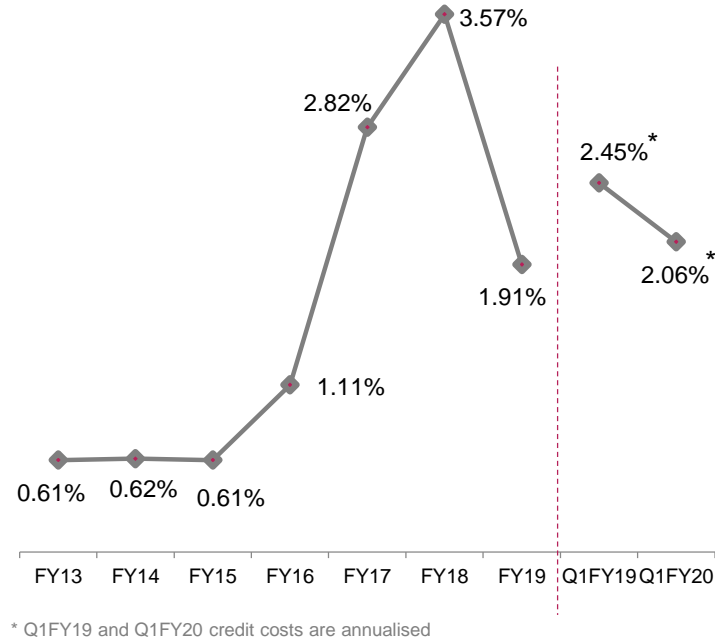


The asset quality challenges of recent years have moderated

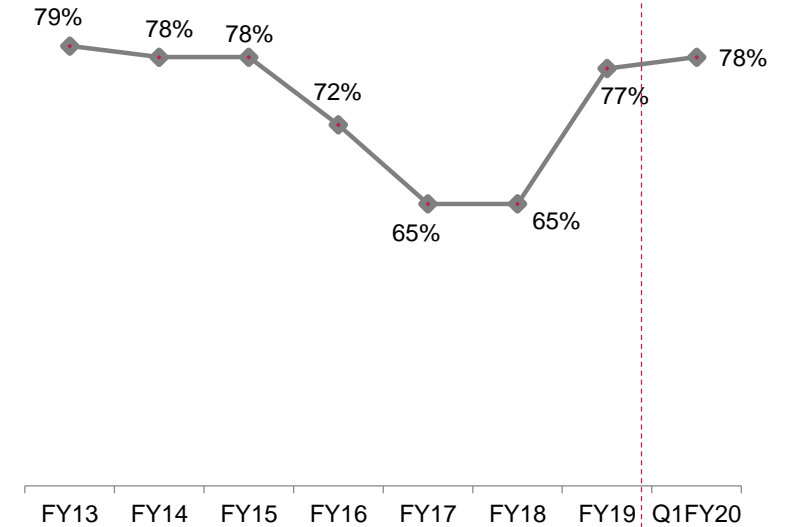
BB & Below pool size has been shrinking



Credit cost has moderated

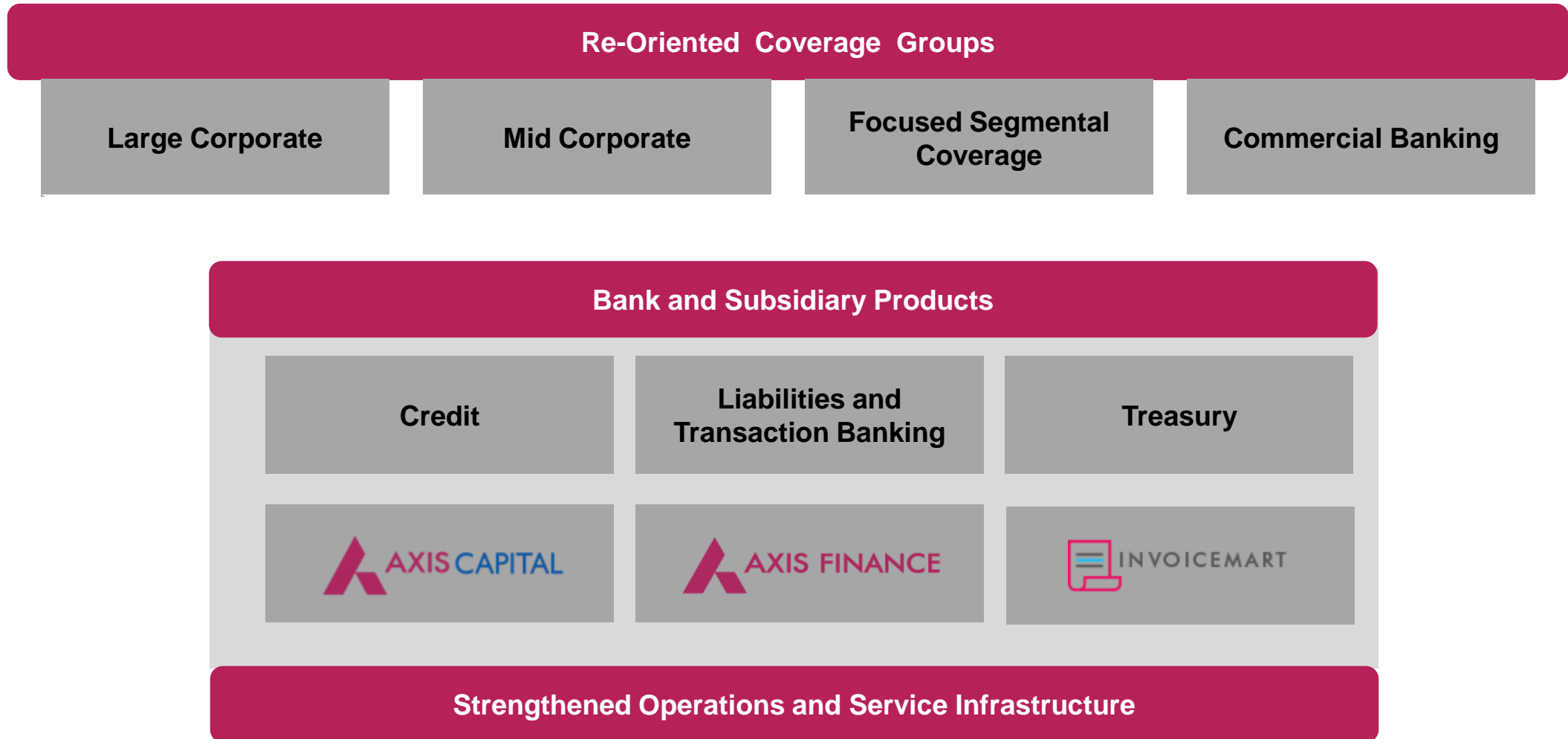


Provision Coverage ratio is now at 78%



- Bank continues to remain cautious and conservative when it comes to downgrades, recognition and provisioning
- As on 30th June 2019, the Bank has additional provisions of ₹2,358 crores towards various risk contingencies, over and above the regular NPA provisioning and the 0.4% standard assets provisioning requirement

