



---

# ANALYST DAY 2019

A magnifying glass with a black handle and a grey frame is positioned over the number '0' in '2019'. Inside the lens of the magnifying glass, a red line graph is visible, showing an upward trend with an arrow pointing towards the top right.

---

**Session 2 - Presentations**

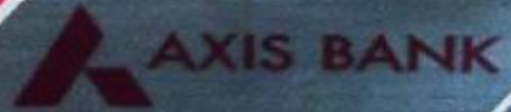
---

---

## **Session 2**

**Retail Deposit Franchise  
Retail Lending  
Cards and Retail Payments**

---

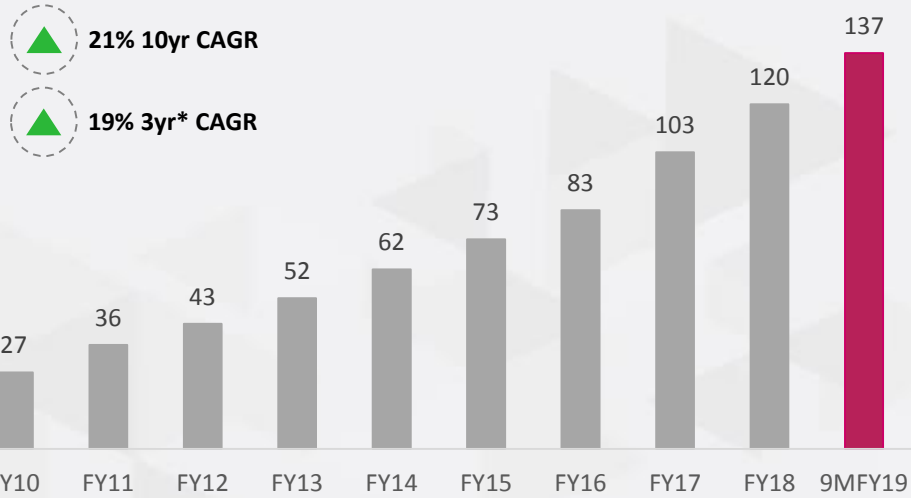


## Retail Deposit Franchise

# Over the long term, Axis Bank's deposit franchise has delivered steady and strong growth

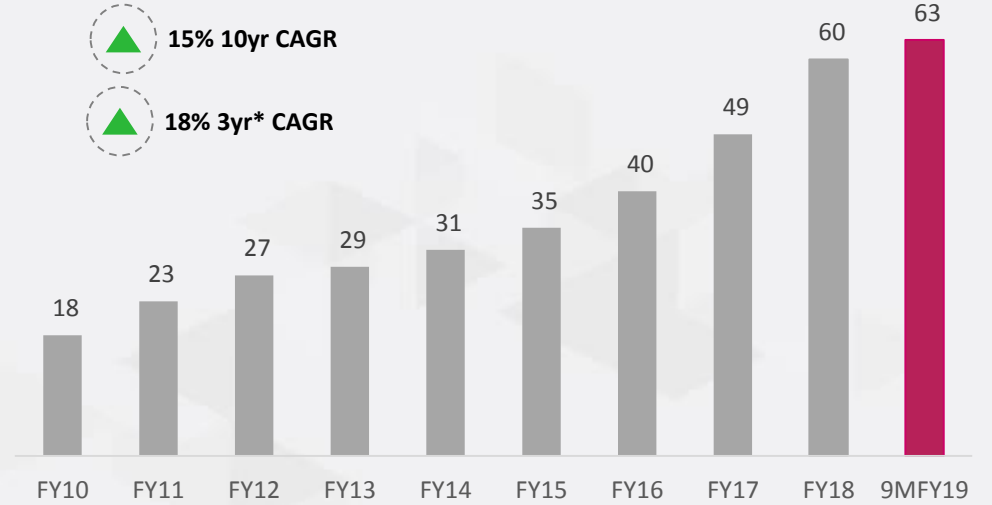
## Savings Account (SA) Average Balances

(In '000 ₹Crores)



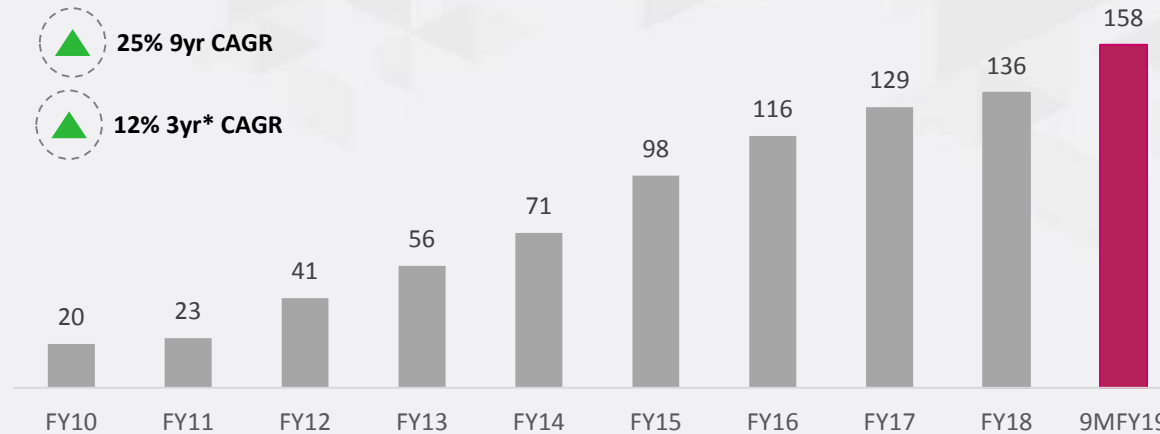
## Current Account (CA) Average Balances

(In '000 ₹Crores)



## Retail Term Deposits (RTD) Average Balances

(In '000 ₹Crores)

