



## **Delivering Profitable Growth**

October 2014



# Safe Harbor

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.

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Key Macro Trends

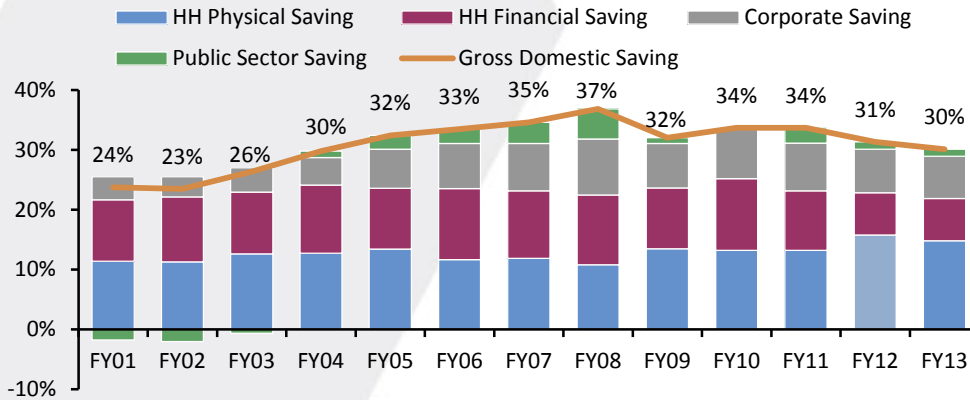
Business Model & Strategy

Financial Snapshot

# India Opportunity

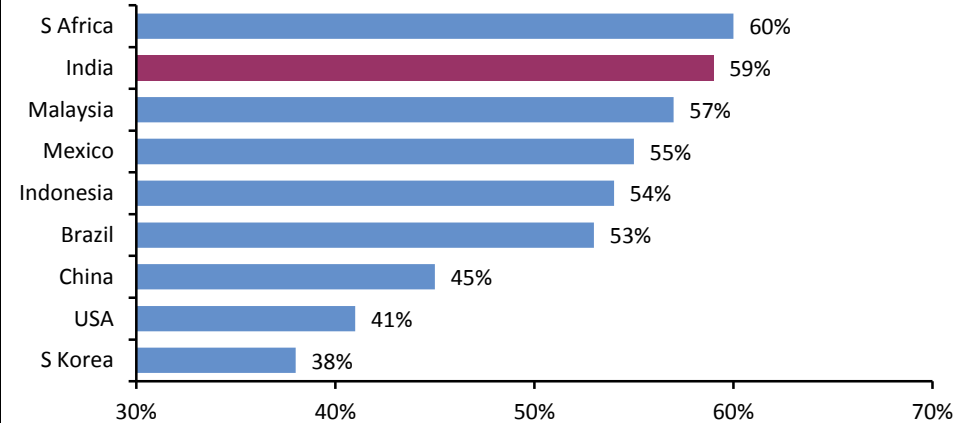
## High Savings Rate

India's savings rate as a % of GDP

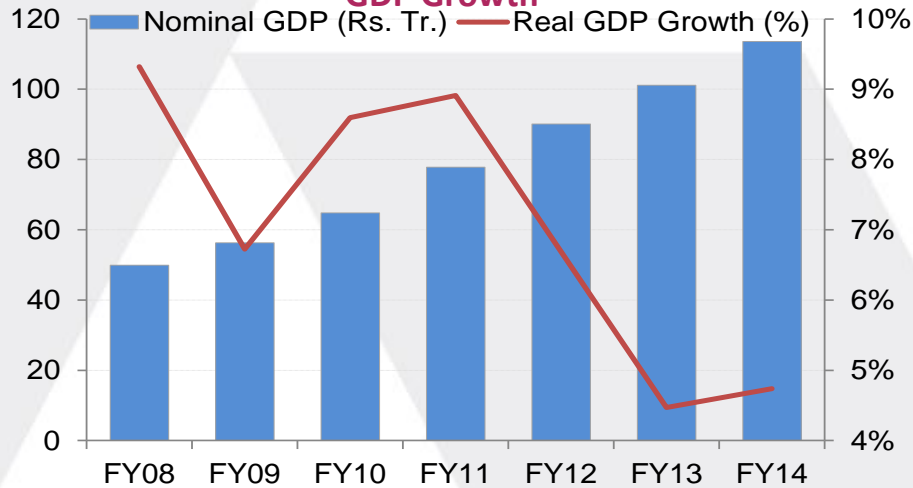


## Favorable Demographics

Population below 30 years as a % of total population (2010)



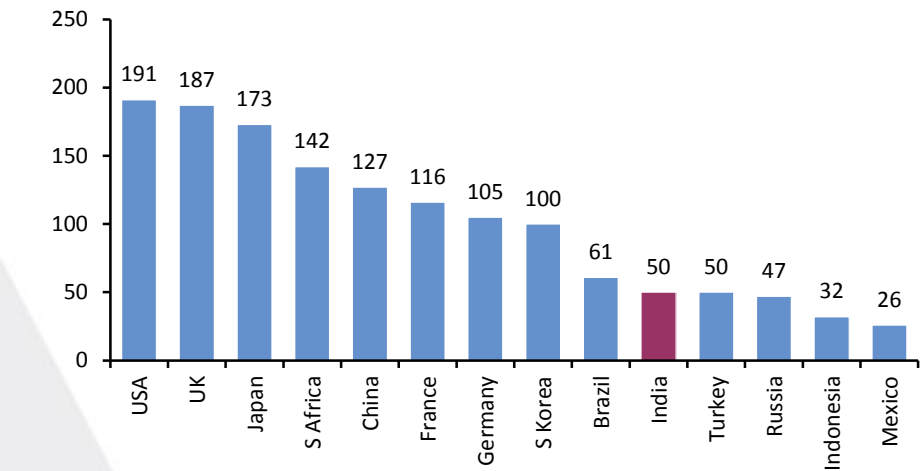
## GDP Growth



Source: IMF, World Bank, RBI, Government of India

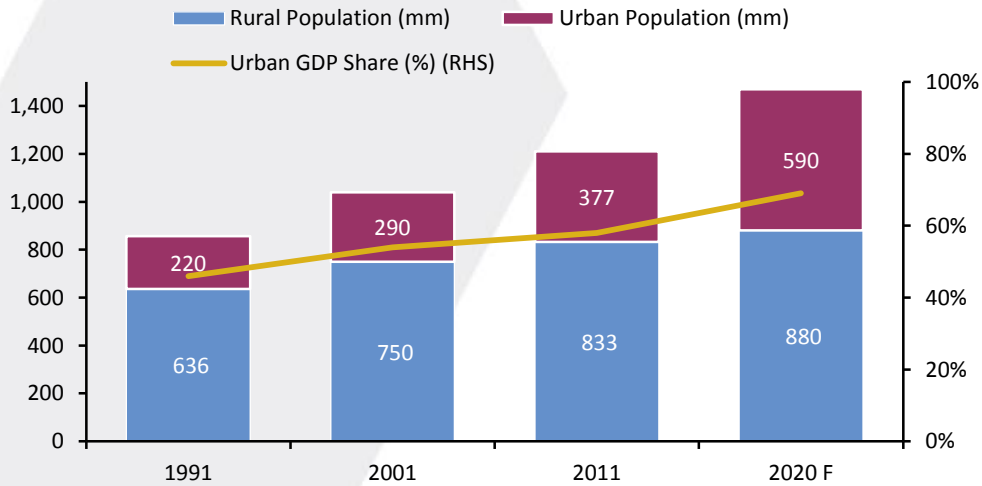
## Underpenetrated Banking Sector

Domestic credit to private sector (% of GDP)

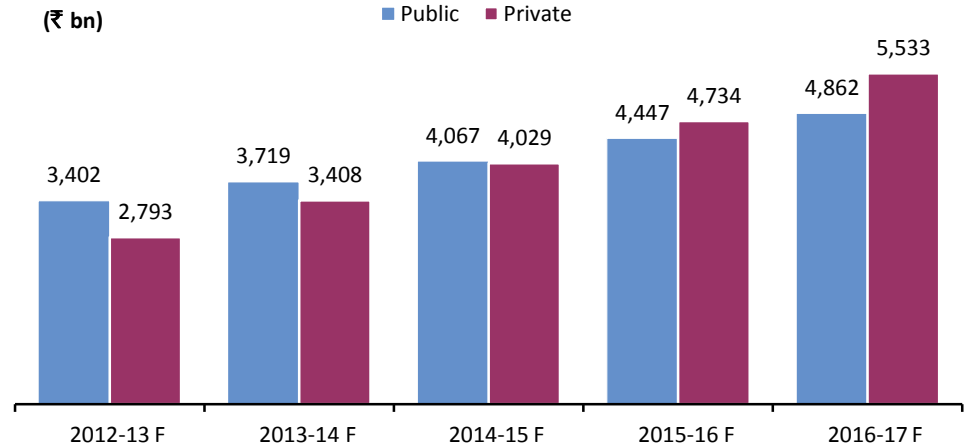


# Key Opportunities for Banking Sector

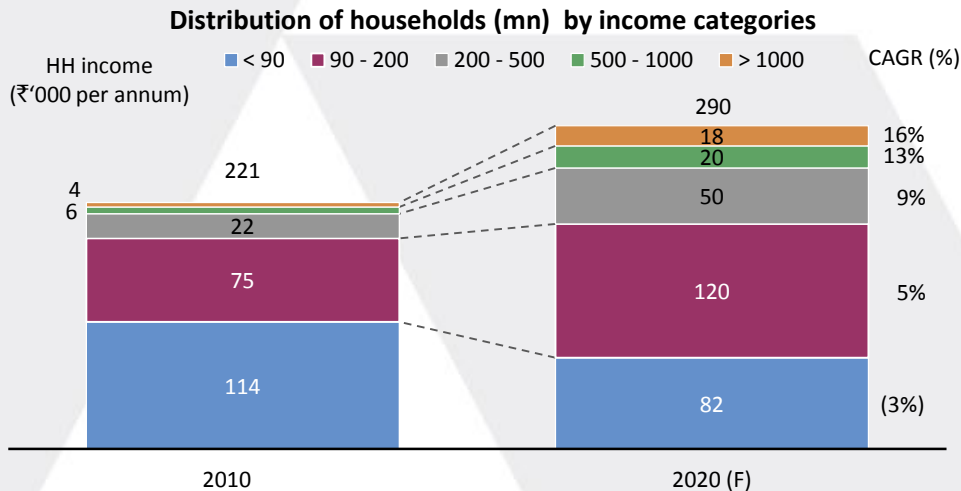
## Rapid Urbanization



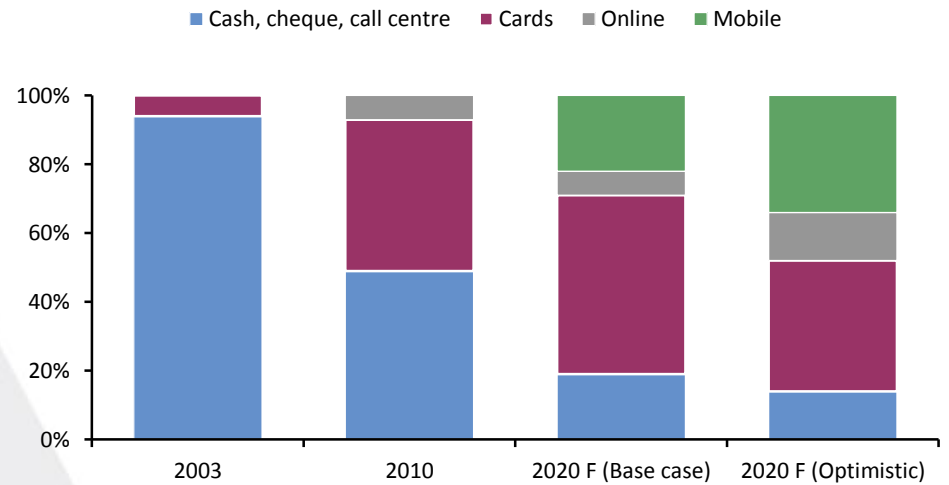
## Private Investment in Infrastructure (Twelfth Plan)