We have re-organized the Wholesale Bank, creating an integrated franchise



Note: Classification based on client annual revenue – Commercial (₹10 cr- ₹250 cr); Mid (₹ 250 cr- ₹ 1000 cr); Large (> ₹ 1000 cr)

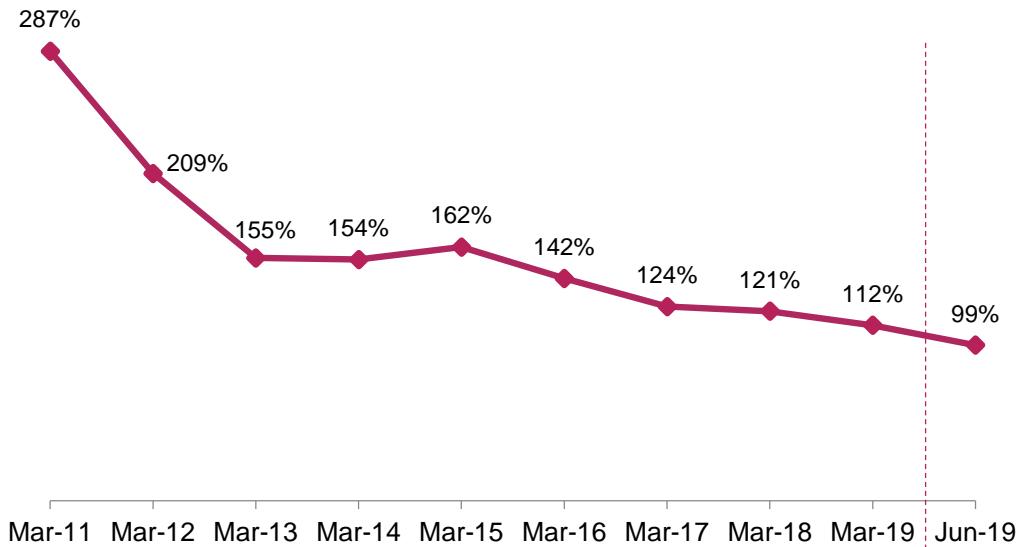
Wholesale Credit Underwriting environment at Axis Bank has been decisively reset



New originations in Corporate Credit are more granular and Bond book is being right sized

Concentration Risk has reduced significantly from peak

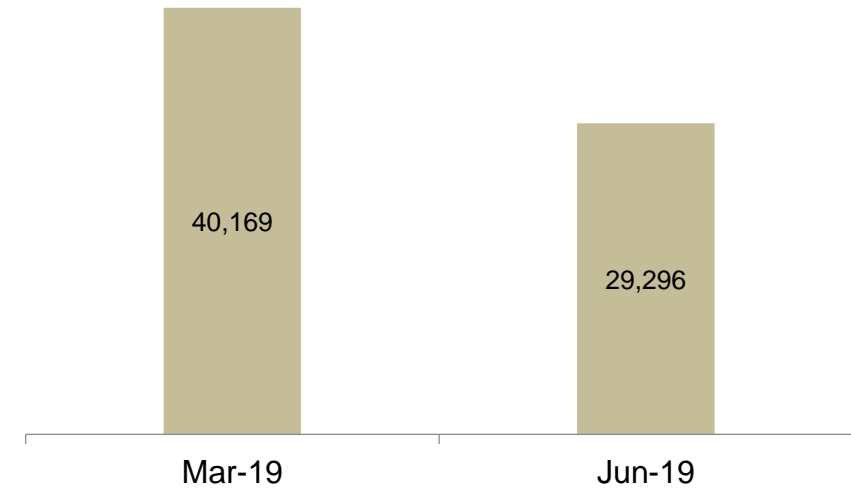
Exposure to Top 20 single borrowers as a % of Tier I Capital



95% of sanctions in Q1FY20 was rated A-and above

Corporate Bond portfolio

Outstanding Non SLR Corporate bond* book



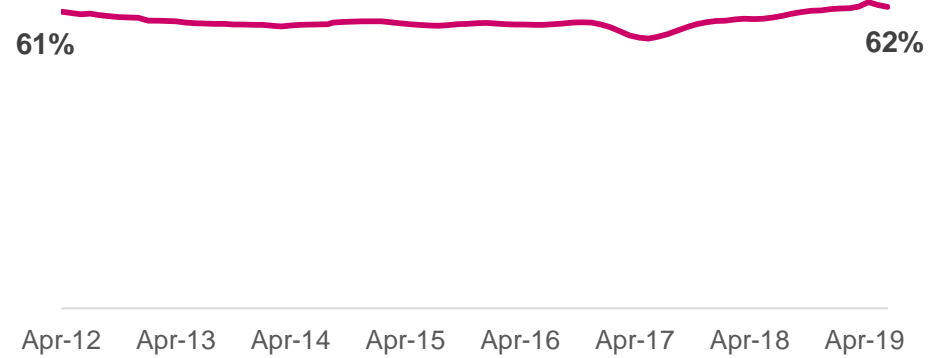
95% of bonds rated A- and above

*Only includes standard investments

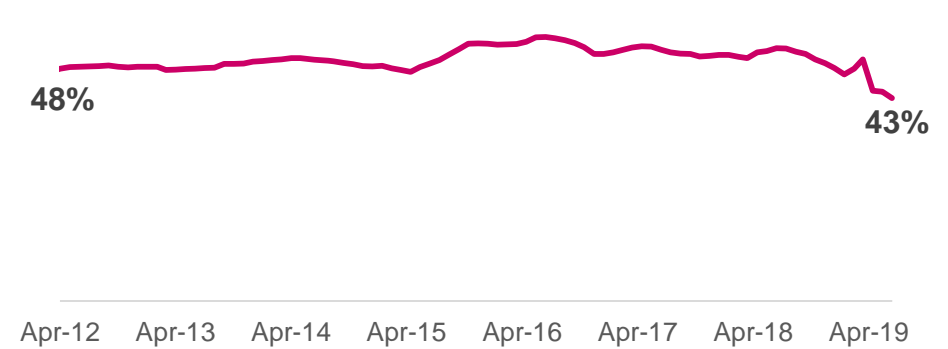
In Retail, the Bank has held steady low levels of LTV and FOIR for new originations