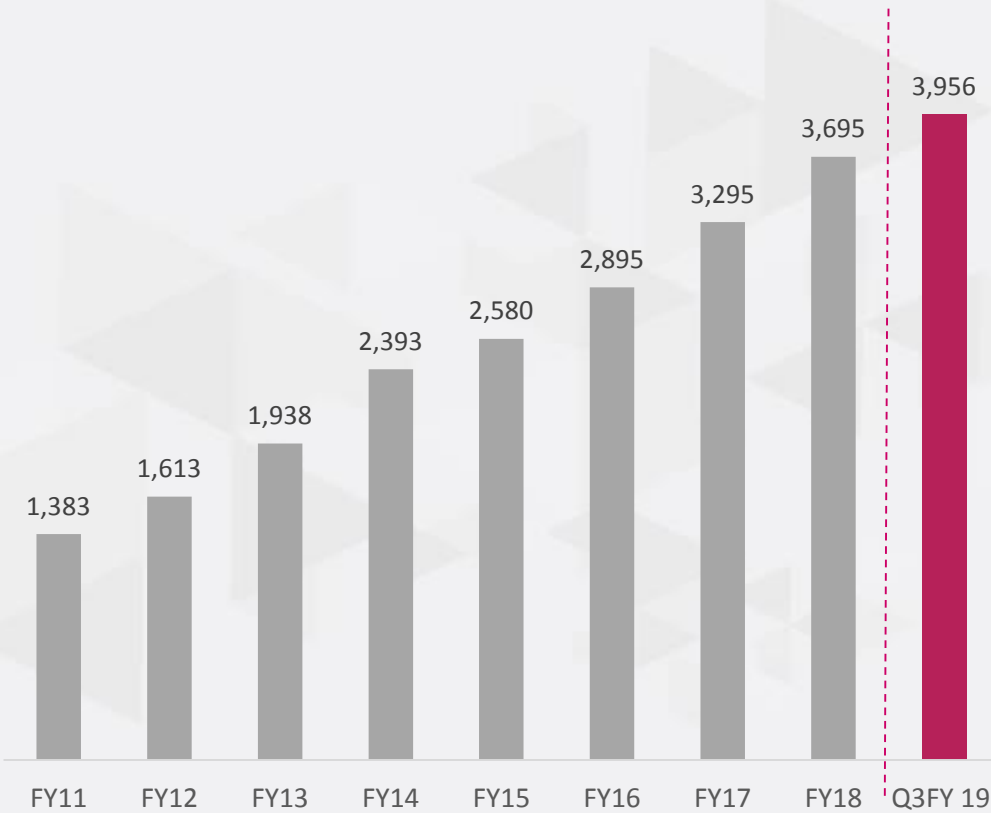


\*3yr period: 9MFY16 to 9MFY19

# We continue to increase our branch network, with improving productivity per branch

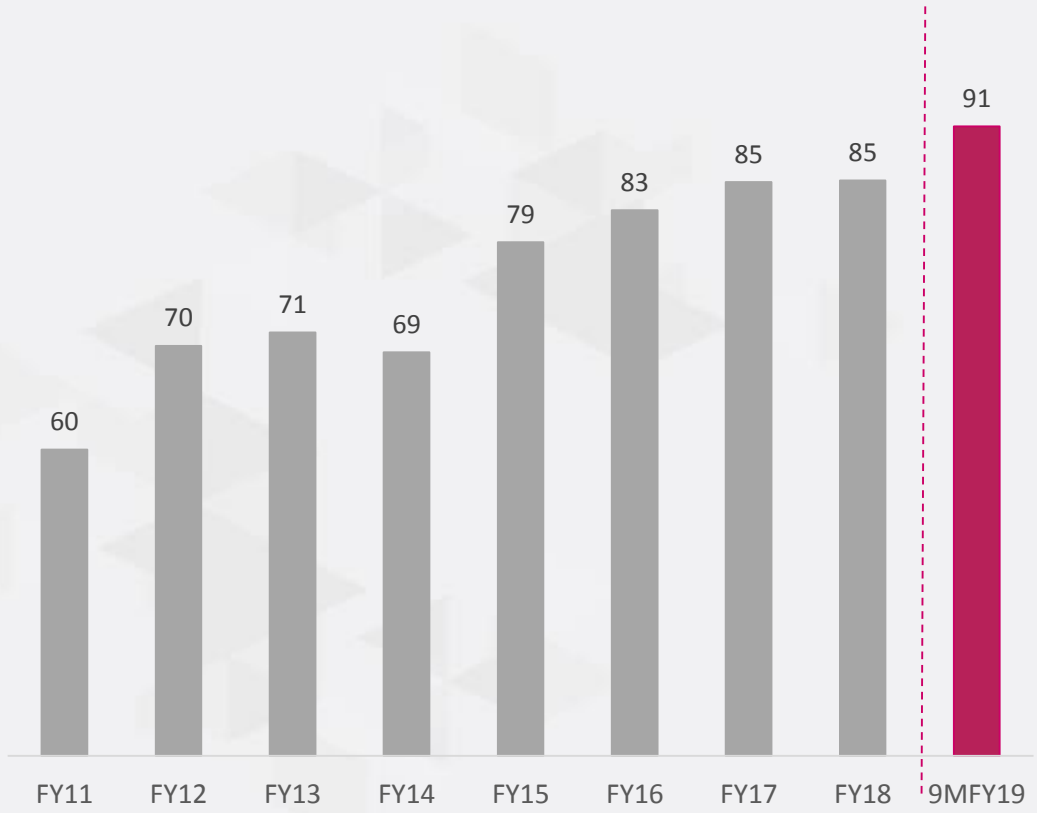


**Branch Count**



**CASA+RTD per Branch**

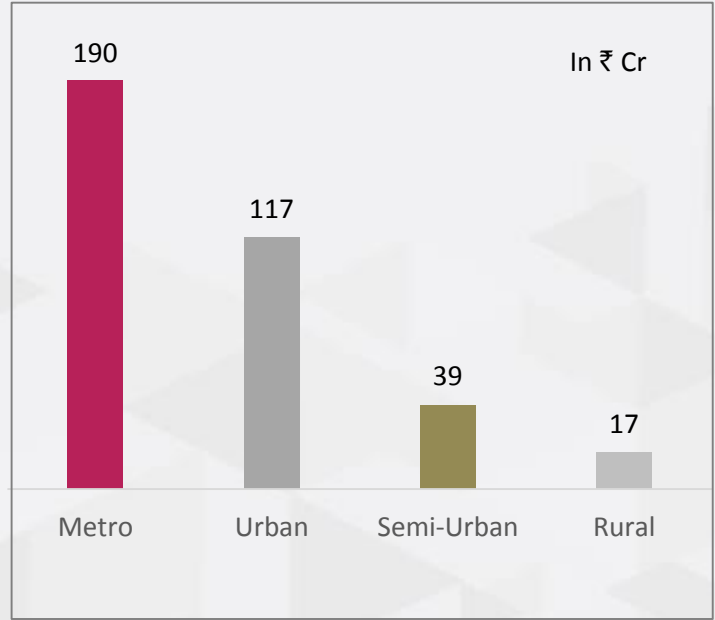
in ₹ Cr



Note: Based on cumulative daily average balances (CDAB)

# The Bank continues to invest in Branches ...

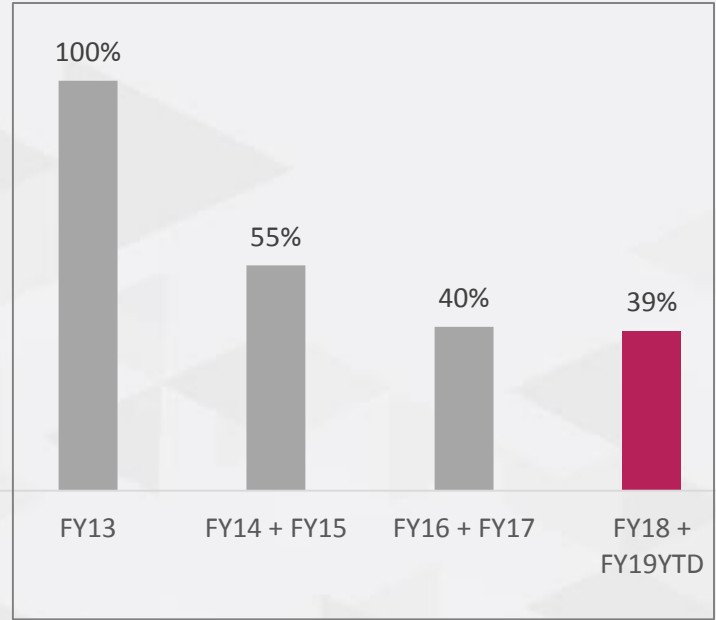
**(CASA+RTD)\* per Branch by region type**