## Growing Prosperity



## Transformation of Payments Landscape



Source: Planning Commission, NCAER, Indian Urbanization Econometric Model; Indian Banking 2020, Report by BCG in association with FICCI and IBA, Analyst and sector reports

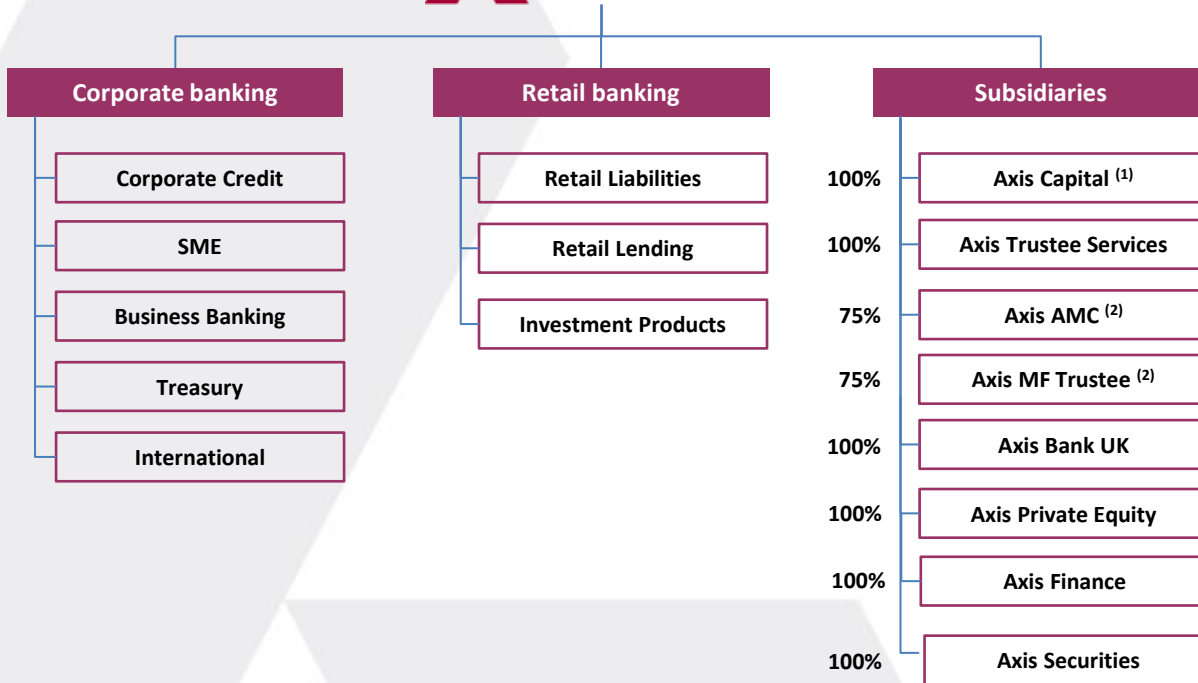
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Key Macro Trends

Business Model & Strategy

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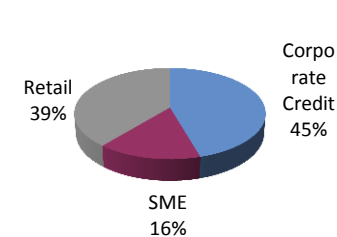
# Leading Universal Banking Franchise



## Snapshot (As on September 30, 2014)

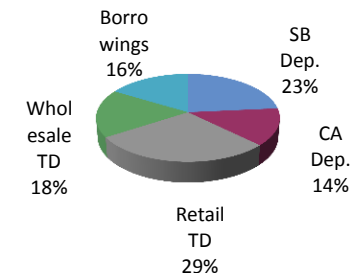
Key financials	₹ bn	US\$ bn
Total Assets	3,950	64
Net Advances	2,422	39
Total Deposits	2,837	46
Net Profit (H1FY15)	33	0.5
Shareholders' Funds	418	6.8
Market Capitalization <sup>(3)</sup>	1,000	16
ROA (H1FY15)	1.7%	
ROE (H1FY15)	17.1%	
Net NPA Ratio	0.44%	
Basel III Total CAR <sup>5</sup>	15.90%	
Basel III Tier 1 CAR <sup>5</sup>	12.57%	

## Segmental Advance Mix



Total: ₹2,422 bn

## Liability Mix



Total: ₹3,394 bn

- Diversified business mix with universal banking operations
- Growing customer franchise with over 14 million Savings Bank accounts <sup>(4)</sup>
- Pan-India distribution network of 2,505 branches and 13,146 ATMs <sup>(4)</sup>
- Stable asset quality underpinned by strong risk management framework
- Thrust on efficient capital management



<sup>(1)</sup> Investment Banking activities related to equity capital market business, mergers and acquisitions and private equity advisory conducted under Axis Capital; <sup>(2)</sup> Partnership with Schrodgers plc; <sup>(3)</sup> As on October 23, 2014 based on NSE closing price; <sup>(4)</sup> As of September 30, 2014 and number of branches includes extension counters; <sup>(5)</sup> Includes unaudited profits for the half year  
 Note: Exchange rate of 1 USD = ₹61.750 based on the FEDAI exchange rate as of September 30, 2014.

# Key Highlights of Q2FY15

## Strong Retail Franchise

- Strong retail franchise continues to show traction
  - CASA and Retail Term Deposits constituted 79% of Total Domestic Deposits, Daily Average CASA was 40% of Total Deposits
  - Savings Deposits grew 20% YOY as at end September 2014 and 19% YOY on daily average basis, while Retail Term Deposits grew 43% YOY
  - Domestic Retail Loans grew 27% YOY and accounted for 38% of Net Advances

## Sustained Network Expansion

- Added 84 branches during the quarter, total branches at 2,505 including extension counters.
- Currently present in 1,684 centers across the country, against 1,502 last year.
- Second largest ATM network in the country with 13,146 ATMs

## Stable Earnings Profile

- Core Operating Revenue grew 17% YOY, stood at ₹52 bn
- Core Operating Profit grew 16% YOY, stood at ₹29 bn
- Return on Assets was 1.7% and Return on Equity stood at 16.4%

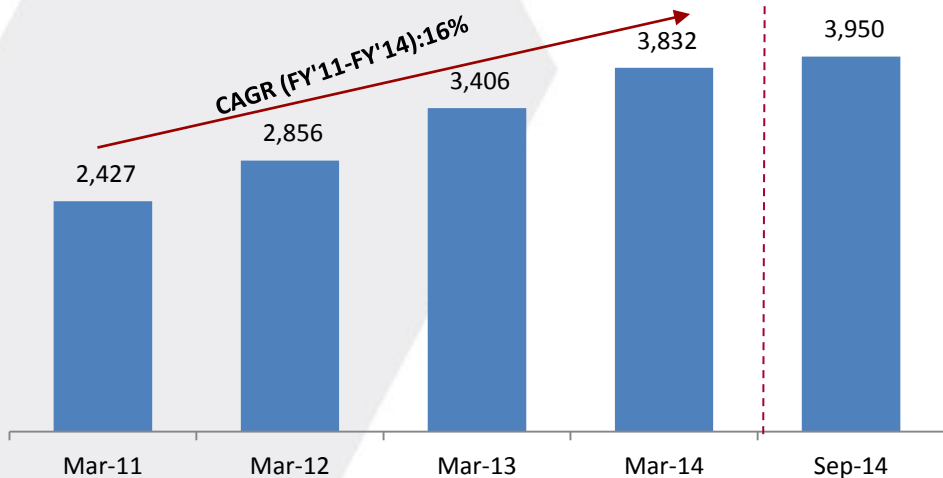
## Efficient Capital Management

- Well capitalised & continue pursuit of optimal capital allocation
  - Basel III Tier I CAR<sup>&</sup> of 12.57% and Basel III Total CAR<sup>&</sup> of 15.90%