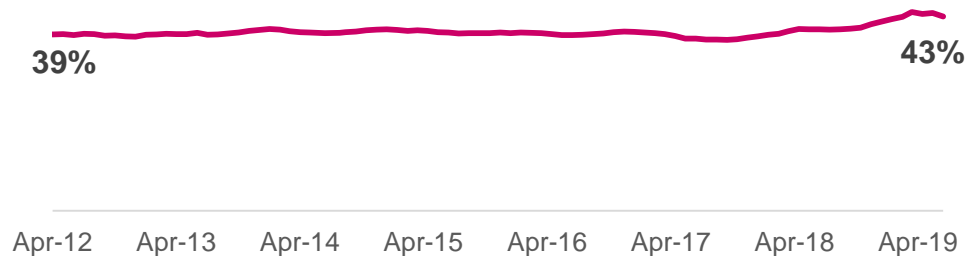
Average LTV – HL Sanctions



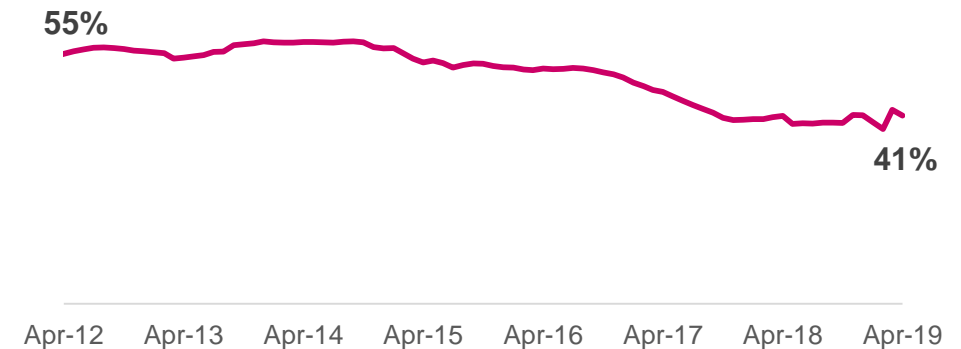
Average FOIR – HL Sanctions



Average LTV - LAP Sanctions



Average FOIR – LAP Sanctions

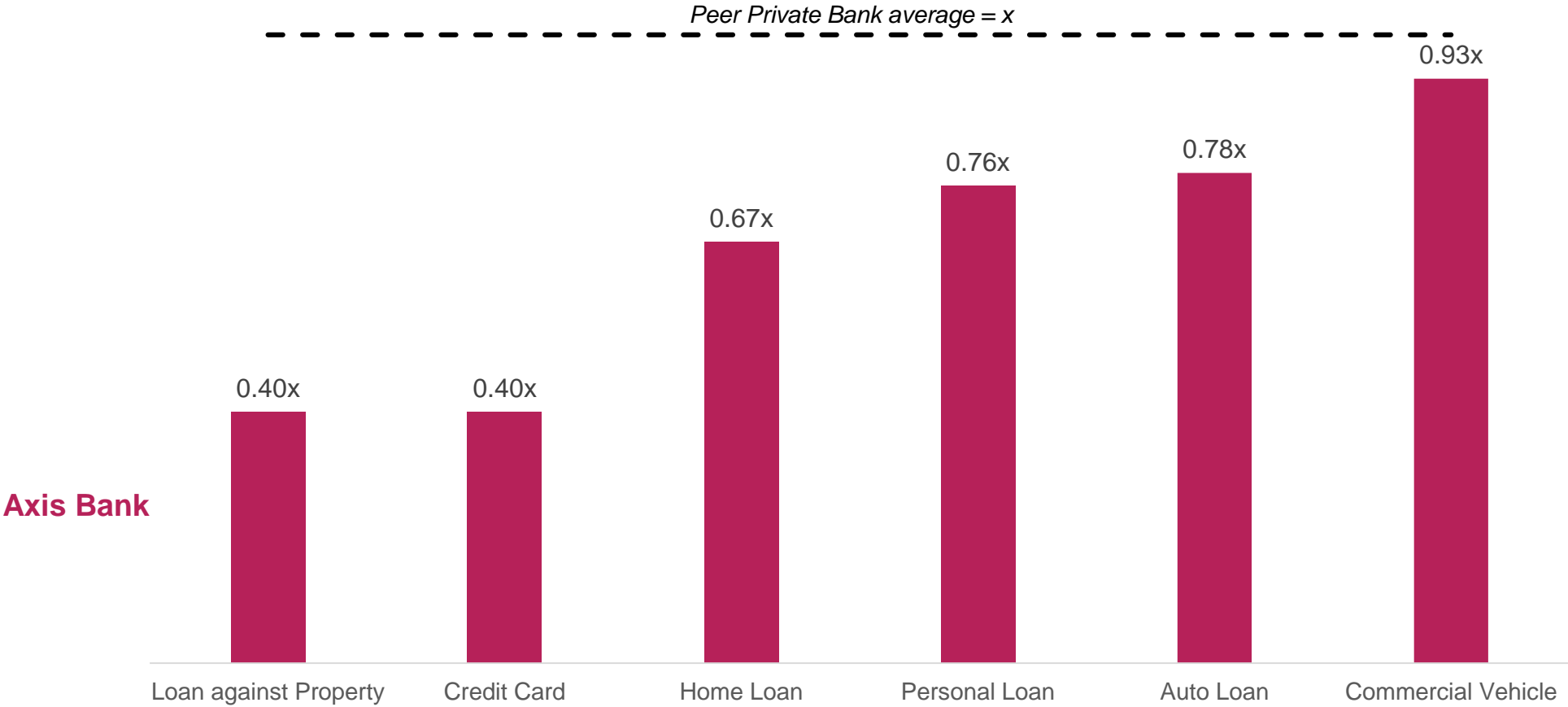


FOIR – Fixed obligation to income ratio
LAP – Loan against Property

The portfolio choices and conservative underwriting policies in Retail have resulted in better risk outcomes than peer average