*Metro and Urban branches have higher productivity*

**Focus on higher productivity branch formats**

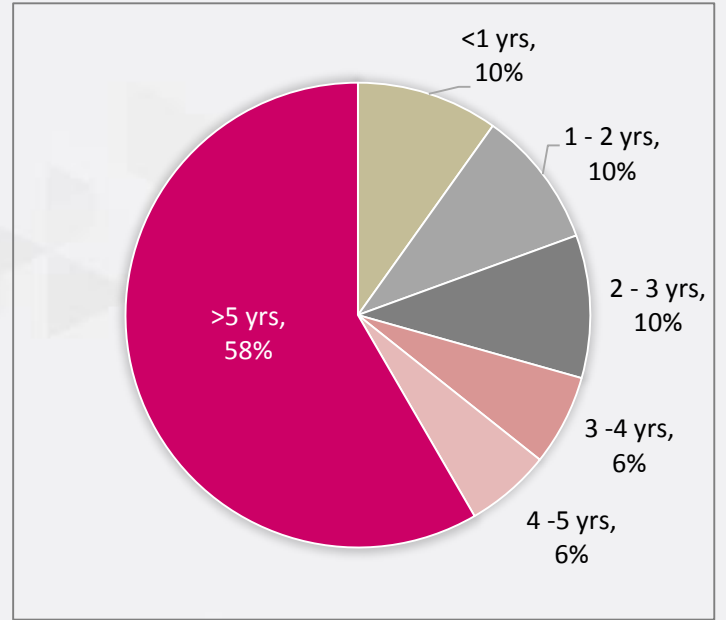
**Size of new branches opened**



*Average new branch size has reduced by 60% since FY13*

**Reduced opex, leading to faster breakeven**

**Mix of branches by Maturity (yrs)**



*30% branches have a vintage less than 3 years*

**Upside potential exists from prior investments made**

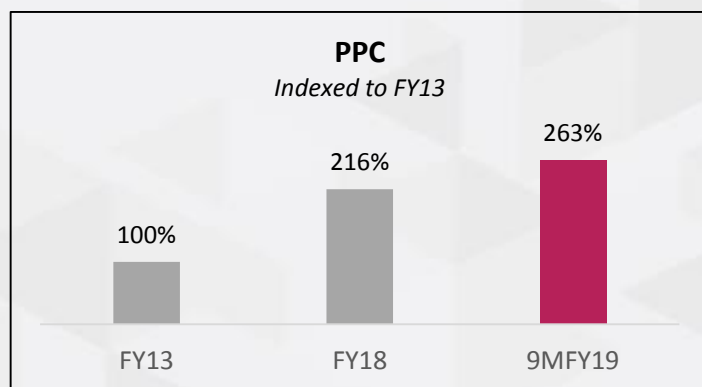
\* As on 31st Jan, CASA is CDAB and RTD is Month End Balances (MEB)

^ Branch area indexed to area till FY13, excludes unbanked branches

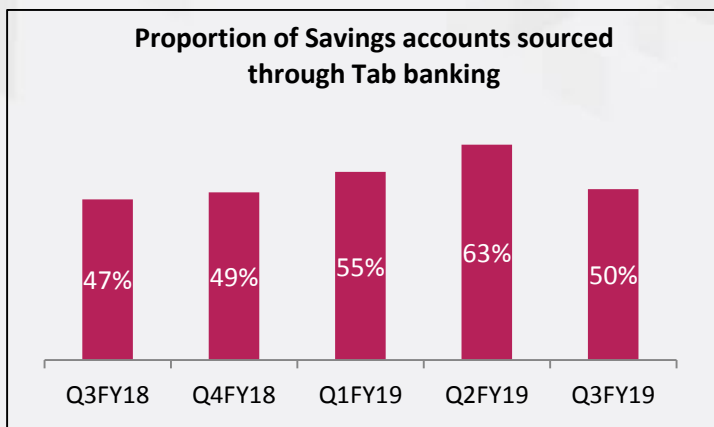
# Cross Sell and Digital remain the core of our growth strategy in Deposits

## Strategy elements that have worked well and would be strengthened further

- Increase products per customer (PPC)



- Invest in Branches
- Enhance digital experience and service delivery



## New elements of Strategy

### Shift focus from CASA to CASA+RTD

### SA growth

#### Segmented SA strategy

- Focus on Priority, Burgundy, NRI and Government savings

#### New engines for growth

- Scale up digital SA
- Leverage other platform businesses of the Bank

### RTD growth

- Increase penetration in existing SA base

### CA growth

#### Do more of the core

- Leverage Merchant Acquiring Business relationships
- Focus on government business

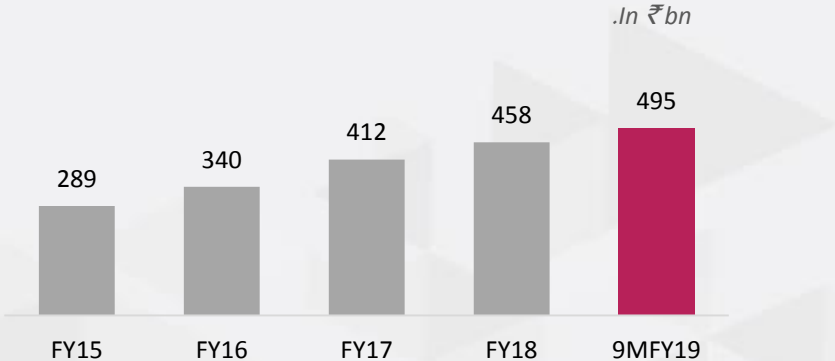
#### Digital

- Simplify onboarding and drive digital activations
- Embed Axis Bank in all digital payments of clients

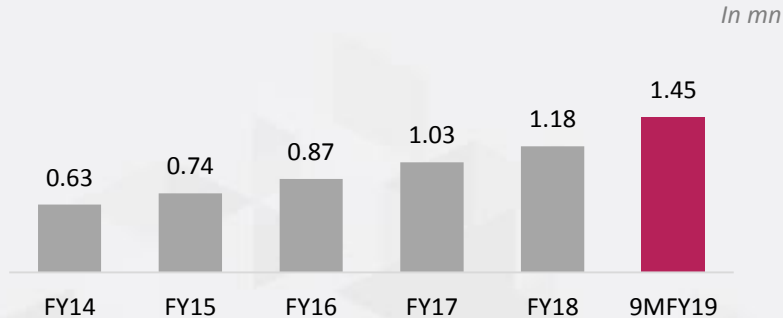
# Axis Bank is now amongst the leading players in the financial savings and investment industry



**Distributor MF AUM**

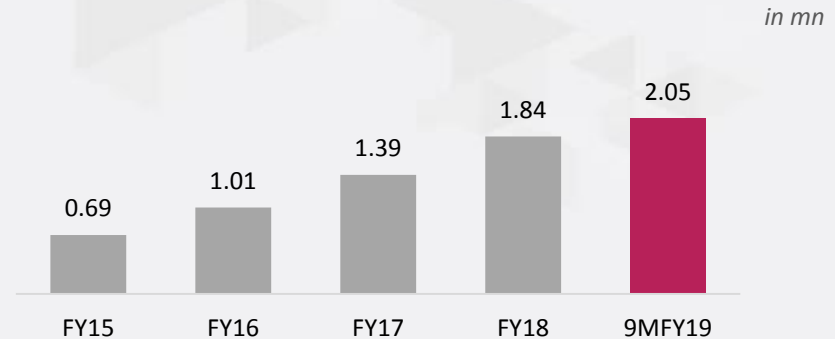


**MF customers**



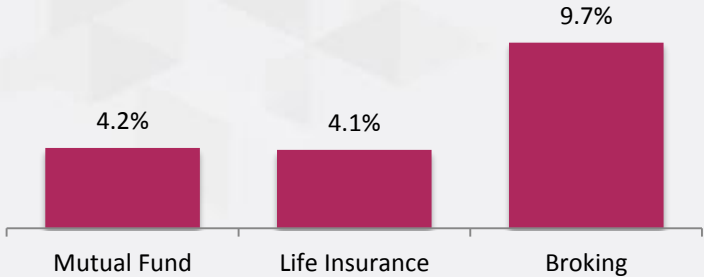
Source - MF Dex

**Broking customers**



**Huge Upside Potential**

Product Penetration within SA base remains low



As on 31<sup>st</sup> Dec'18

Investing in **digital channels**: Option to invest, redeem and manage portfolio through Mobile App, Internet Banking and RM tablets