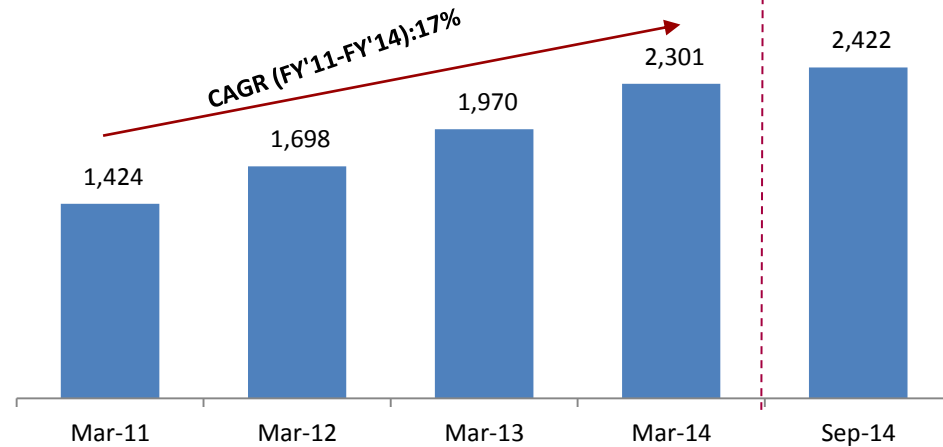


# Consistent Growth across Business Metrics...

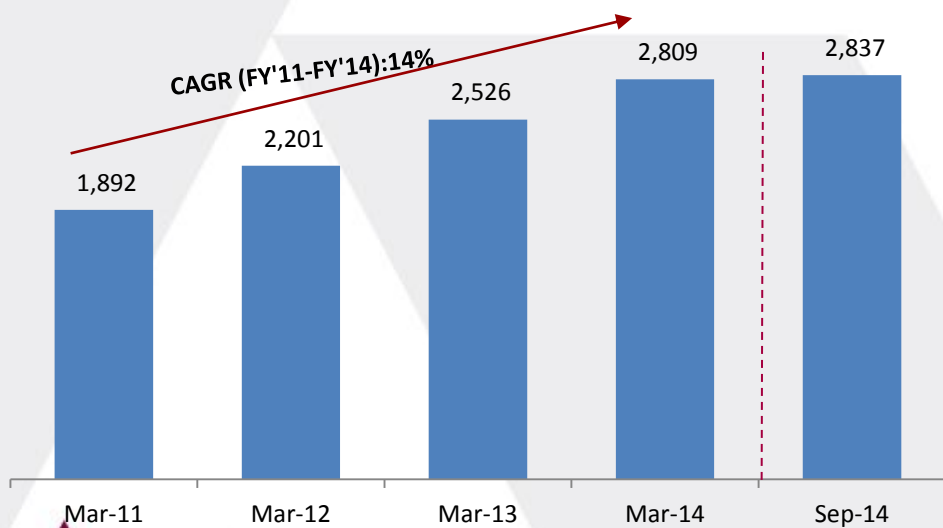
## Assets



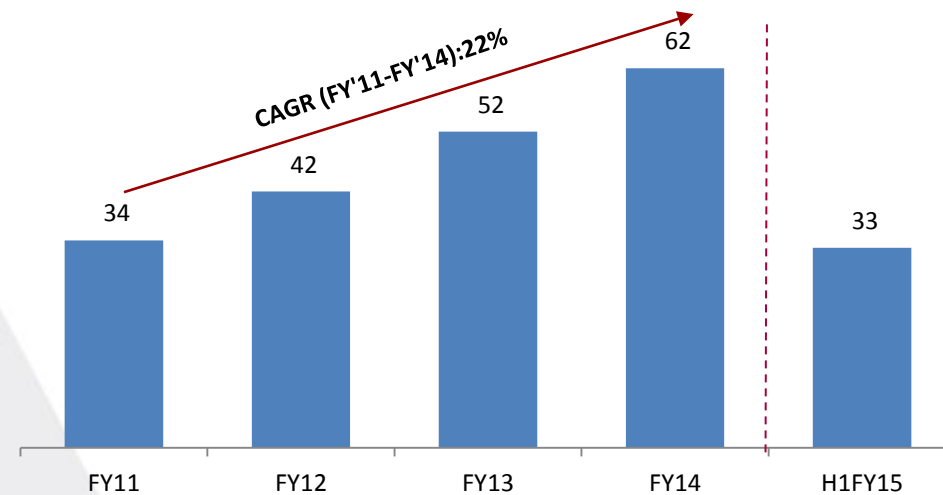
## Advances



## Deposits



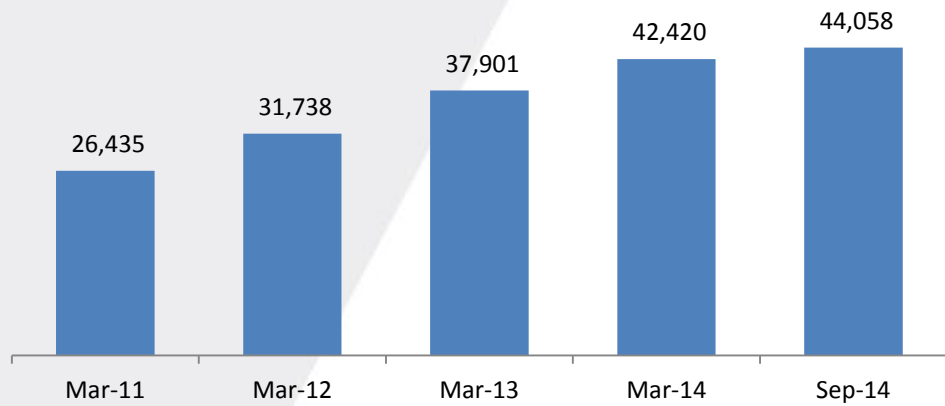
## Net Profit



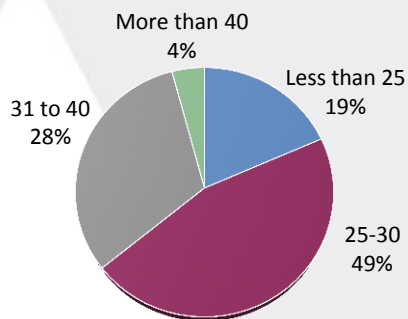
Note: All figures in ₹ bn

# ...Supported by Motivated Employees and Experienced Senior Management

## Number of Employees



## Age-wise Distribution of Employees<sup>(1)</sup>

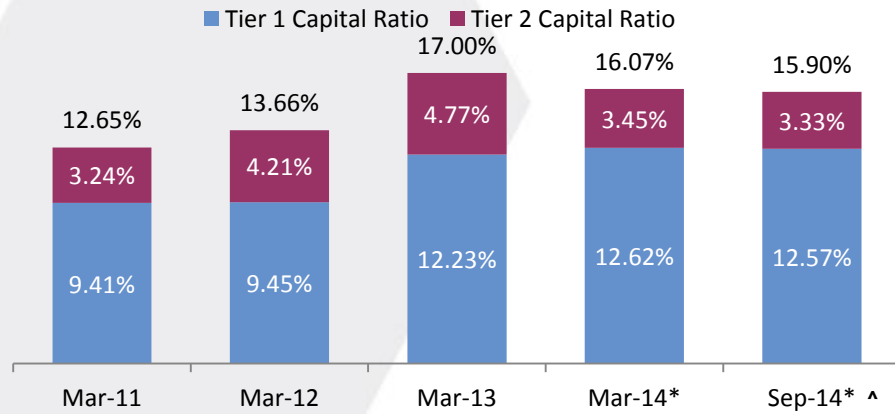


<sup>(1)</sup> As at March 31, 2014

- Strong brand attracting good quality talent pool
- High employee satisfaction resulting in relatively low attrition
  - Attrition level particularly low in senior and middle management cadre
- Experienced and stable senior management
- Eminent Board of Directors with majority of independent members
- Innovative employee engagement initiatives
  - Idea platform for employees
  - Mentorship programme
  - Platform for senior managers to share strategic direction

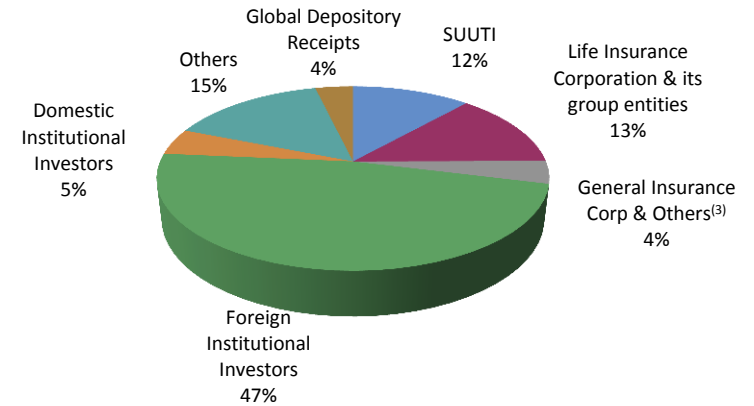
# Healthy Capital Profile & Stable Shareholder Returns

## Capital Adequacy



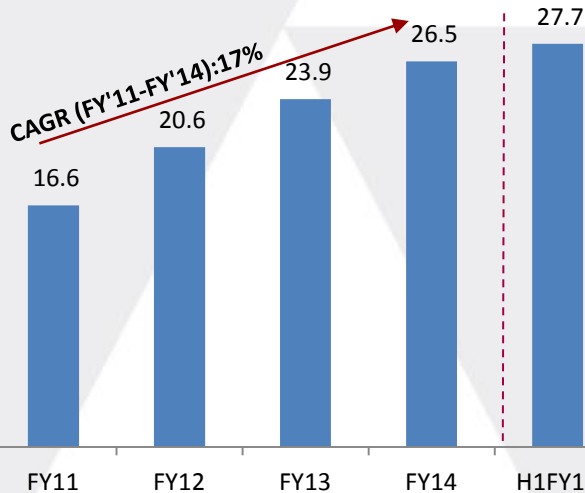
Note: \* Capital Adequacy ratios as on Mar-14 & Sep-14 are computed based on Basel III norms & not comparable with previous year ratios. ^ Ratios computed for Sep-14 include unaudited profits for the half year

## Shareholding Structure<sup>(1)</sup>



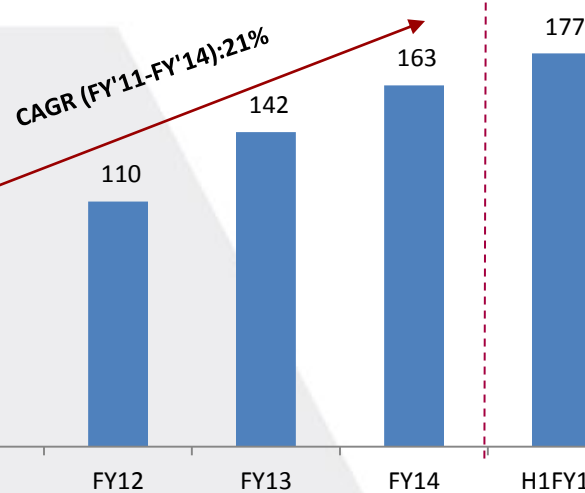
## EPS Growth

Basic EPS (₹) <sup>(2)</sup>



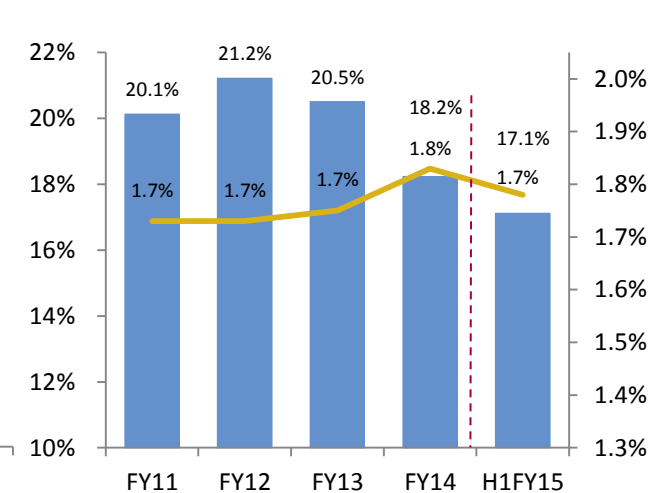
## BVPS Growth

BVPS (₹) <sup>(2)</sup>



## ROE and ROA

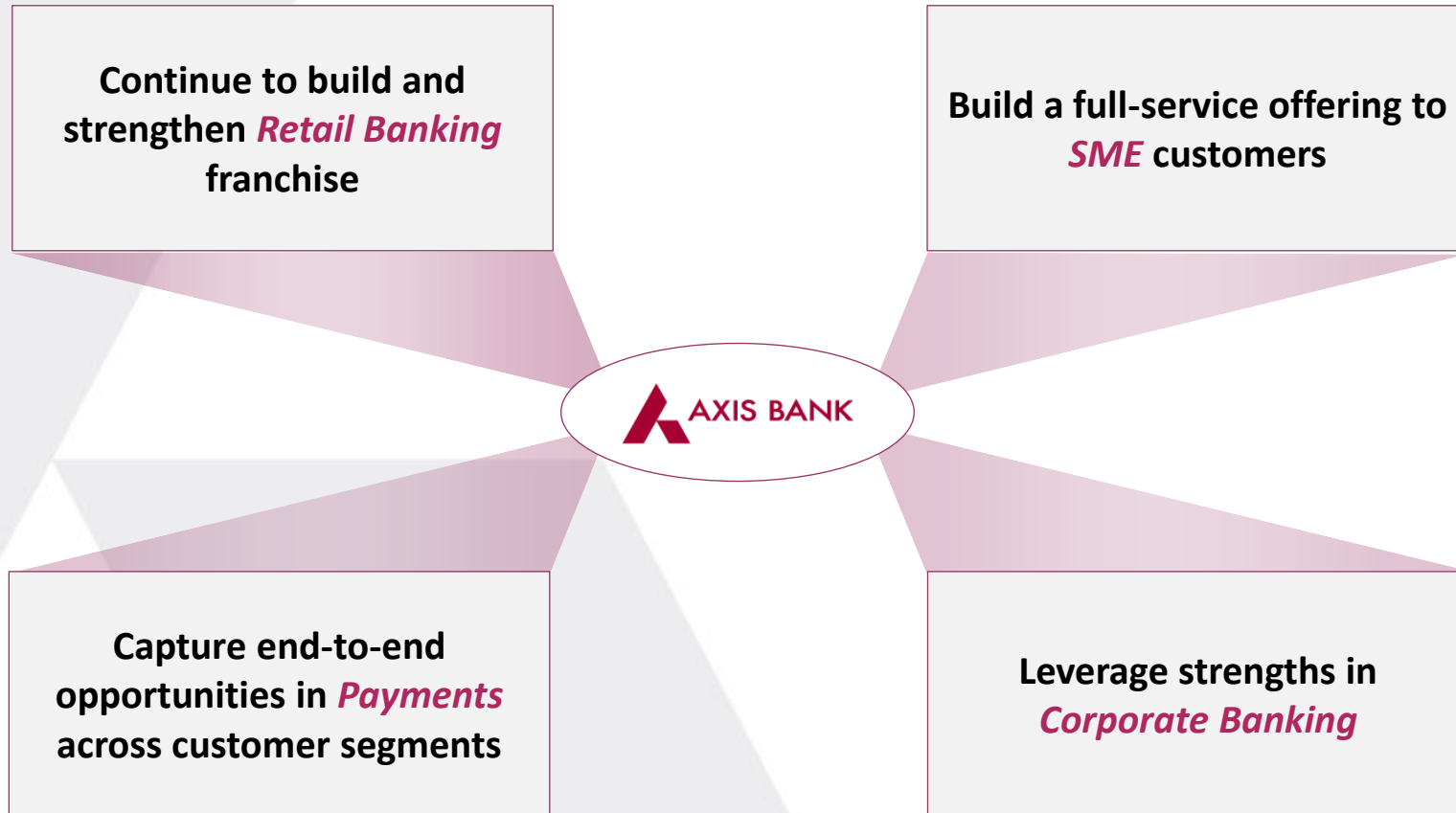
ROE <sup>(2)</sup> ROA <sup>(2)</sup>



Note: <sup>(1)</sup> As of September 30, 2014; <sup>(2)</sup> Based on non-consolidated financials; <sup>(3)</sup> Others include The New India Assurance Company Ltd, National Insurance Company Ltd, The Oriental Insurance Company Ltd and United India Insurance Company Ltd