Delinquency benchmarking (as of Mar'19)

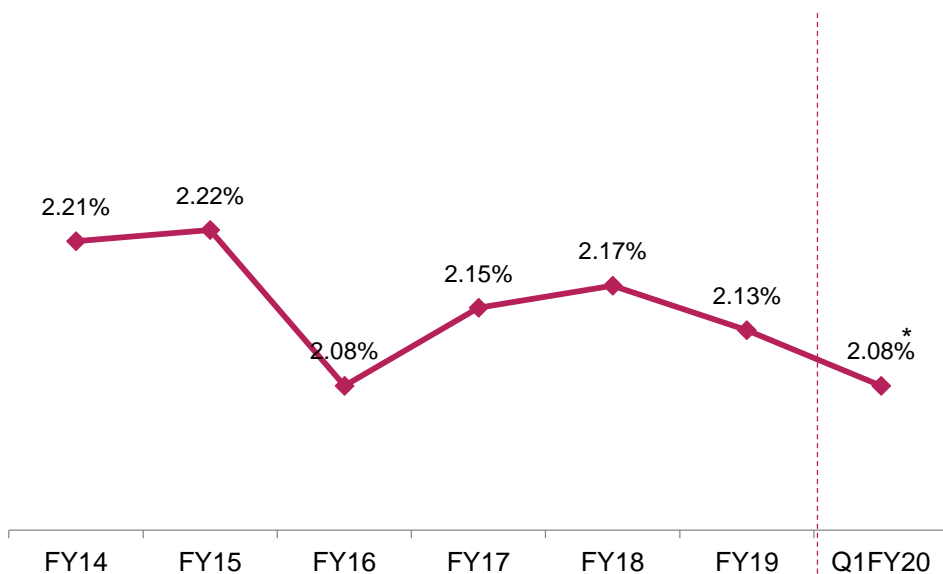


We have also started focusing rigorously on the cost efficiency of our business

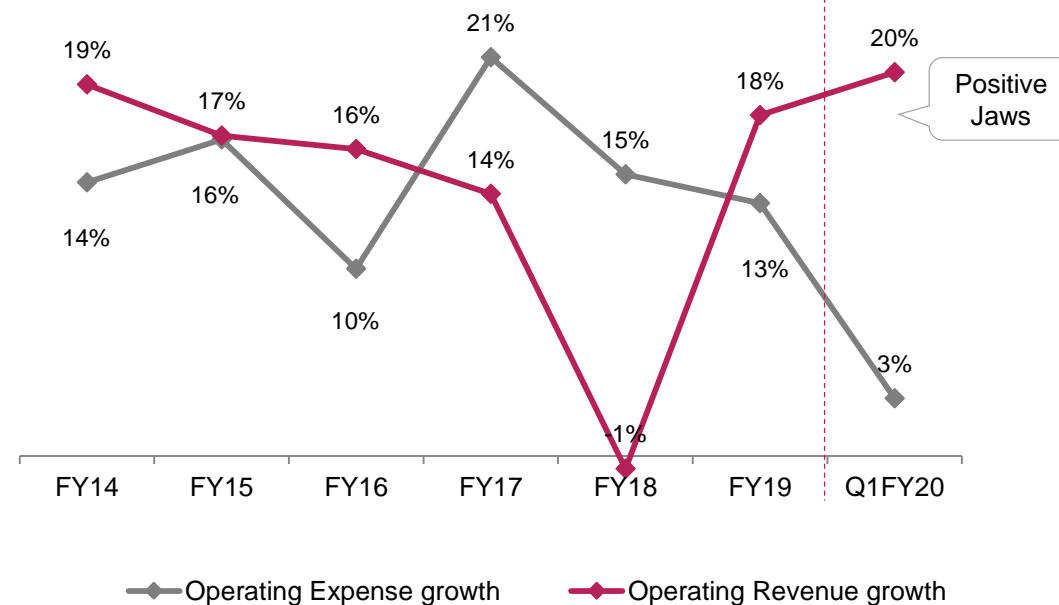
All figures in ₹ Crores

Opex to assets ratio moderated even further...

Opex to Average Assets



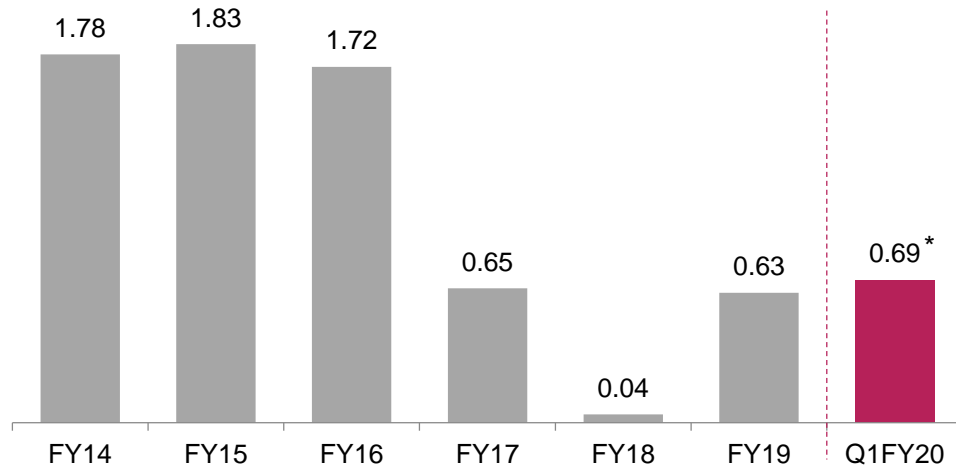
... resulting in widening of positive jaws