## **Simplify Branch Banking**

- Streamline and strengthen processes across all branches
- Shift focus from CASA to CASA+RTD

## **New Customer Acquisition**

- Regular banking channels
- Leverage other platform businesses of the group

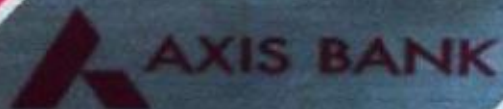
## **Cross Sell and deepening**

- Non-SA customers
- Focus on float business
- Increase share of RTD in existing SA base

## **Focus on scaling up digital origination of deposits**

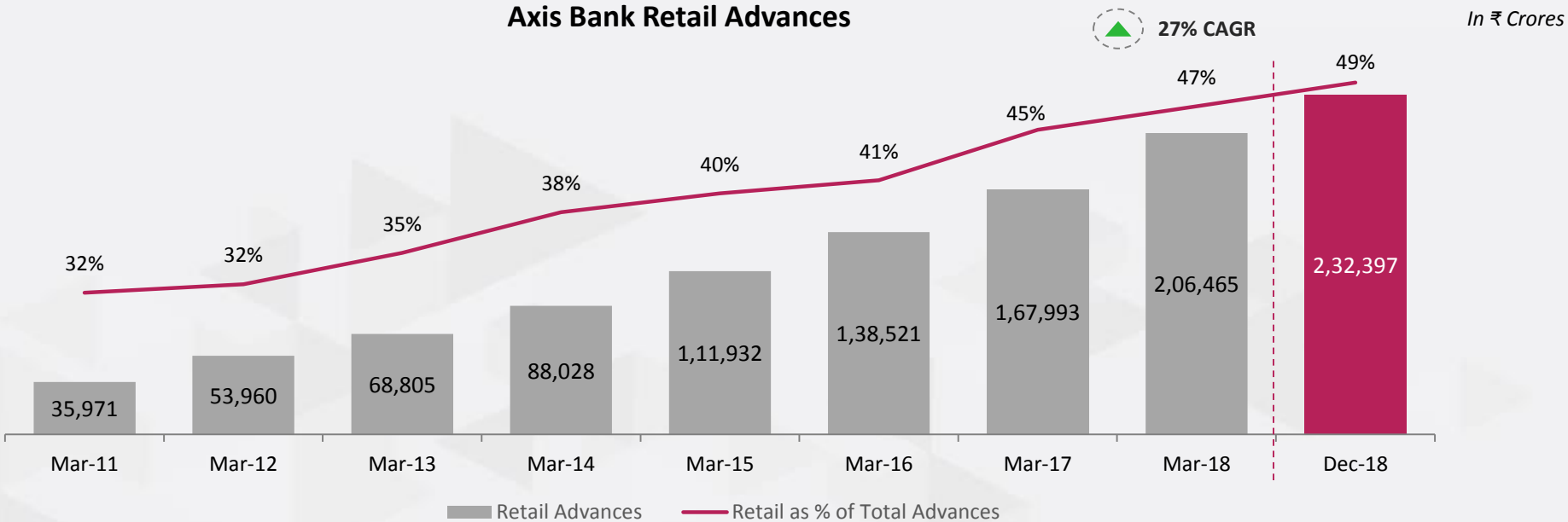
## **Focus on Government segment**





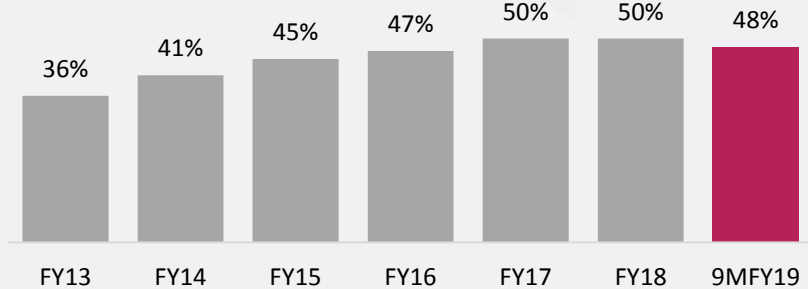
## Retail Lending

# Axis Bank has grown the Retail Lending portfolio steadily and strongly over the last decade



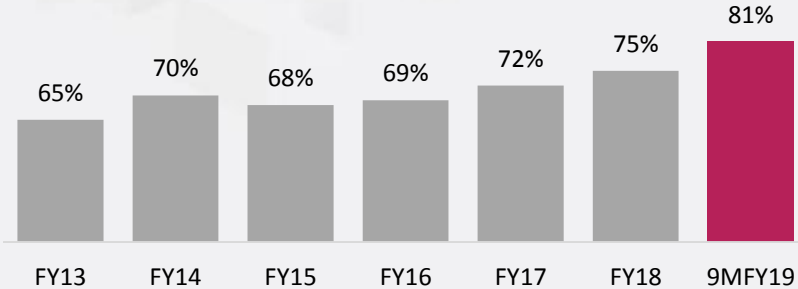
### Leverage Branch Channel

% Sourcing through branches



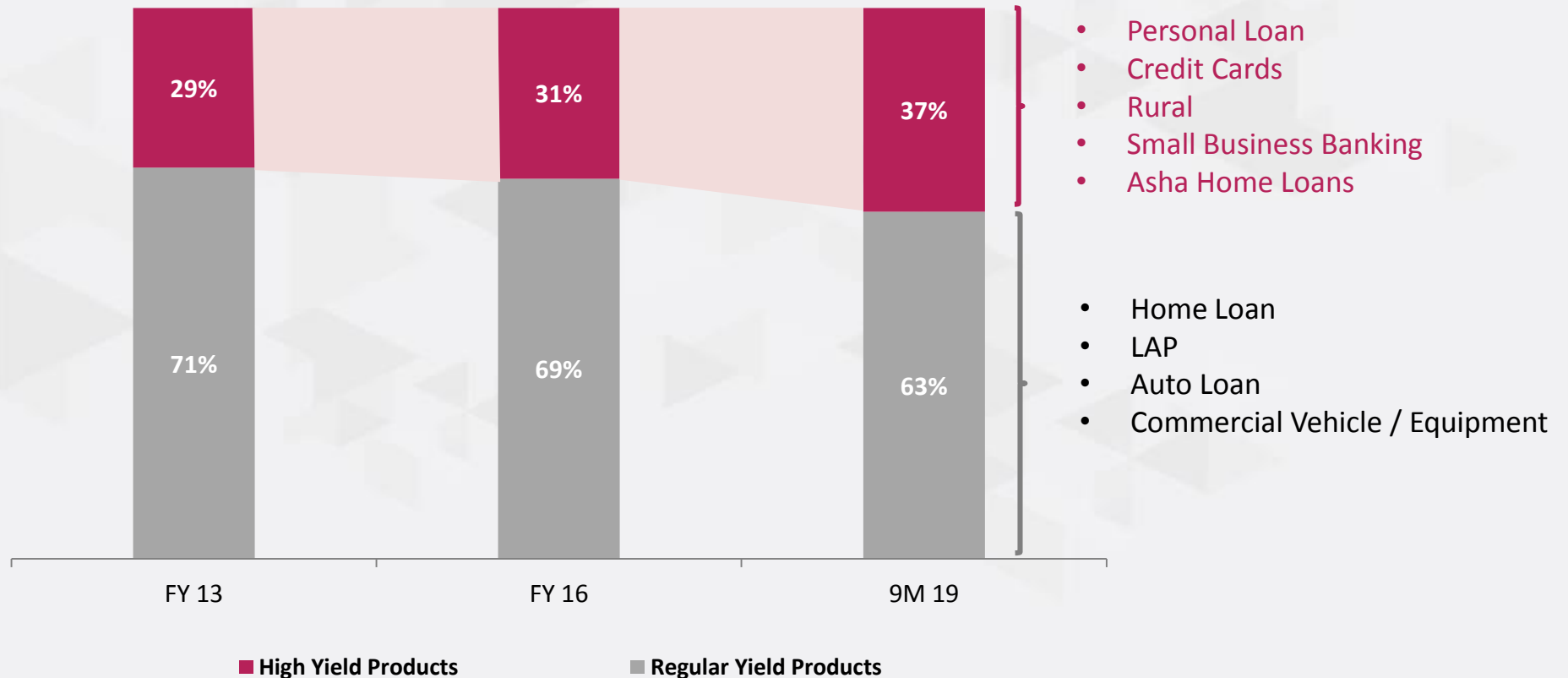
### Focus on cross sell

% Sourcing from existing deposit customers of the Bank