# Business Strategy along Four Key Themes

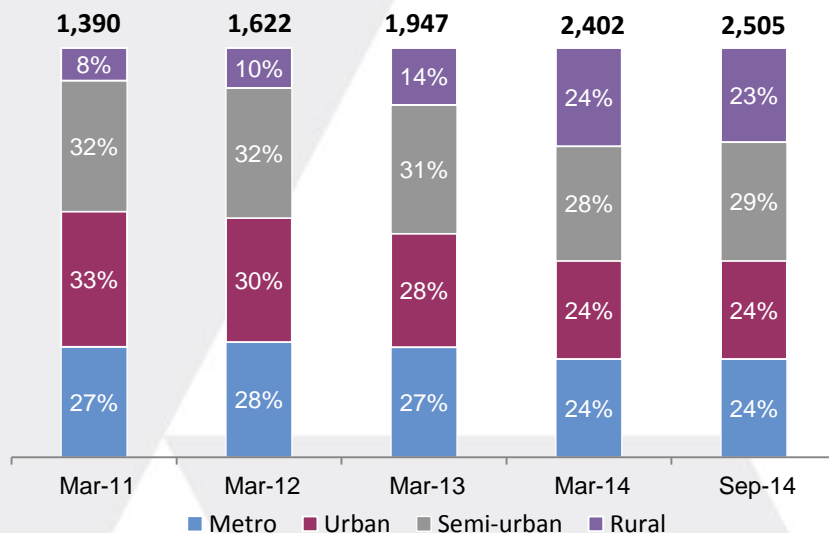
## Leveraging domestic growth opportunities



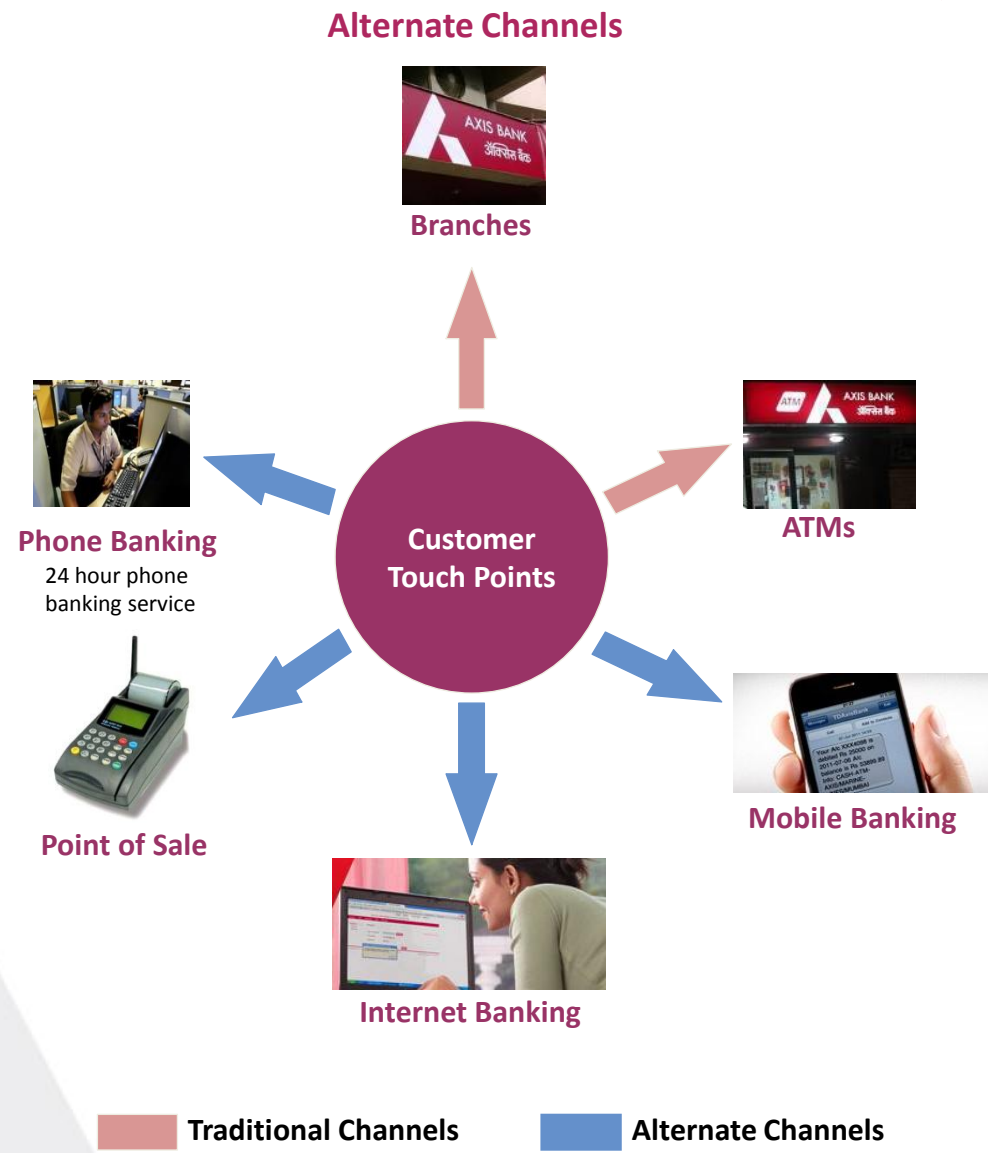
# Pan-India Distribution Network Complemented by Technology Driven Alternate Channels



Increasing presence in rural & semi-urban areas



ATMs	6,270	9,924	11,245	12,922	13,146
Centers	921	1,050	1,263	1,636	1,686
Employees	26,435	31,738	37,901	42,420	44,058



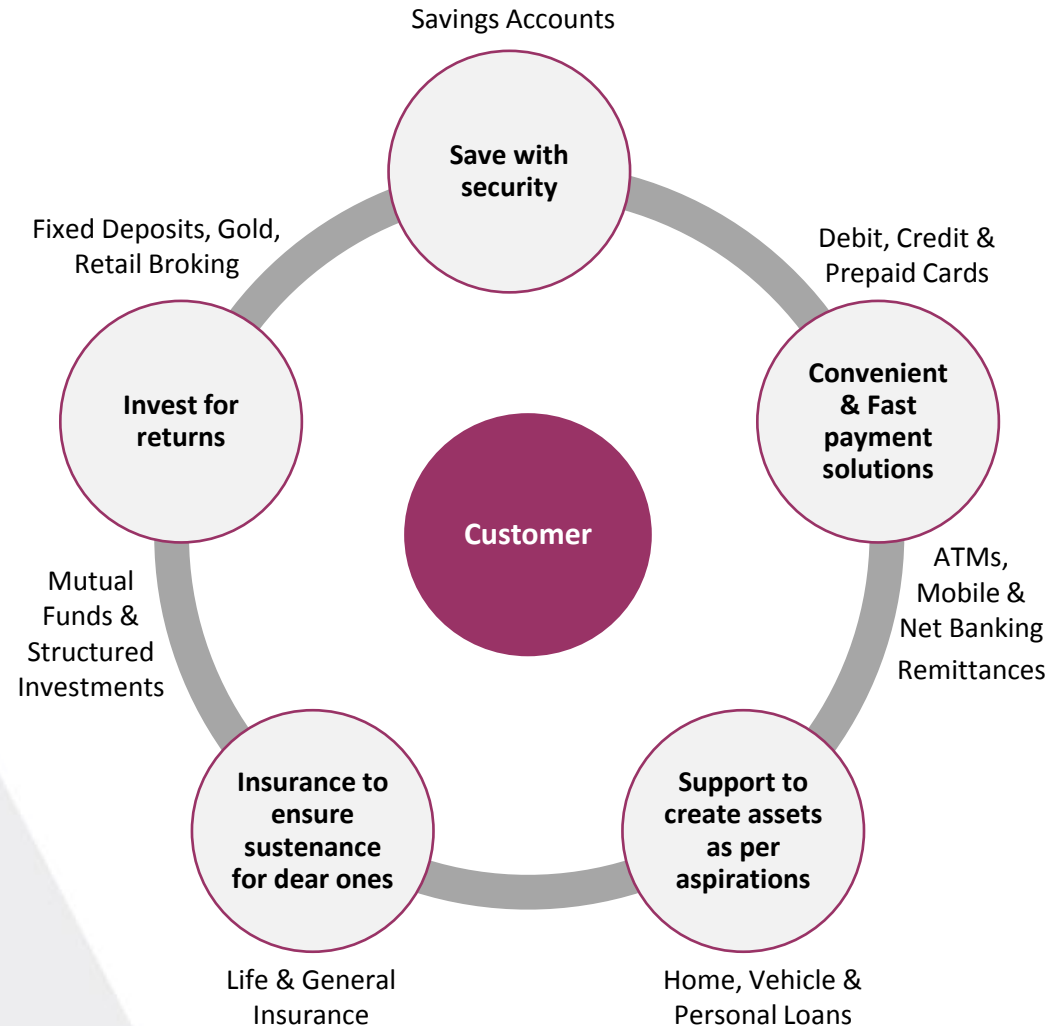
# Leveraging Strong Brand Recall across Products