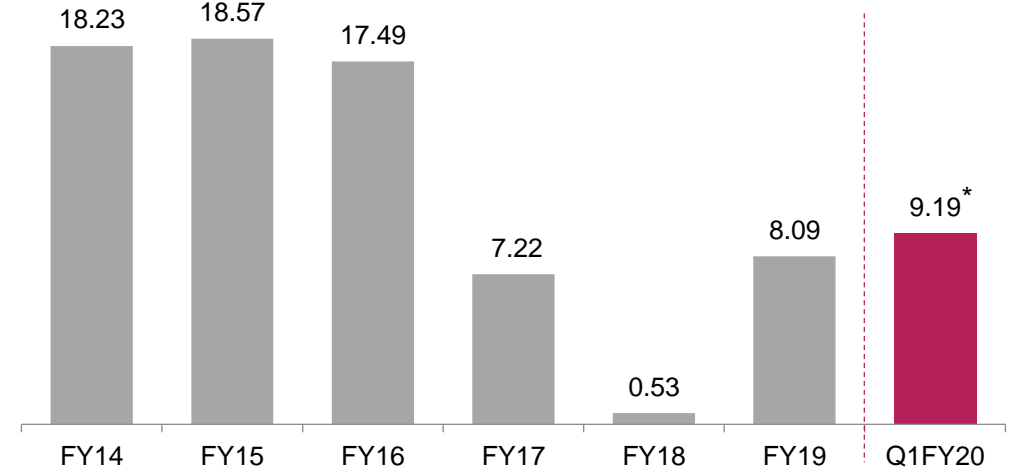
* Q1FY20 figures are annualised

All this has resulted in a slow but noticeable improvement in shareholder return metrics

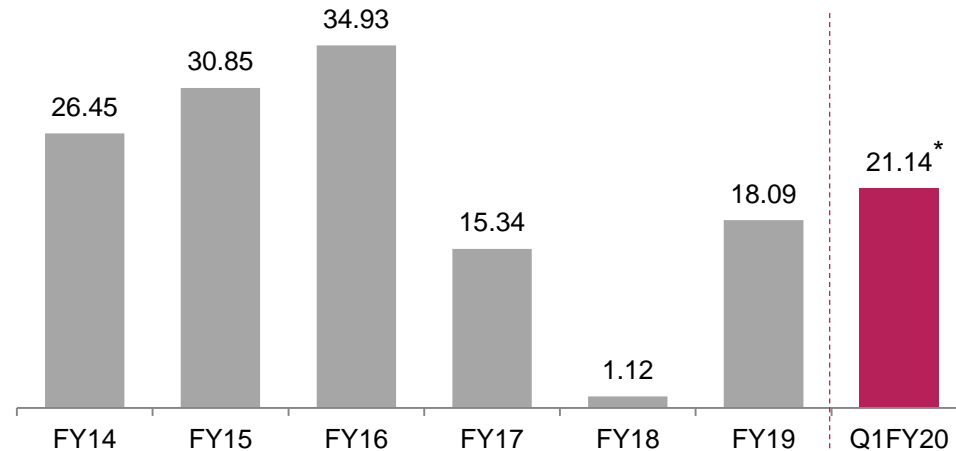
Return on Assets (in %)



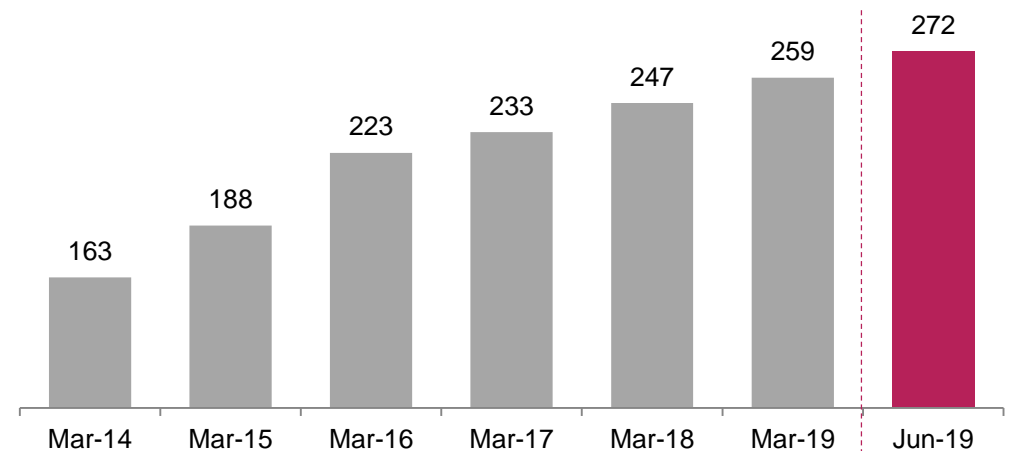
Return on Equity (in %)



Diluted EPS (₹)