# The proportion of higher yielding Retail Lending products has consistently increased over the years

### Retail Lending Portfolio Mix



# Our Risk Management architecture in Retail works across three lines of defense

## Choice of business

### Portfolio Choice

- Enhanced Business Mix Control
- Customer type (ETB/ NTB)
- Channel (Branch / DSA/ Alternate)

**Key focus area:** Originate retail loans from existing deposit customers

## Core lines of defense

### Credit Models

**Key focus area:** Use of proprietary risk models

### Credit Policy

**Key focus area:** Low LTV\* and steady FOIR\* norms

### Monitoring

- Portfolio Mix
- Scorecard monitoring

**Key focus area:** Automated Early Warning Systems and Behaviour scorecards

## Final line of defense

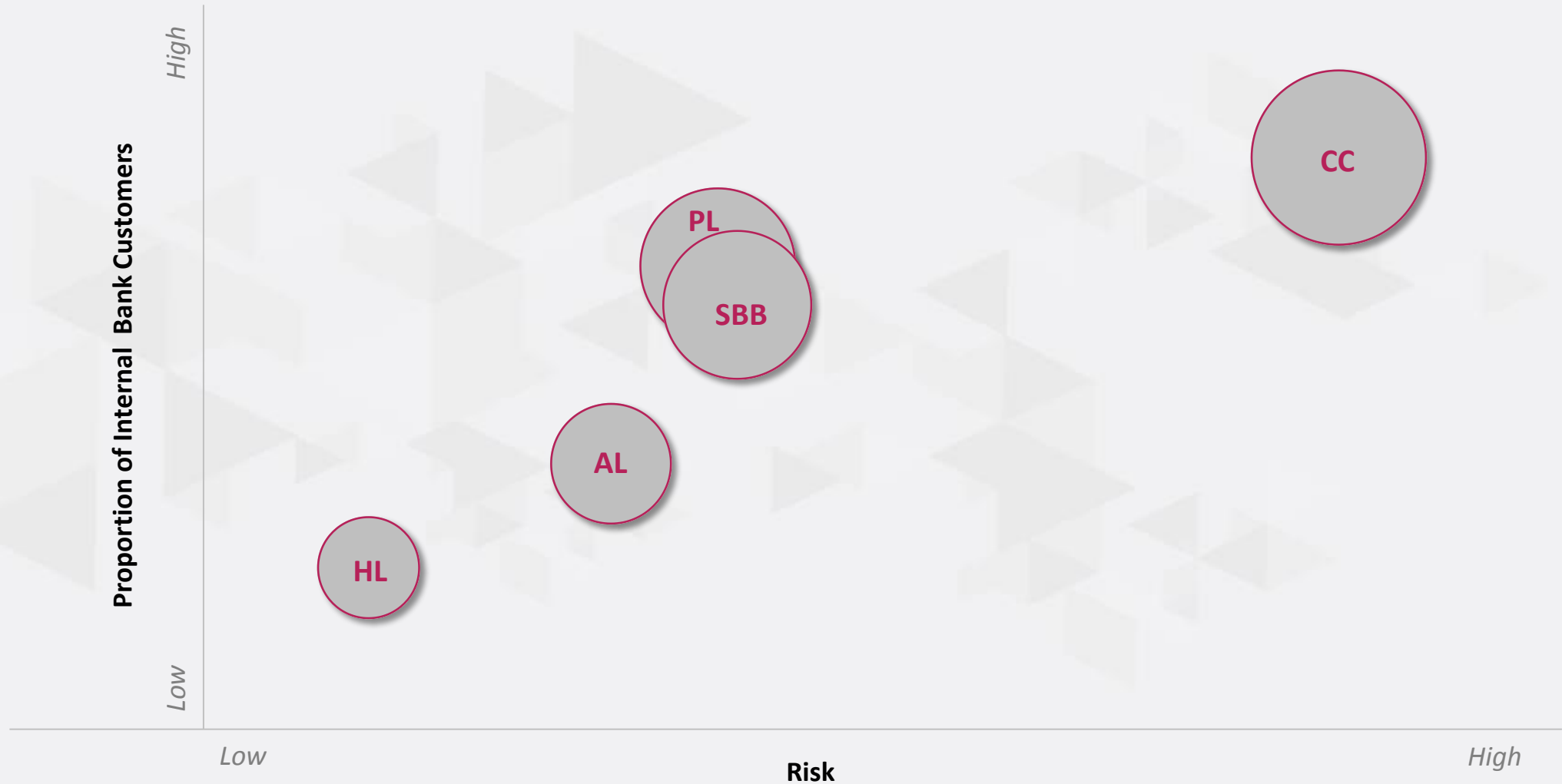
### Collections

**Key focus area:** Analytically optimized queuing strategy and channel selection

\*LTV – Loan to Value, FOIR – Fixed obligation to income ratio

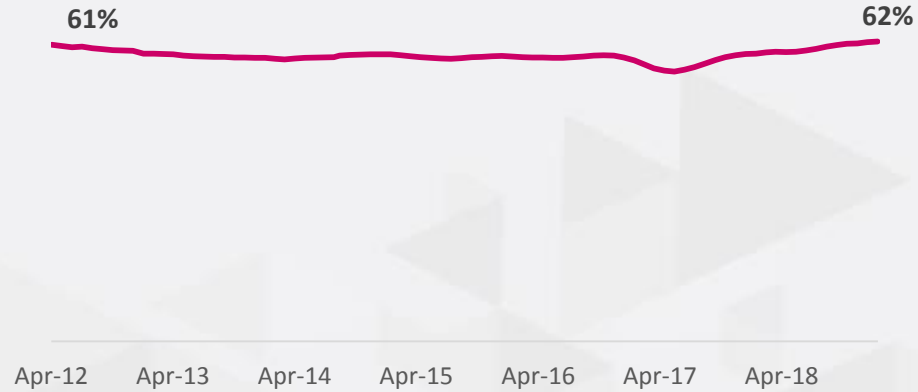
# Higher the risk of the underlying product, the higher is the Bank's reliance on internal deposit customers