## Badhti Ka Naam Zindagi... or Progress On...



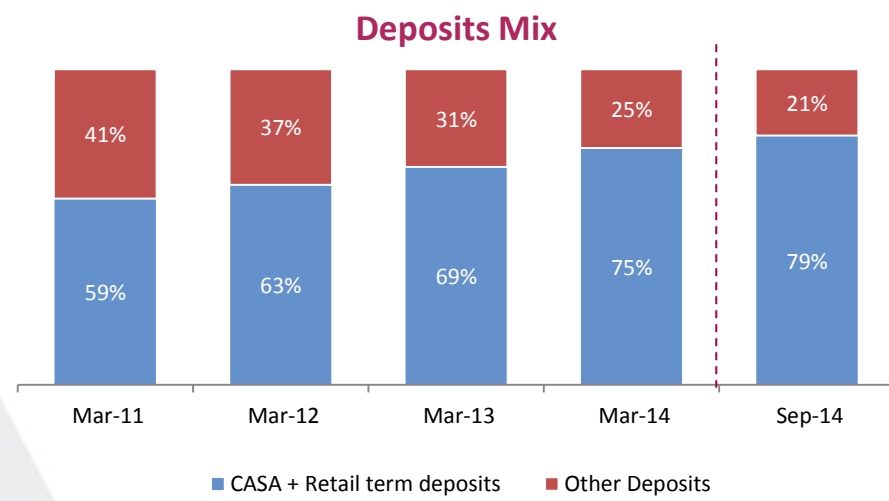
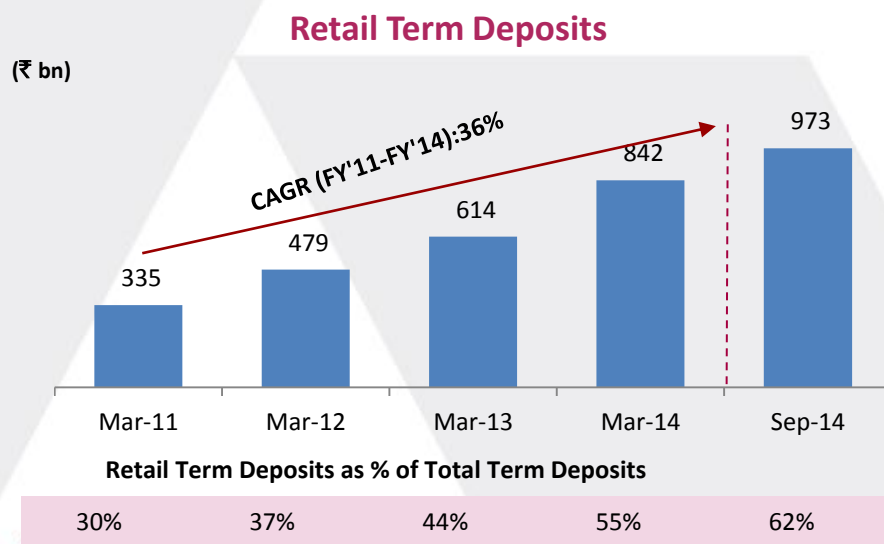
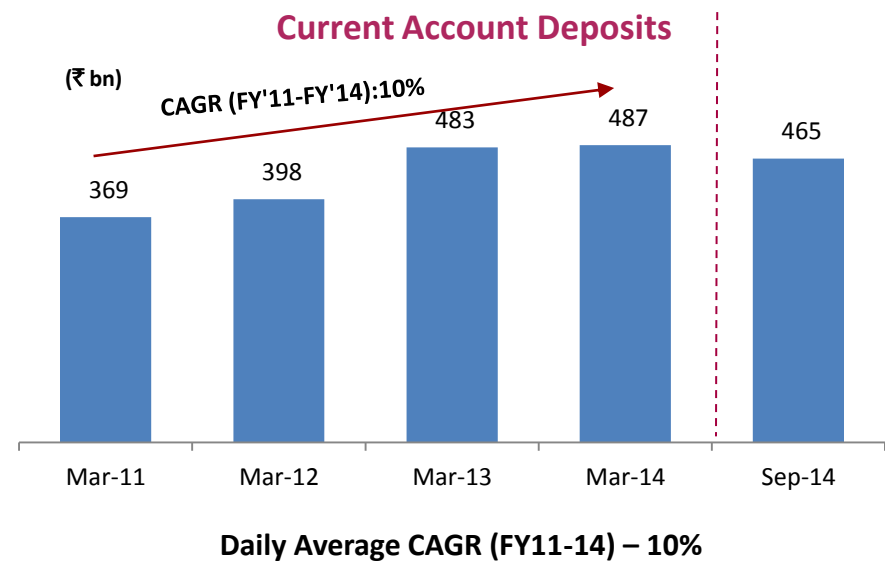
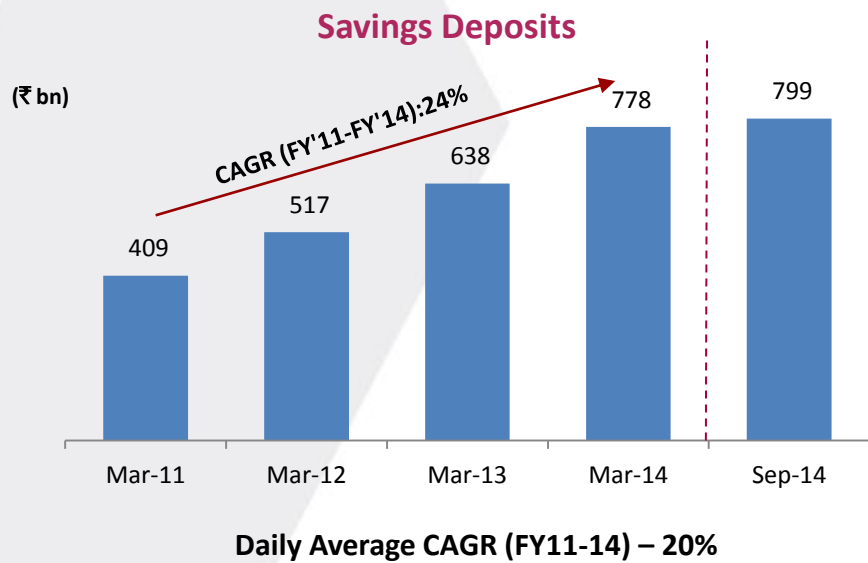
- Spontaneous Brand Awareness Score has seen a consistent increase
- Enhancing customer experience
  - Award winning mobile enabled Website
  - Customer centric design of branches
- Featured in the Asia's Fab 50 companies for 2013 by Forbes Asia.
- Most Trusted Private Sector Bank in India in the Brand Equity - Most Trusted Brands Survey (2014)

## Capturing End-to-End Customer Requirements



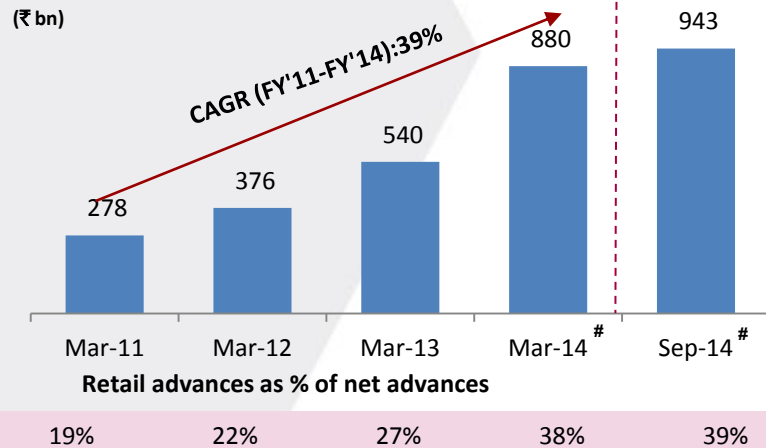


# ...Resulting in a Robust Liabilities Franchise



# Growing Retail Advances

## Retail Advances Portfolio

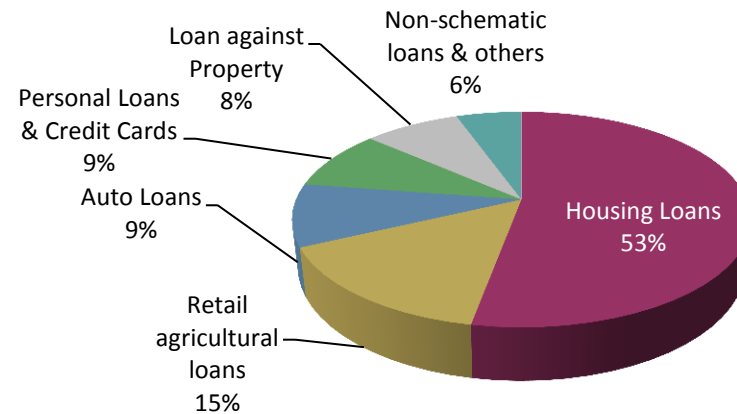


Retail advances as % of net advances

19%	22%	27%	38%	39%
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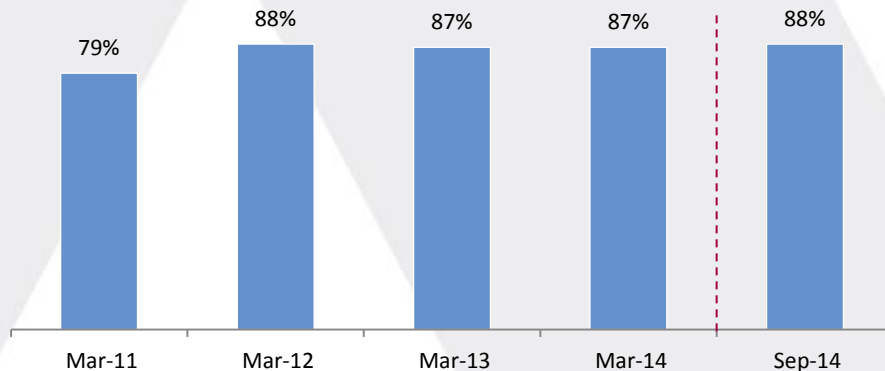
<sup>#</sup>Retail Loan's include retail agriculture loans post reclassification exercise conducted in June-14

## Composition of Domestic Retail Advances



Portfolio Size (Sep-2014): ₹ 903 bn

## Secured Retail Advances as % of Total Retail Advances

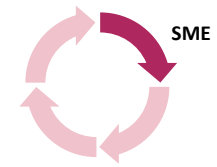


## Key Highlights

- Focus on cross sell – Nearly 60% of new originations in retail lending to existing customers
- Branch focused distribution strategy - 2,215 branches source at least one retail lending product
- Branches account for a third of new originations
- Focused on risk management
  - High proportion of secured retail assets
  - Product mix oriented to manage risk
  - Experienced collections team



# Full-service Offering to SME Customers



## Lending

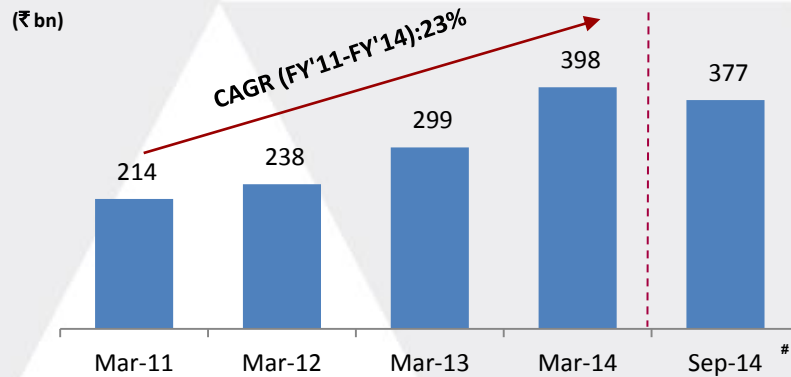
- Diversified portfolio across 3 segments: Medium Enterprises Group, Small Enterprises Group and Supply Chain Finance
- Driven through 42 SME centres and cells, with dedicated teams for sales and credit
- Risk management
  - Qualitative Credit Assessment in addition to rating
  - Exit/Watch list category
  - Collection managers

SME Franchise

## Other offerings

- Commercial banking products
  - Current accounts, forex, trade services
- Retail banking solutions
  - Salary account products, Wealth & Priority Banking services, Insurance
- Advisory services
  - Financial advisory, private equity, M&A and capital market solutions

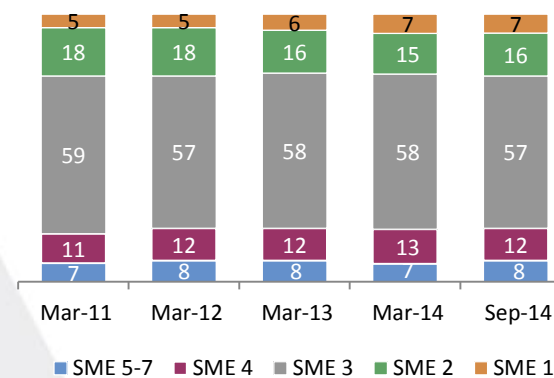
## SME Loan Portfolio



\*SME loans include corporate agriculture loans post reclassification exercise

## Risk Management of SME Portfolio

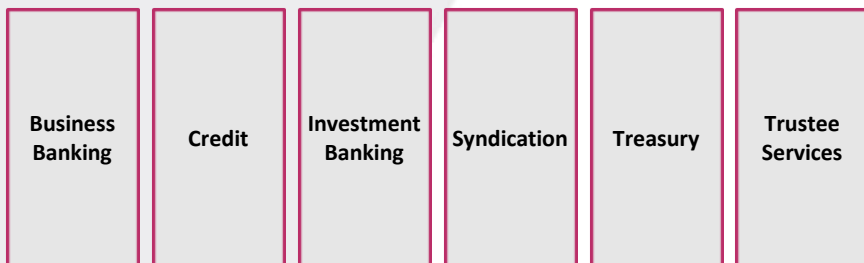
### Rating Distribution of SME Advances<sup>1</sup> (%)