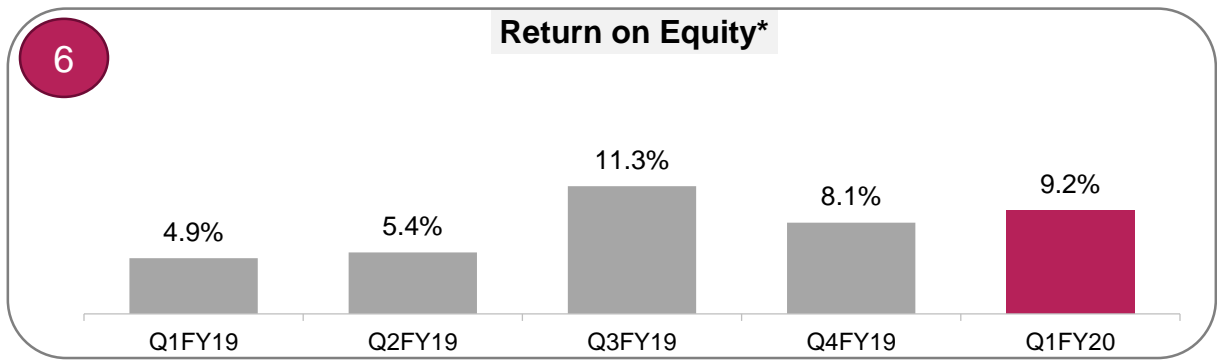
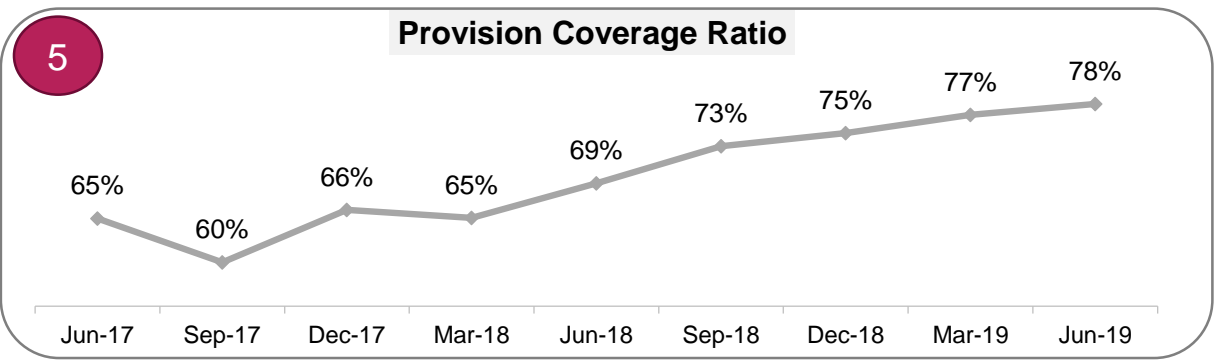
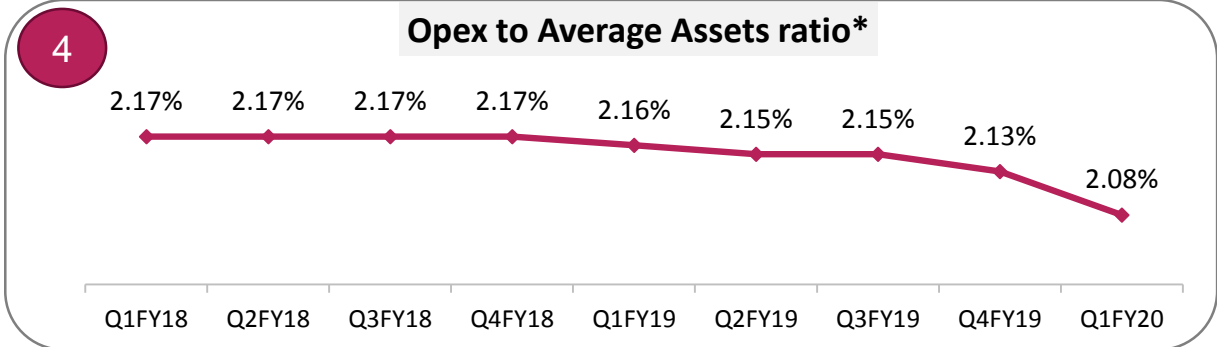
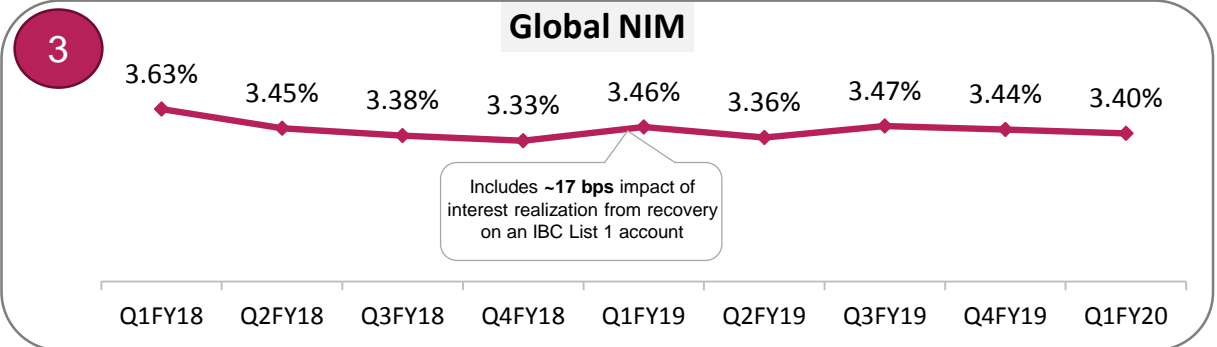
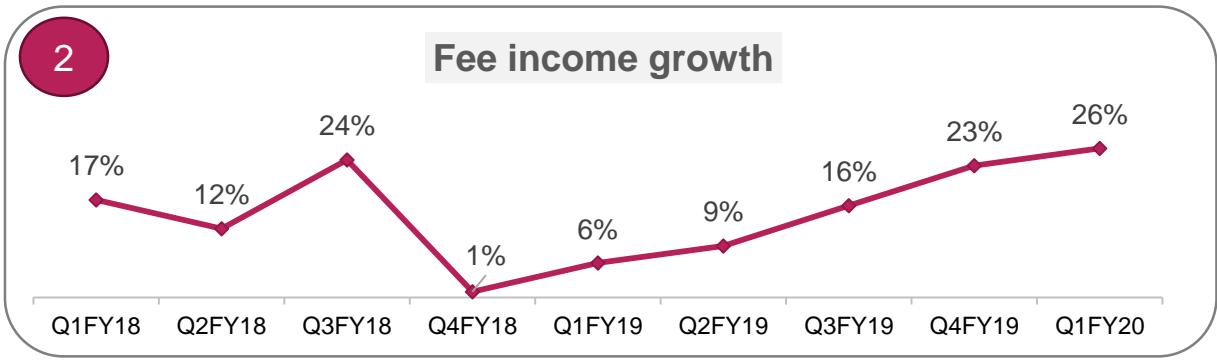
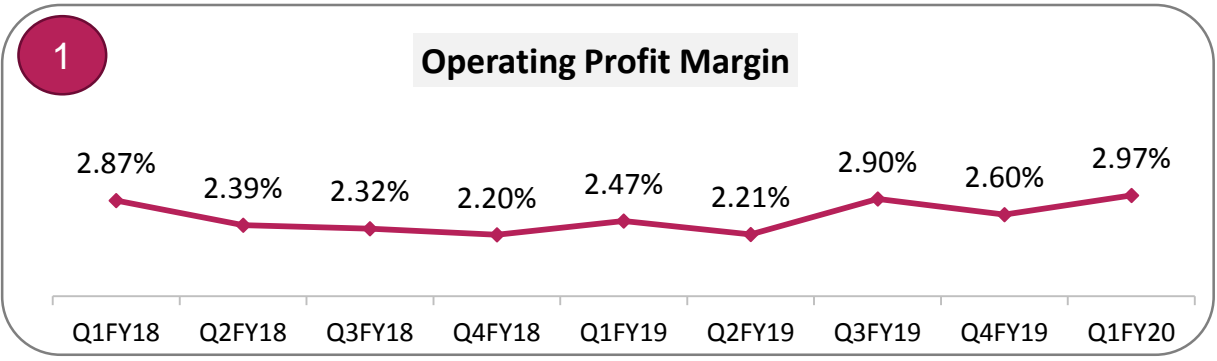


Book Value Per Share (₹)



* Q1FY20 figures are annualised

Operating performance metrics were strong during the quarter



Through various measures over the last few quarters, the Bank now holds additional provisions of ₹2,358 crores