Focus on deposit base is sloped positively with underlying risk of the product

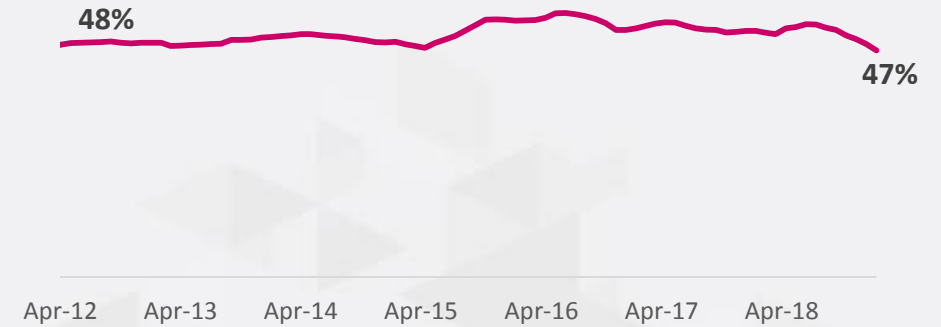


# The Bank has held steady low levels of LTV and FOIR for new originations

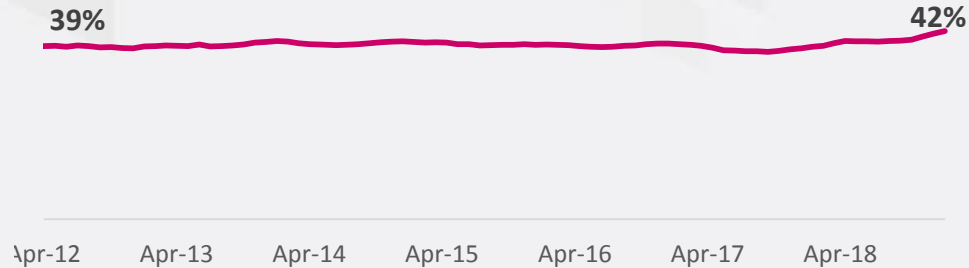
Average LTV – HL Sanctions



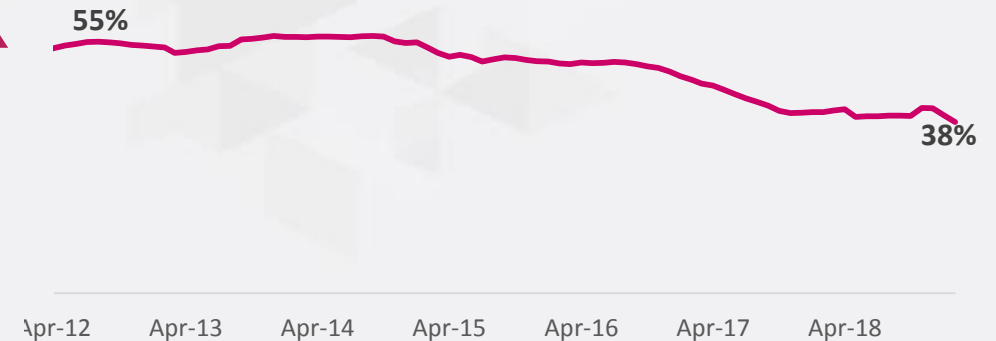
Average FOIR – HL Sanctions



Average LTV - LAP Sanctions



Average FOIR – LAP Sanctions



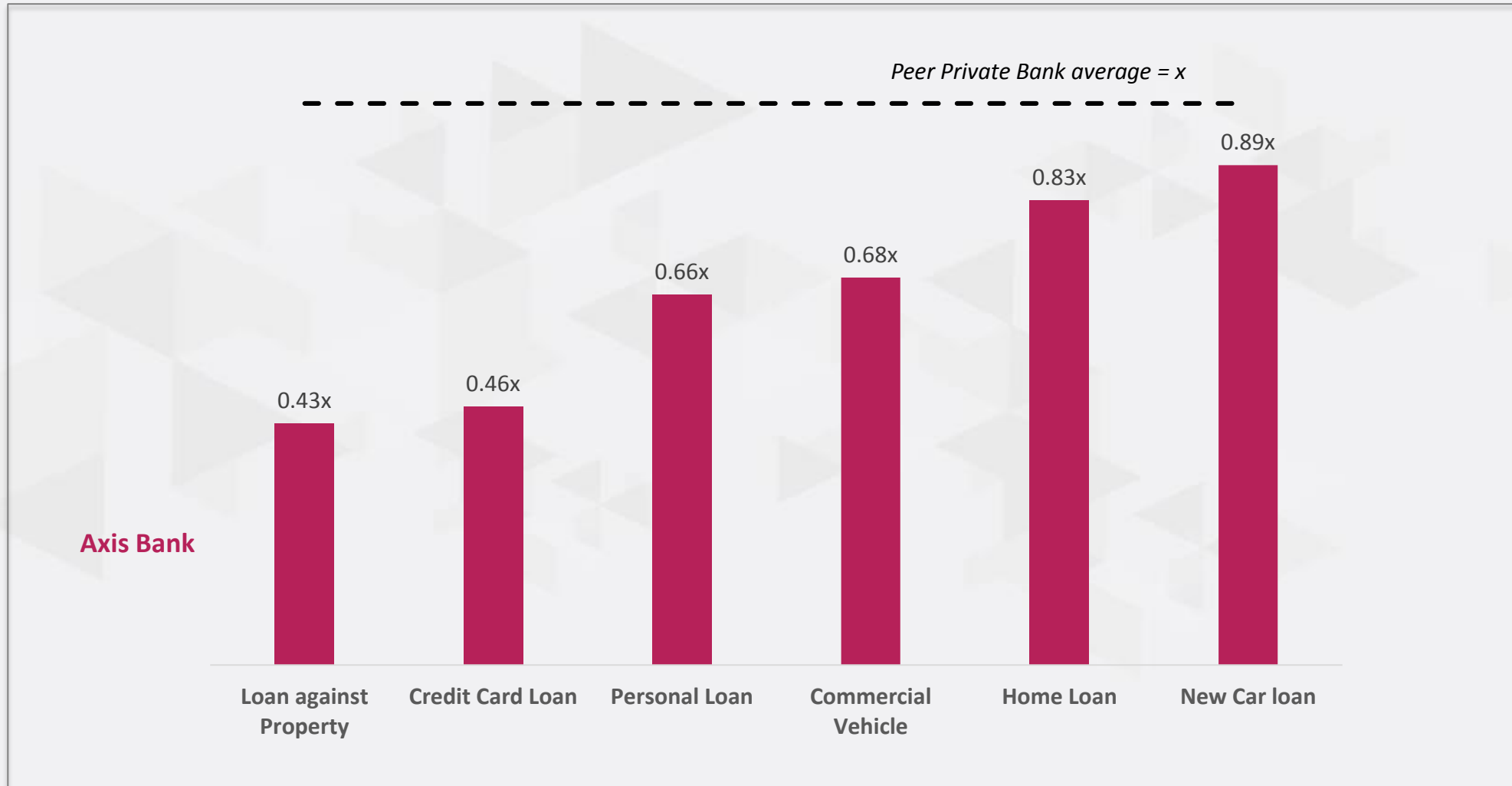
FOIR – Fixed obligation to income ratio

LAP – Loan against Property



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

## Delinquency benchmarking

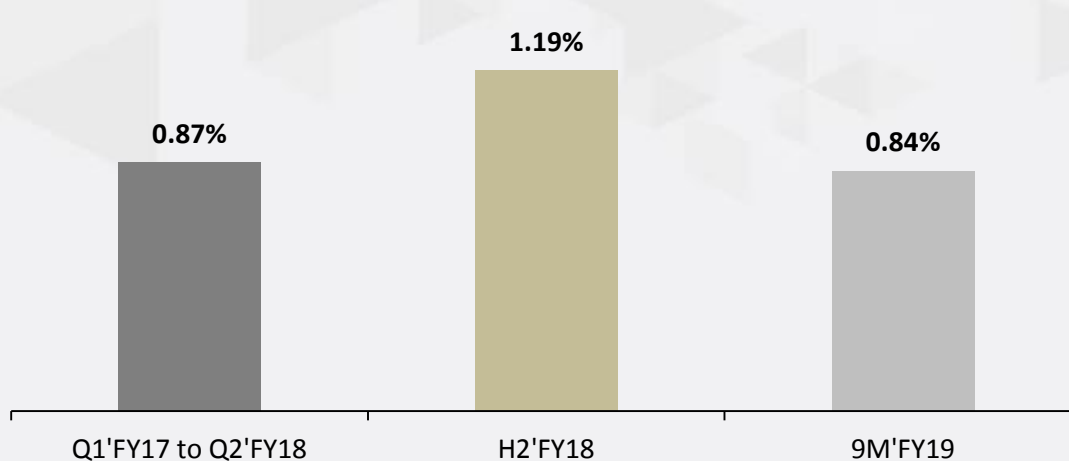


# The Bank adopts conservative NPA recognition and Provisioning norms in retail

## NPA recognition – Daily stamping

- In H2FY18, the Bank tightened its process for recognition of NPAs in the retail segment
- This move to a more stringent daily NPA recognition has resulted in elevation of gross slippages since Q3FY18
- The increase in net slippages has been modest and has since then stabilized.