- 80% of SME advances have rating of at least 'SME3' in September 2014
- Controlled sourcing of customers
- Early Warning System tool in place to predict default behavior

<sup>1</sup> As per internal ratings

# Comprehensive Corporate Banking Solutions...

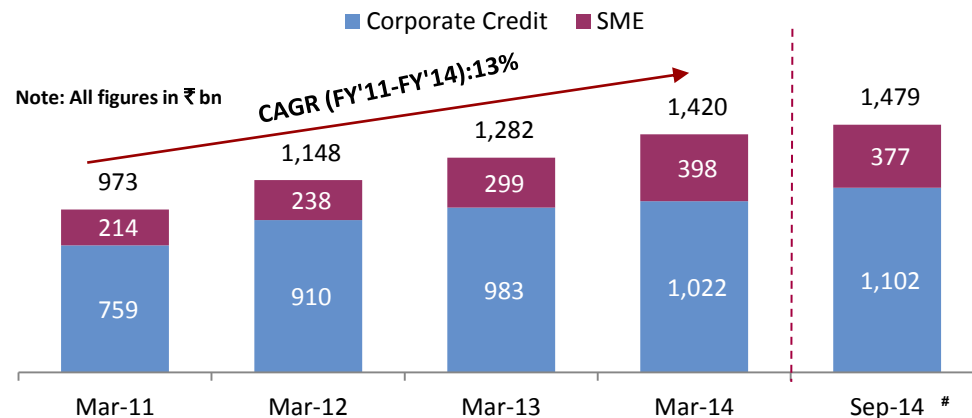


- Strong franchise spread across liability and asset businesses
- Focus on building out a high quality portfolio of credit assets
- Adopted value generating Originate and Distribute Model
- Dominant player in placement and syndication of debt / loans
- Leading debt capital market franchise – Ranked #1 in Debt Private Placement in India <sup>(1)</sup>
- International banking presence to cover offshore fund requirements of Indian corporates
  - Total overseas assets size of US\$ 7bn as of September 30, 2014

<sup>(1)</sup> Source: Bloomberg

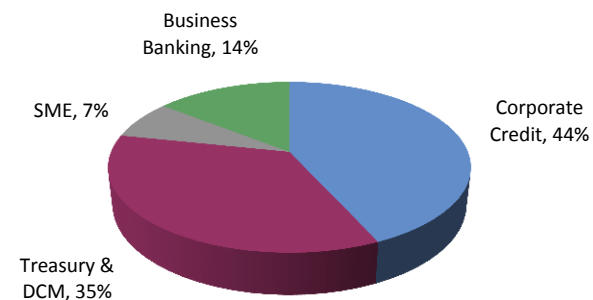


## Corporate Banking Advances Growth



#SME loans include corporate agriculture loans post reclassification exercise

## Corporate Banking Fee Income Mix

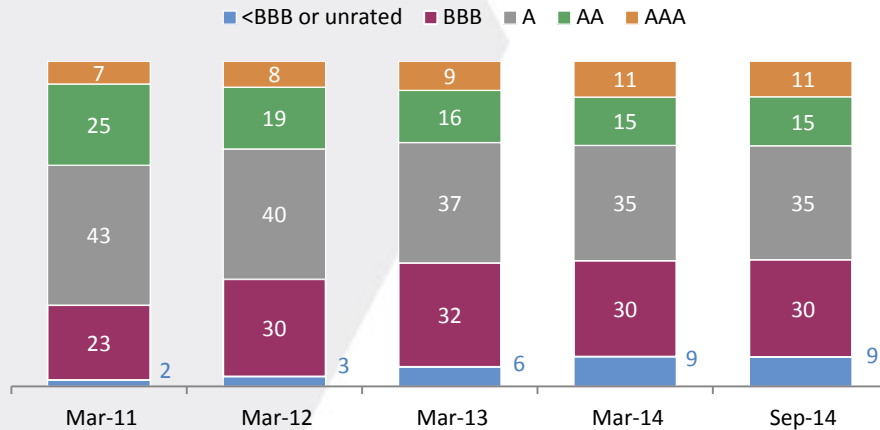


Sep-2014

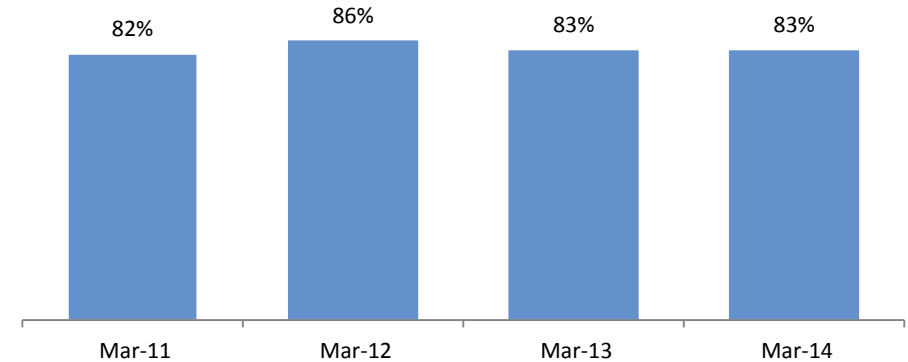
# ...with an Emphasis on Risk Management



## Rating Distribution of Large and Mid-Corporate Advances<sup>1</sup> (%)



## Secured Loans as a % of Total Aggregate Advances



## Industry-wise Advances Distribution (Top 10) (%)

Rank	Sectors	Fund-based	Non-fund based	Total
1	Infrastructure <sup>2</sup>	7.81	9.99	8.42
2	Power Generation & Distribution	5.21	10.11	6.58
3	Financial Companies <sup>3</sup>	4.46	12.04	6.57
4	Engineering & Electronics	3.25	14.95	6.50
5	Metal & Metal Products	5.22	7.50	5.85
6	Trade	3.63	4.44	3.85
7	Food Processing	3.50	1.45	2.93
8	Real Estate	3.30	1.50	2.80
9	Shipping Transportation & Logistics	2.14	2.69	2.29
10	Petroleum & Petroleum Products	0.50	6.55	2.19

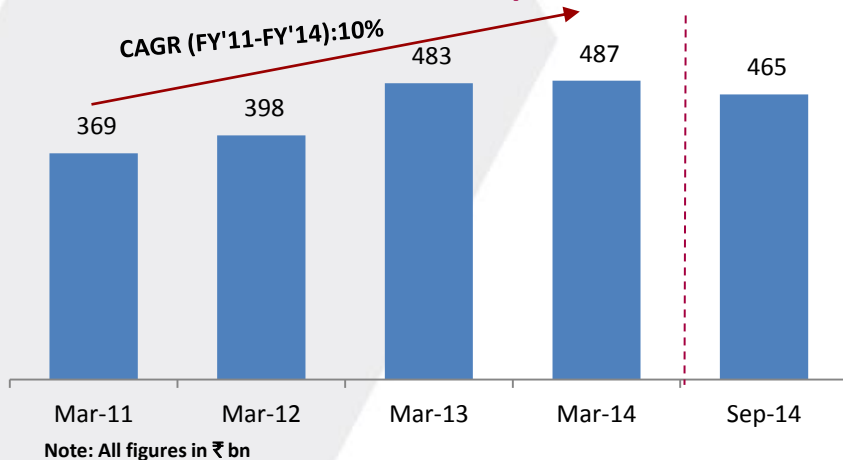
## Key Highlights

- 61% of corporate advances have rating of at least 'A'
- Conservative approach of rating new projects two notches below their normal rating
- Centralized credit monitoring mechanism

# Capturing End-to-End Opportunities in Business Banking...



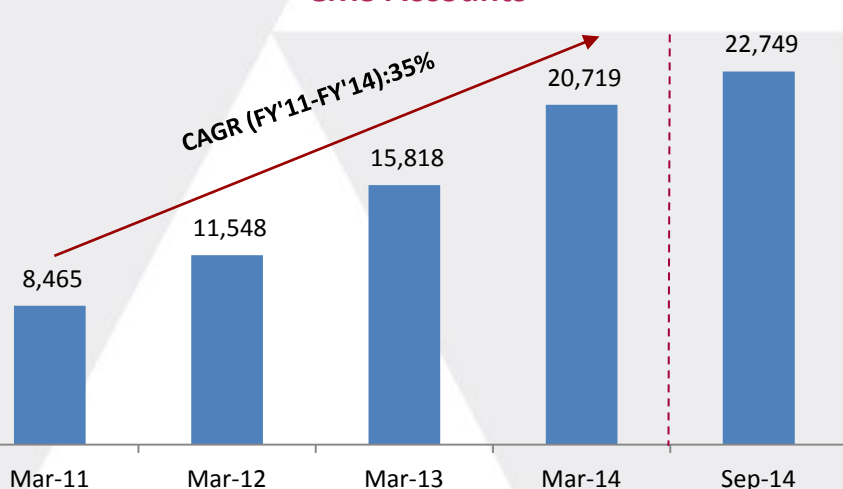
## Current Account Deposits



**Current Accounts**

- Wide range of products with customized offerings
- Growth aided by high-end premium products targeted at identified business segments
- Focused approach towards Corporates, Institutions and Government
- New products introduced consistently to help clients manage fund flows effectively

## CMS Accounts



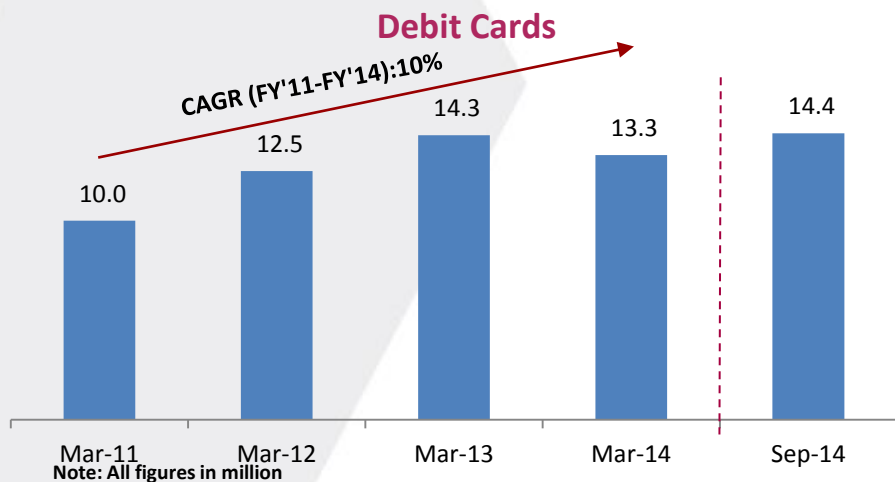
**Government Business**

- Provides Electronic Benefit Transfer (EBT) through Smart Cards under IT Enabled FI Model
- Strengthening presence in G2B e-Governance initiatives
- Amongst leading banks in Government payments and revenue collection