* Annualised figures

The Axis Bank Story – *Strategy for FY20-22*

Three vectors of our strategy for the next three years

Growth

- Grow deposits in line with loans
- Step up growth in Wholesale Bank
- Continue momentum in Retail Bank
- Establish leadership in digital and payments
- Scale-up subsidiaries materially

Profitability

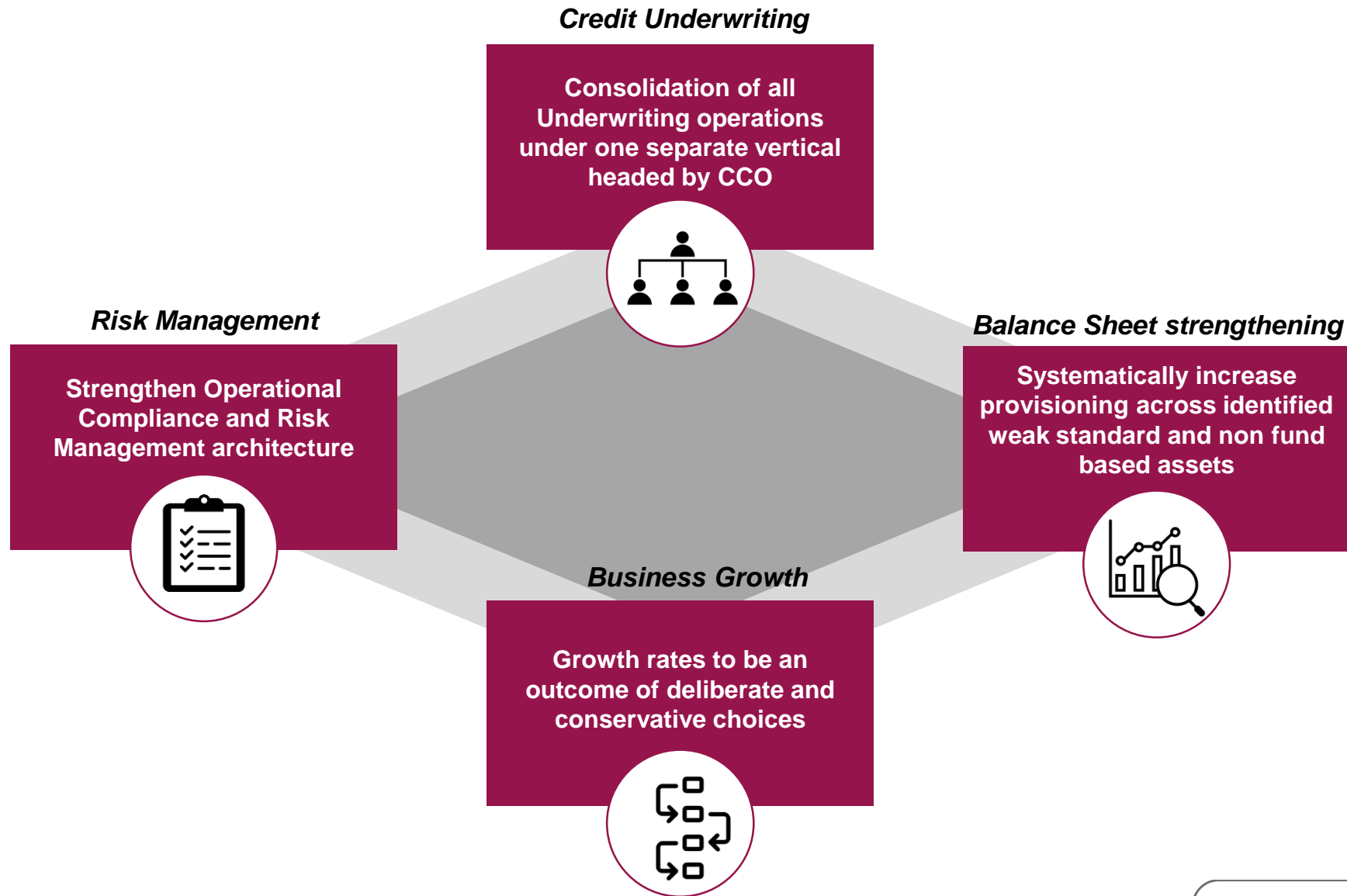
- Optimize business mix
- Improve operating efficiency
- Sweat existing infrastructure
- Reduce credit cost below long term average

Sustainability

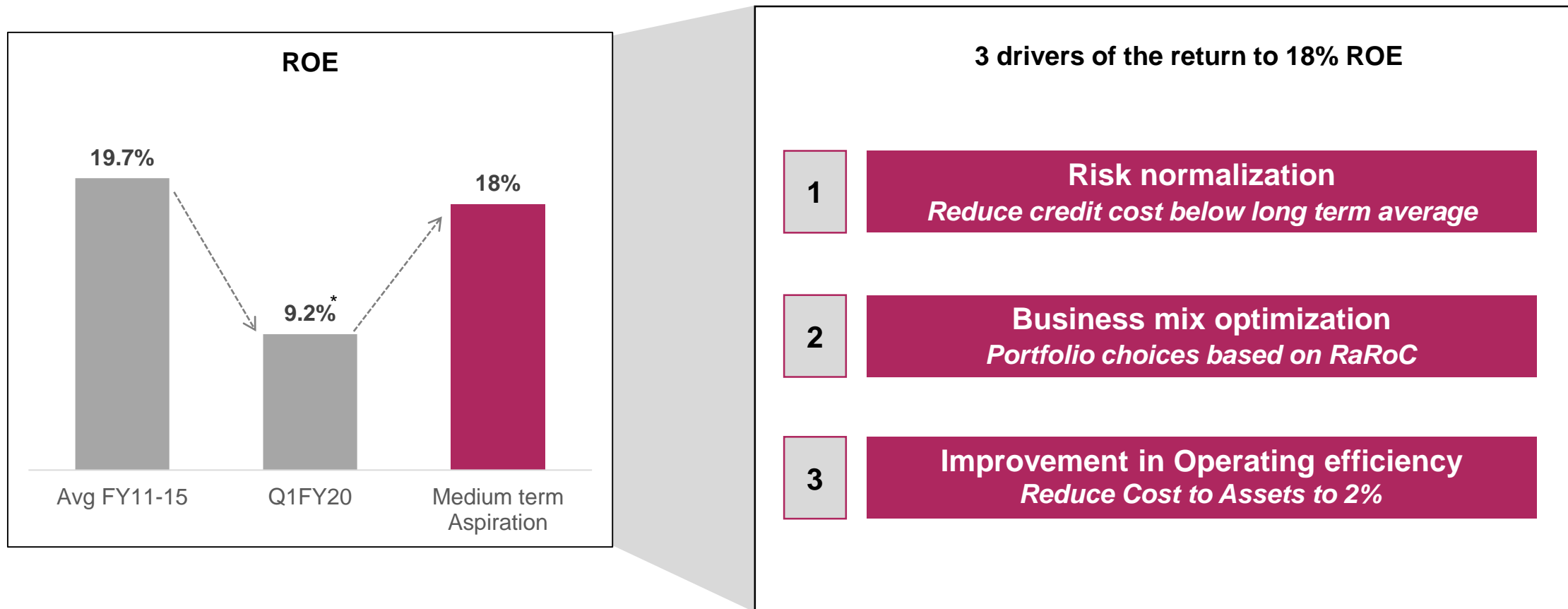
- Strengthen the Core - technology, operations, credit risk and process excellence
- Focus on disciplined execution
- Embed conservatism in the Bank's internal policies and practices