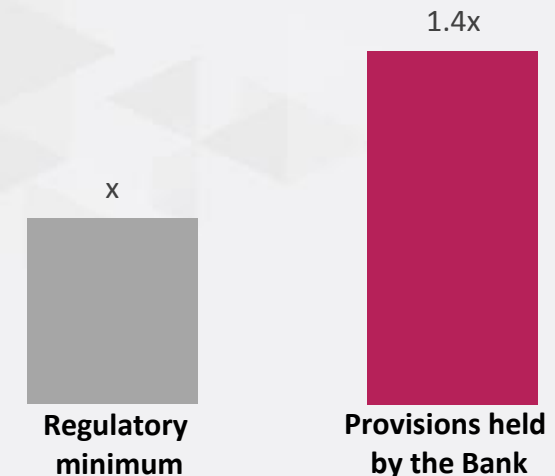
### Net Slippage Ratio in Retail – Impact of Daily Stamping



## Provisioning policy on Retail NPAs

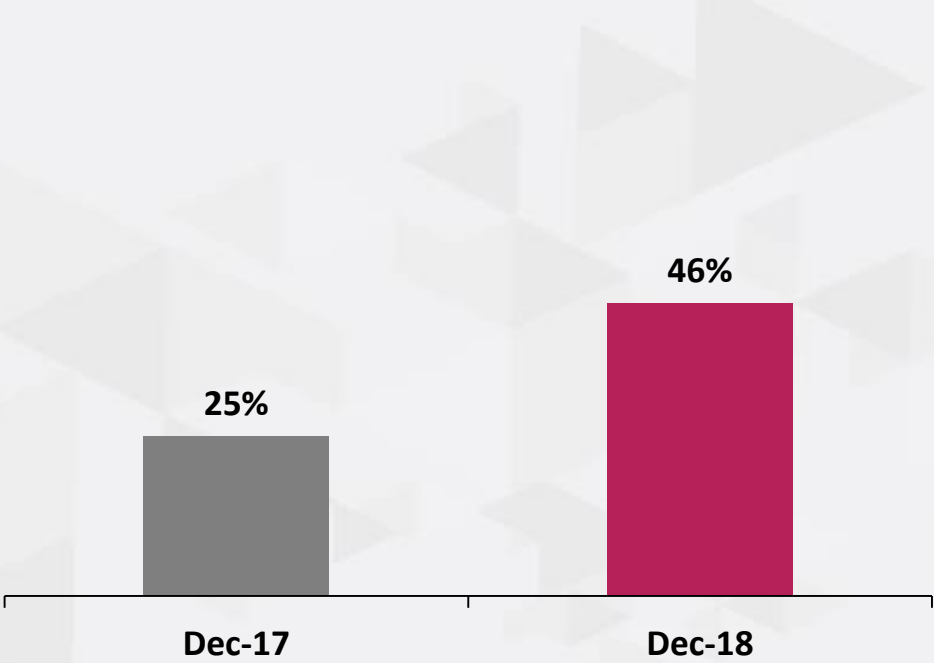
- The Bank has adopted a provisioning policy more stringent than minimum RBI requirements
- This results in a higher level of provisions than the regulatory minimum

### Provisions held by the Bank in Retail

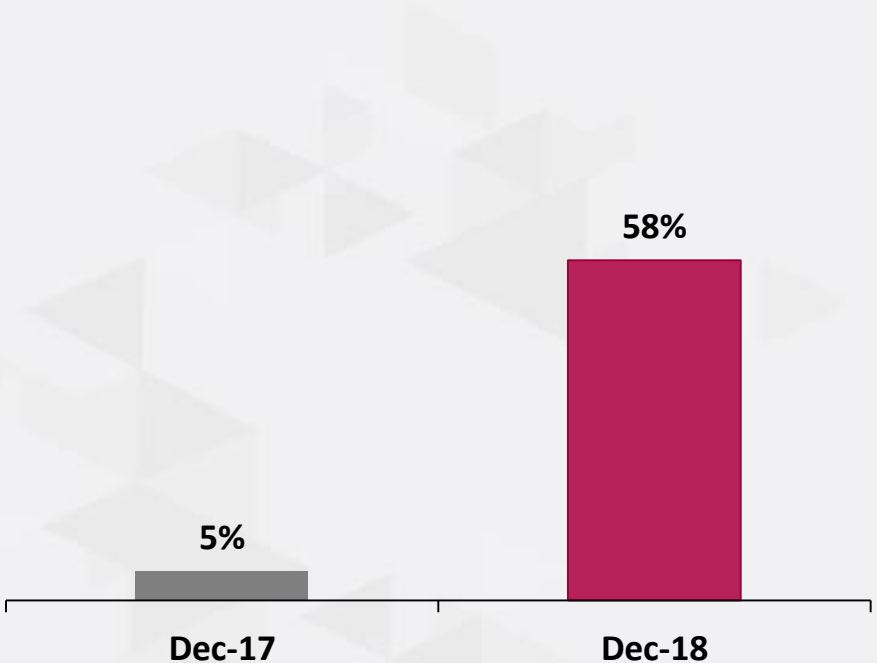


# Digital is becoming increasingly important as a source of account origination in Retail Lending

**% Contribution of digital lending in Personal Loan**



**% Contribution of digital lending in Business Loan**



# Developments in key businesses



## Home Loan

We are seeing a lot of buyer interest in the affordable and budget homes segment

Consumer's preference is towards fully constructed properties

Incremental yields have improved over the last 6 months



## Loan against Property

Competition intensity has come off in the past few months on account of slow down by HFC/NBFCs