**Cash Management**

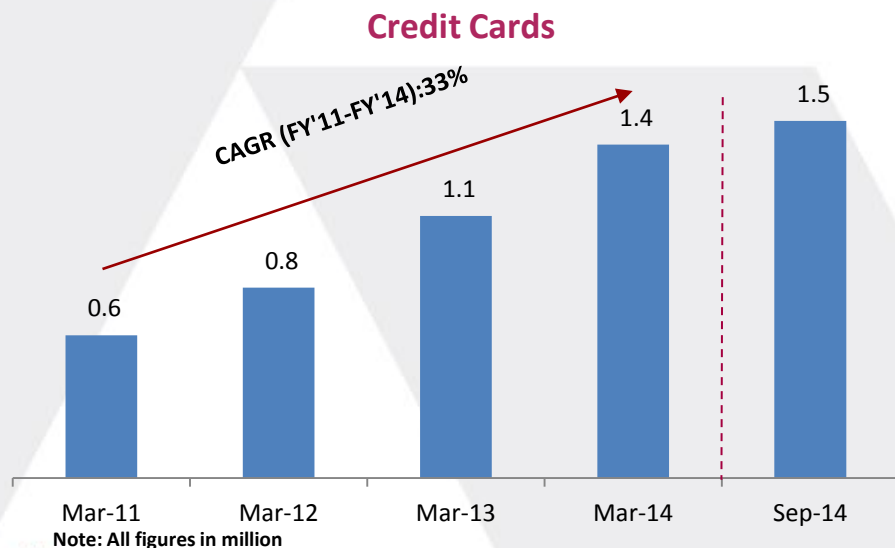
- One of the leading Cash Management Services (CMS) provider in India
- Amongst select set of Indian banks offering host-to-host transactional banking facility
- Amongst leading Banks in electronic payments
- Leading player in Escrow and Dividend payment business
- Synergies with Current Account franchise

# ... and Establishing Leadership in the Retail Payments Segment



### Market Leader in Retail Payments

- One of the largest issuers of debit cards
- 5<sup>th</sup> largest credit card issuer in the country with a card base of over 1.5 mn
- Travel currency cards in 12 foreign currencies
- Prominent player in merchant acquiring business



### Innovative Offerings



- Launched Mobile POS (Swipeon) in July 2012

#### INTRODUCING MY CARDS



- Personalized “My Cards” credit cards



- “Ladies First” – exclusive card for women

# Contents

Key Macro Trends

Business Model

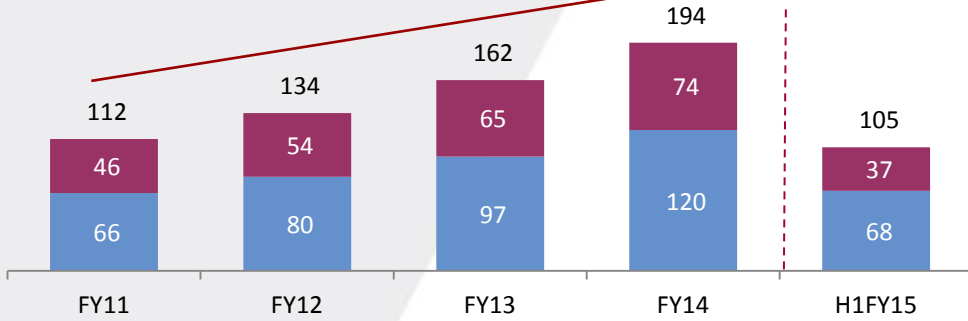
Financial Snapshot

# Robust Growth in Core Revenue and Diversified Fee Income Franchise

## Operating Revenue

■ Net Interest Income ■ Non-Interest Income

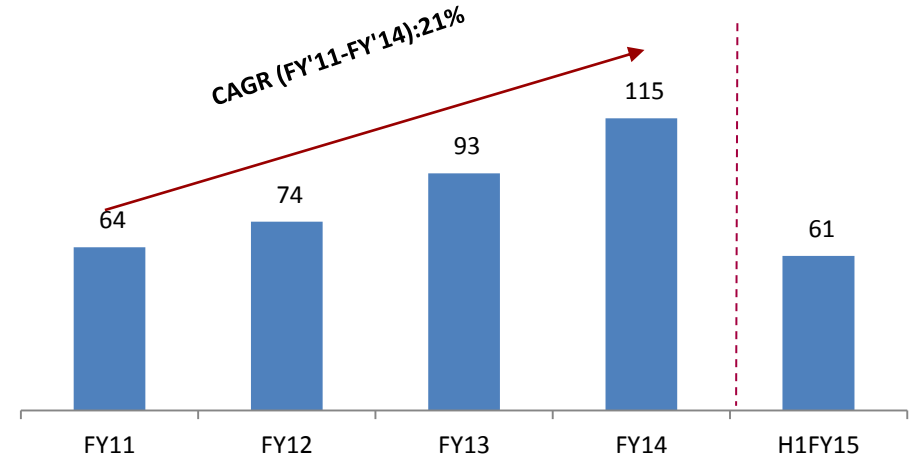
CAGR (FY'11-FY'14):20%



Note: All figures in ₹ bn

## Operating Profit

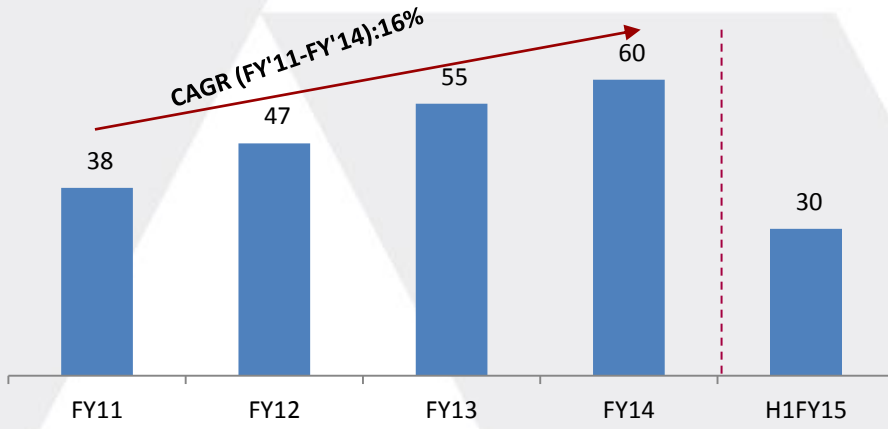
CAGR (FY'11-FY'14):21%



Note: All figures in ₹ bn

## Fee Income

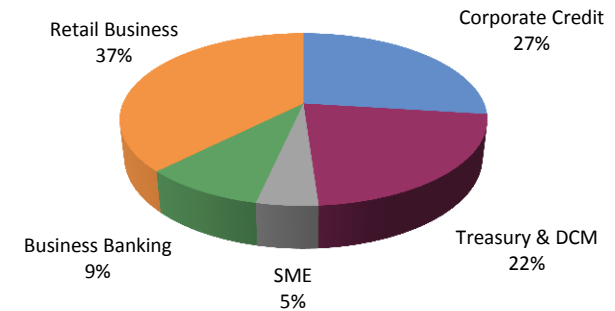
CAGR (FY'11-FY'14):16%



Fee Income as % of Operating Revenue

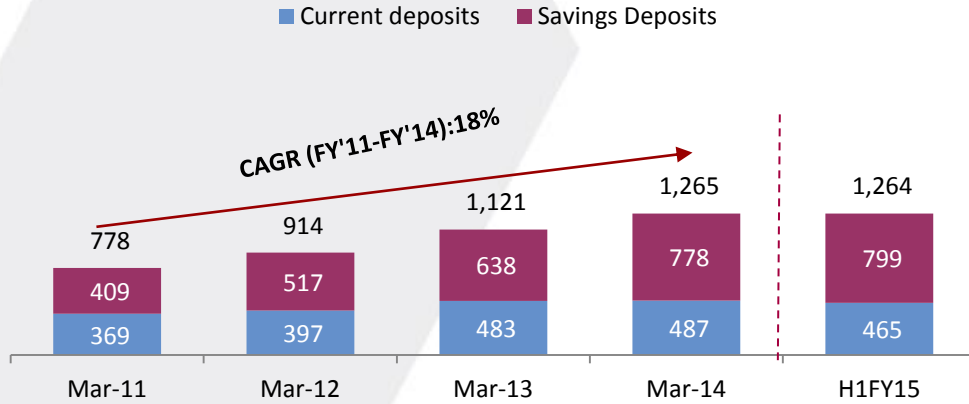
34% 35% 34% 31% 28%

## Fee Profile (H1FY15)



# Margins Driven by Low Cost Deposits and Enhanced Operational Efficiency

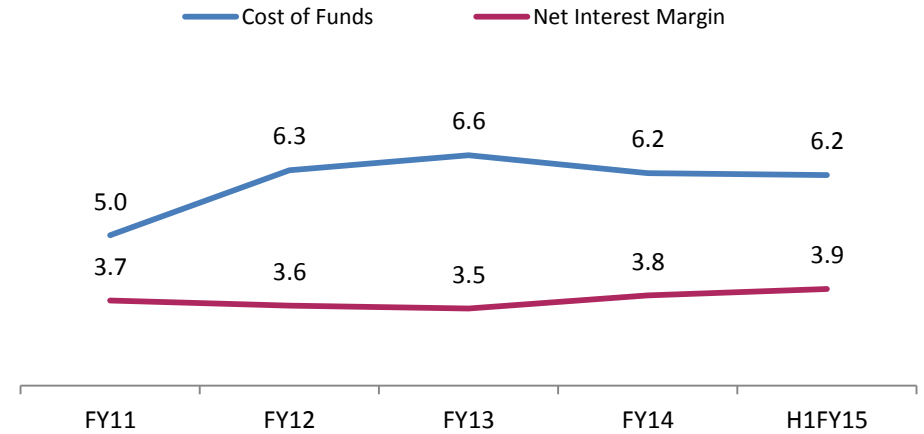
## Current and Savings Bank Deposits



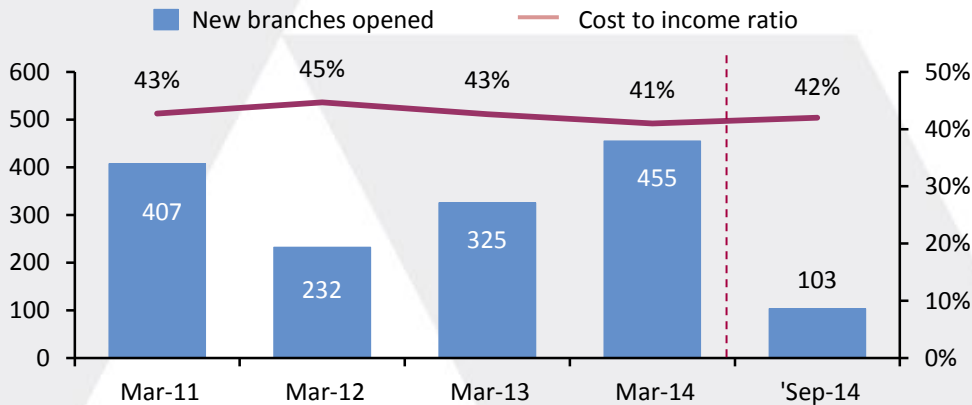
Daily Average CAGR (FY11-14) – 16%

Note: All figures in ₹ bn

## Cost of Funds and Net Interest Margin (%)



## Branch Expansion and Cost to Income Ratio



Total Branches

1,390    1,622    1,947    2,402    2,505

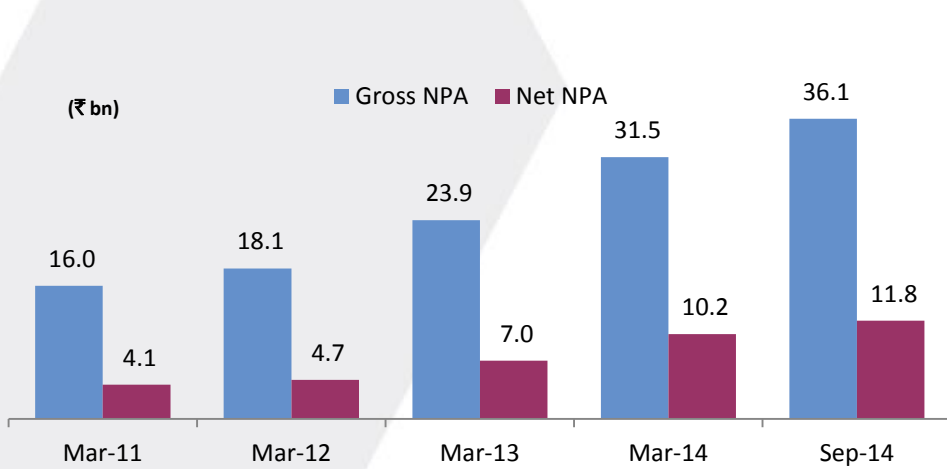
## Key Highlights

- Focused on maintaining low cost fund base
- Stable NIMs through interest rate cycles
- Maintained steady cost to income despite investing in additional branches and focus on retail assets
- Operating leverage from new branches expected in future