Our goal is to deliver 18% ROE sustainably

The Bank continues to increase conservatism in all its business choices

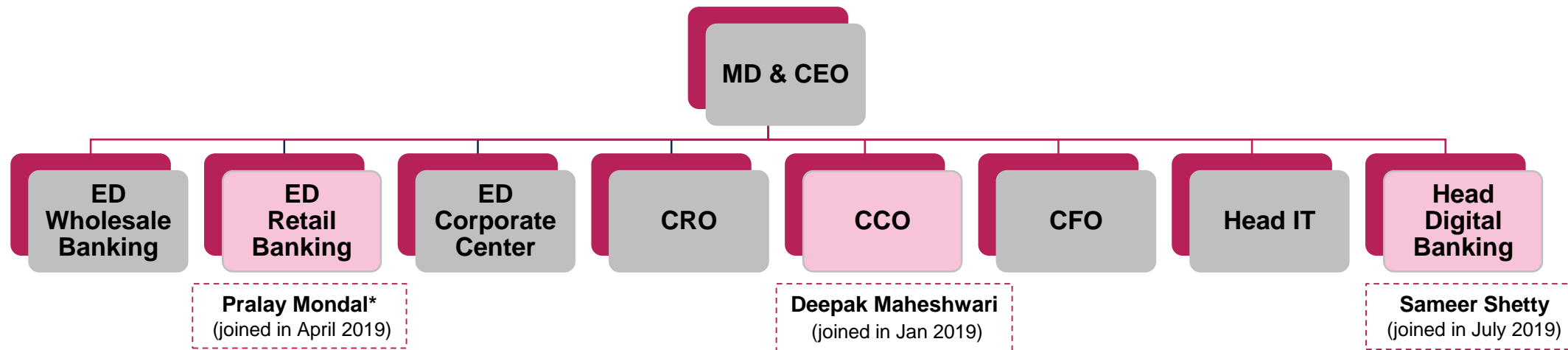


The ROE path back to 18% would be driven by three elements



* Q1FY20 figures are annualised

We now have the entire team in place to turn our aspiration into reality in the medium term



Other key positions include

Ravi Narayan joined the Bank as **Head of Branch Banking** in Feb 2019.

Ganesh Sankaran joined the Bank in March 2019 and heads the **Wholesale Banking Coverage Group**.

Narendra Kumar Dixit joined the Bank in July 2019 as **Head of Liability Sales**

Ratan Kesh joined the Bank in April 2019 as **Head - Process Transformation & Service Excellence**

Amit Talgeri joined the Bank as **Head Retail Risk** in April 2019

Neeraj Gambhir joined the Axis family as **Head of Treasury & Markets** in June 2019.

MD & CEO – Managing Director and Chief Executive Officer; ED – Executive Director; CRO – Chief Risk Officer; CCO – Chief Credit Officer; CFO – Chief Financial Officer

* appointed as the ED (Retail Banking) of the Bank with effect from 1st Aug' 2019

We are also tightly integrating the key subsidiaries of the Bank and investing in scaling them as key value drivers



AXIS CAPITAL

- Has been the leader in Equity and Equity linked deals over the last decade
- Offers investors and companies with the spectrum of financial needs in the areas of Equity Capital Markets, M&A, Private Equity, Structured Finance and Institutional Equities.

AXIS DIRECT

- Axis Securities is one of the fastest growing stock brokerage firms in India,
- Currently ranked 3rd among brokerages in India in terms of total client base.

AXIS MUTUAL FUND

- Axis Mutual Fund is among the fastest growing AMC since launch in '09
- Has market share of **4.01%** as at end of June'19



- Axis Bank was one of the three entities allowed by RBI to set up the Trade Receivables Discounting System (TReDS), an electronic platform for facilitating cash flows for MSMEs
- Our digital invoice discounting platform 'Invoicemart' continues to be India's leading TReDS platform with market share of nearly **41%**

AXIS FINANCE

- One of the fastest growing NBFCs with loan book of ₹7,962 crores (as of June'19)
- Offers complementary product offerings to Bank customers that include Structured Financing, Special Situations Funding, etc



- Acquired in Sep'17, it is among the top non-bank financial services platform in the industry with a significant customer franchise footprint
- Freecharge is being positioned by the Bank as an engine that generates a large base of new to bank customers that are young and digitally native



In Summary

- **Axis Bank has built an enviable franchise over the last 10 years**
- **However, the last 2-3 years have been extremely challenging for the Bank**
- **During FY19, the Bank crossed the inflection point on this tough journey**
- **The Bank continues to increase conservatism in all its business choices**
- **Amidst tough macro environment, the Bank remains positioned for cautious, conservative and consistent growth**
- **We remain committed to our 3 year Execution Strategy, with an aspiration of delivering 18% ROE sustainably**

Except for the historical information contained herein, statements in this release which contain words or phrases such as “will”, “aim”, “will likely result”, “would”, “believe”, “may”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “strategy”, “philosophy”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions may constitute “forward-looking statements”. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to our ability to successfully implement our strategy, future levels of non-performing loans, our growth and expansion, the adequacy of our allowance for credit losses, our provisioning policies, technological changes, investment income, cash flow projections, our exposure to market risks as well as other risks. Axis Bank Limited undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

Thank you