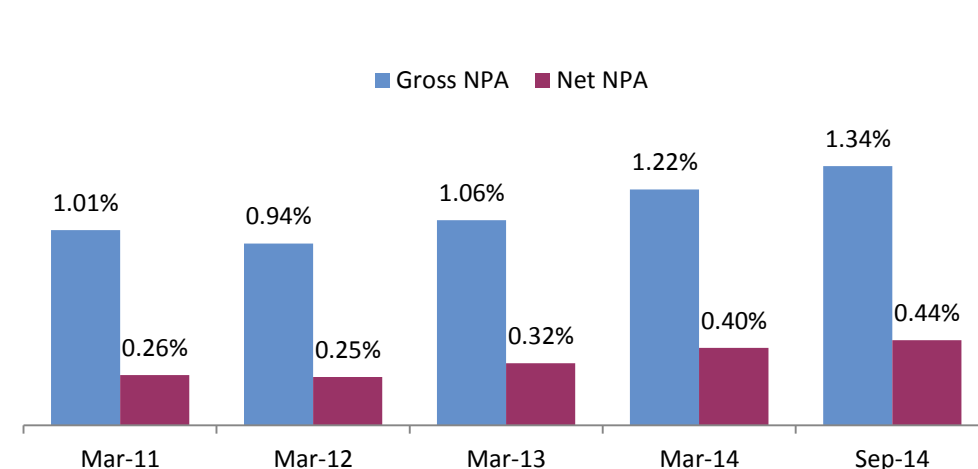


# Stable Asset Quality

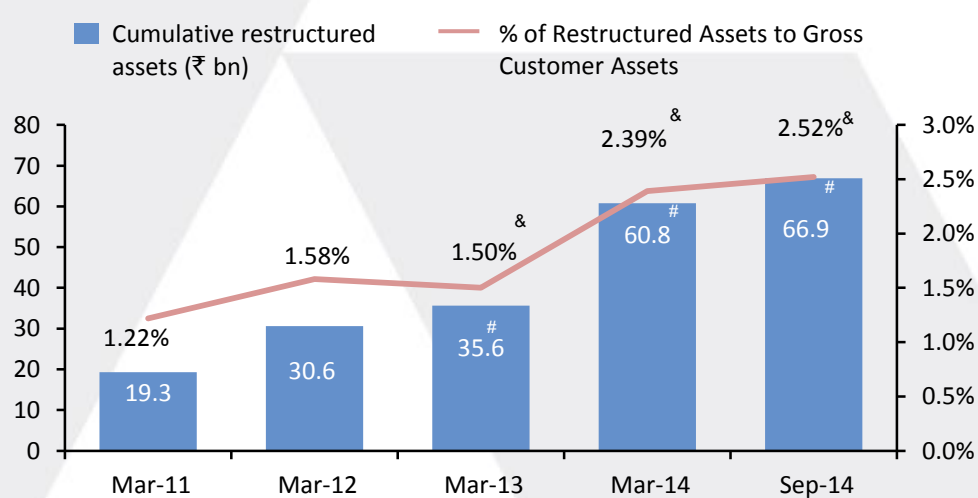
## NPAs (Amounts)



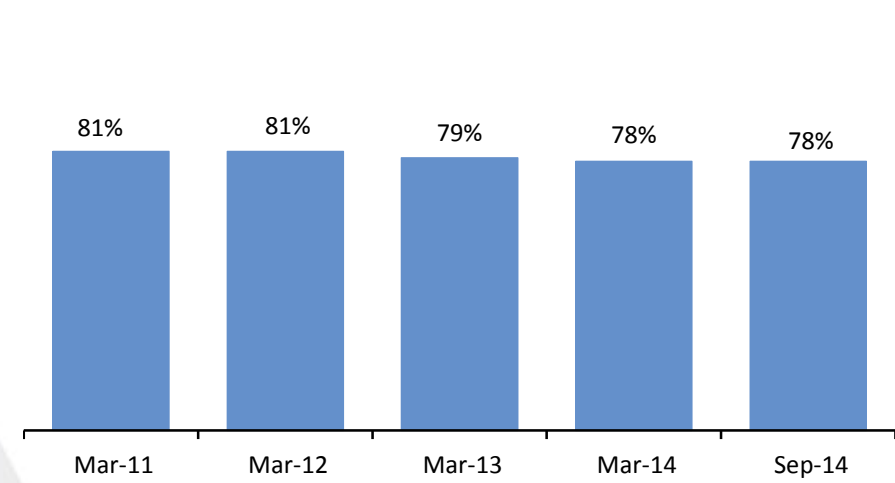
## NPAs (%)



## Restructured Assets



## Provisioning Coverage Ratio <sup>(1)</sup>



<sup>(1)</sup> Including prudential write-offs



#Cumulative net restructured advances  
&Ratio of net restructured assets to net customer assets

# Delivering Profitable Growth

**Indian banking opportunity remains attractive with long term structural drivers in place**

**Well positioned to capture both consumption and investment themes through a comprehensive product suite**

**Strong retail franchise that continues to show traction**

**Steady and systematic growth of distribution footprint**

**Efficient capital management**

**Consistent profitable growth**

# Appendix

# Summary Financials: Balance Sheet

₹ bn

	FY11	FY12	FY13	FY14	H1FY15
<b>Capital and liabilities</b>					
Shareholders' funds	190	228	331	382	418
Deposits	1,892	2,201	2,526	2,809	2,837
Borrowings	263	341	440	503	557
Other liabilities	82	86	109	138	138
<b>Total</b>	<b>2,427</b>	<b>2,856</b>	<b>3,406</b>	<b>3,832</b>	<b>3,950</b>

US\$ mn

	FY11	FY12	FY13	FY14	H1FY15
<b>Capital and liabilities</b>					
Shareholders' funds	3,077	3,692	5,360	6,186	6,769
Deposits	30,640	35,644	40,907	45,490	45,943
Borrowings	4,259	5,522	7,126	8,146	9,020
Other liabilities	1,328	1,393	1,765	2,235	2,235
<b>Total</b>	<b>39,304</b>	<b>46,251</b>	<b>55,158</b>	<b>62,057</b>	<b>63,968</b>

## Assets

Cash and cash equivalents	214	139	204	282	255
Investments	720	932	1,137	1,135	1,143
Loans	1,424	1,698	1,970	2,301	2,422
Fixed assets	23	22	24	24	24
Other assets	46	65	71	90	106
<b>Total</b>	<b>2,427</b>	<b>2,856</b>	<b>3,406</b>	<b>3,832</b>	<b>3,950</b>

Cash and cash equivalents	3,466	2,251	3,304	4,567	4,130
Investments	11,660	15,093	18,413	18,381	18,510
Loans	23,061	27,498	31,903	37,263	39,223
Fixed assets	372	356	389	389	389
Other assets	745	1,053	1,150	1,457	1,717
<b>Total</b>	<b>39,304</b>	<b>46,251</b>	<b>55,158</b>	<b>62,057</b>	<b>63,968</b>

Note: Shareholders' funds include ESOP outstanding

Exchange rate of 1 USD = ₹ 61.750 based on the FEDAI exchange rate as of September 30, 2014

# Summary Financials: Income Statement

	₹ bn					US\$ mn				
	FY11	FY12	FY13	FY14	H1FY15	FY11	FY12	FY13	FY14	H1FY15
Interest Income <sup>(1)</sup>	152	220	272	307	169	2,462	3,563	4,405	4,972	2,737
Interest Expense	86	140	175	187	101	1,393	2,267	2,834	3,028	1,636
<b>Net Interest Income</b>	<b>66</b>	<b>80</b>	<b>97</b>	<b>120</b>	<b>68</b>	<b>1,069</b>	<b>1,296</b>	<b>1,571</b>	<b>1,943</b>	<b>1,101</b>
Fee Income	38	47	55	60	30	615	761	891	972	486
Other Income	8	7	10	14	7	130	113	162	227	113
<b>Operating Revenue</b>	<b>112</b>	<b>134</b>	<b>162</b>	<b>194</b>	<b>105</b>	<b>1,814</b>	<b>2,170</b>	<b>2,623</b>	<b>3,142</b>	<b>1,700</b>
Operating Expense	48	60	69	79	44	777	972	1,117	1,279	713
<b>Operating Profit</b>	<b>64</b>	<b>74</b>	<b>93</b>	<b>115</b>	<b>61</b>	<b>1,036</b>	<b>1,198</b>	<b>1,506</b>	<b>1,862</b>	<b>988</b>
Provisions and Contingencies (excl. Tax)	13	11	17	21	11	211	178	275	340	178
<b>Profit Before Tax</b>	<b>51</b>	<b>63</b>	<b>76</b>	<b>93</b>	<b>50</b>	<b>826</b>	<b>1,020</b>	<b>1,231</b>	<b>1,522</b>	<b>810</b>
Tax	17	21	24	31	17	275	340	389	502	275
<b>Net Profit</b>	<b>34</b>	<b>42</b>	<b>52</b>	<b>62</b>	<b>33</b>	<b>551</b>	<b>680</b>	<b>842</b>	<b>1,020</b>	<b>534</b>

Note: Exchange rate of 1 USD = ₹ 61.750 based on the FEDAI exchange rate as of September 30, 2014

<sup>1</sup> Interest income includes dividends earned on equity and preference shares and units of mutual funds

# Summary Financials: Key Ratios

	FY11	FY12	FY13	FY14	H1FY15
<b>Profitability and efficiency</b>					
Return on average total assets <sup>(1)</sup>	1.7%	1.7%	1.7%	1.8%	1.7%
Return on average net worth <sup>(2)</sup>	20.1%	21.2%	20.5%	18.2%	17.1%
Net interest margin <sup>(3)</sup>	3.7%	3.6%	3.5%	3.8%	3.9%
Cost income ratio <sup>(4)</sup>	43%	45%	43%	41%	42%
Fee Income to Operating Revenue <sup>(5)</sup>	34%	35%	34%	31%	28%
<b>Capital Adequacy*</b>					
Total capital adequacy ratio	12.65%	13.66%	17.00%	16.07%	15.90%
Tier I capital adequacy ratio	9.41%	9.45%	12.23%	12.62%	12.57%
<b>Asset Quality</b>					
Gross NPA as a % of gross customer assets <sup>(6)</sup>	1.01%	0.94%	1.06%	1.22%	1.34%
Net NPA as a % of net customer assets <sup>(7)</sup>	0.26%	0.25%	0.32%	0.40%	0.44%

\* Capital adequacy ratio computed under Basel III guidelines with effect from 1<sup>st</sup> April, 2013.

<sup>1</sup> Net profit divided by average month-end assets for the year/period; Annualised for H1FY15

<sup>2</sup> Net profit divided by the sum of the daily weighted average of share capital, share premium and year/period-end average of other reserves and surplus as reduced by the year/period-end average of deferred tax assets; Annualised for H1FY15

<sup>3</sup> Represents the ratio of net interest income to daily average interest earning assets

<sup>4</sup> Represents the ratio of Operating Expense to Operating Revenue

<sup>5</sup> Represents ratio of Fee Income to Operating Revenue

<sup>6</sup> NPA denotes non performing assets; Gross customer assets include advances and credit substitutes before provisions

<sup>7</sup> NPA denotes non performing assets; Net customer assets include advances and credit substitutes after deductions of provisions.

**Thank You**