Balance Transfers have come down

Incremental yields have improved over the last 6 months



## Auto Loans

Auto loans segment is now dominated by banks

Consumers are doing a lot of research online before finalizing their choice

Used car loans eco system is gradually moving to a more organized set-up

Sector

Axis Bank

Asha Home Loans has crossed Rs.5000 crores portfolio

2/3<sup>rd</sup> of our incremental home loans are for ready and resale properties

2/3<sup>rd</sup> of our incremental home loan sanctions are for loans less than Rs 30 lacs

73% of our LAP portfolio comprises of the Bank's existing deposit customers

50% of our LAP is originated from the branches

We have maintained consistent LTV of ~40% for our LAP portfolio

Continue to see healthy growth driven by increased bank branch originations from the branches

Used car now contributes 15% of the incremental originations

Cost of acquisition is coming down on account of change in channel mix

# Developments in key businesses



Sector

Axis Bank

 **Personal Loans**

Personal Loans segment is dominated by banks

High percentage of incremental originations are coming from existing customers for the industry

Analytics being used extensively to offer Personal Loans

100% of the PL portfolio comprises of salaried customers

92% of incremental originations is from existing deposit customers of the Bank

End to end paperless underwriting capabilities contributing 50 % of the incremental disbursements

 **Small Business Banking**

Huge potential in MSME segment

Significant competition from banks and NBFC's

Digital foot prints are on the upswing

58% of incremental Business loans are end to end digital

~81% of the incremental originations from existing deposit customers of the Bank

Average ticket size of the portfolio at Rs.18 lacs

 **Rural Lending**

Healthy traction in some of the rural segments – farm equipment, microfinance, agri value chain

Sharp fall in the commodity business

Credit culture impacted in the farmer loan segment due to loan waiver announcements

Witnessing robust growth in farm equipment, micro finance and rural MSME segments

Offer rural loans from more than 551 districts

Rise in farm loan NPAs for industry and Axis Bank

## **Continue Core Strategies that has worked well:**

- Sourcing from existing deposit customers.
- Analytics driven underwriting Strategies.
- Leverage branches for Sourcing

**Expand cross-sell strategy to cover entire Axis franchise.**

## **Invest heavily in digital originations :**

- Deliver customer experience
- Continuously decrease cost of acquisition.

**Accelerate growth in identified new areas of focus**

- Small Business Banking
- Affordable Housing
- Personal Loans

**Launch new businesses to cover product white spaces.**

**Continue to focus and sharpen risk tool kit to deliver outperformance**



**AXIS BANK**

# Cards and Retail Payments



# Payments businesses play four important roles in a Bank's strategy

## 1 Face of the franchise



## 2 Increasing customer engagement

- Higher credit and debit card usage leads to higher balances in customers' CASA accounts
- Merchant acquiring business brings engaged CA clients with high levels of activity and balances

## 3 Driving profitability

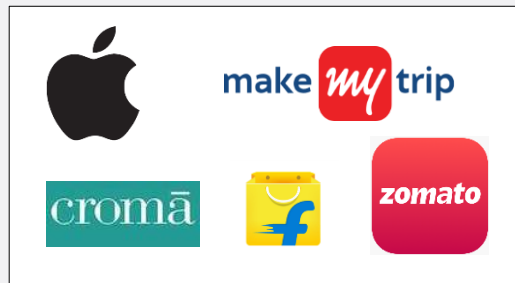
- Highest penetration among all the Bank deposit customers leading to deepening
- Granular retail businesses with predictable revenue and profit streams
- Among the highest return generating businesses

## 4 Driving partnerships

### Cobranding



### Usage



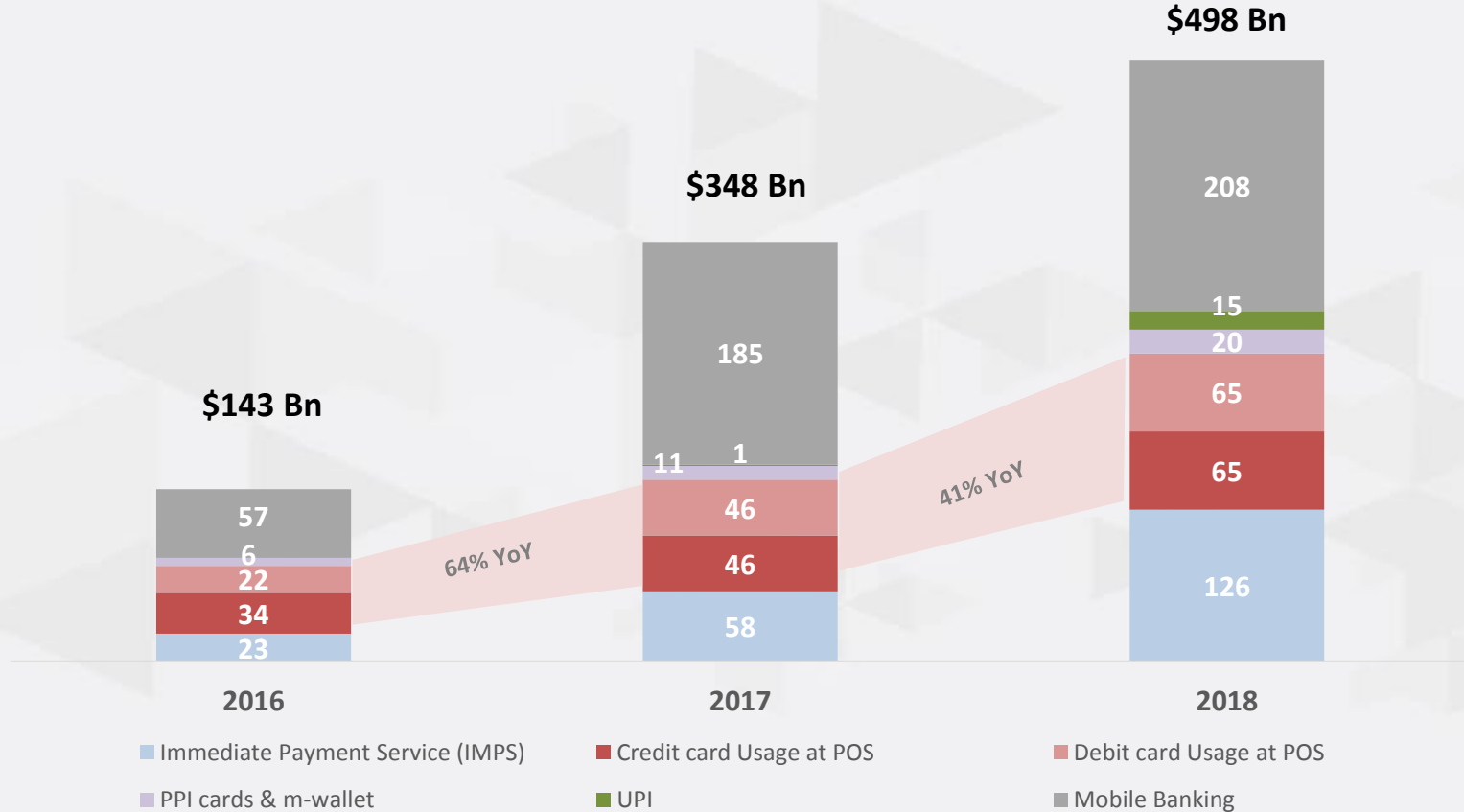
### Unified Payments Interface



### Merchant Acquiring Business



# Retail electronic payments in India are growing at a tremendous pace, which has rubbed off positively on cards businesses

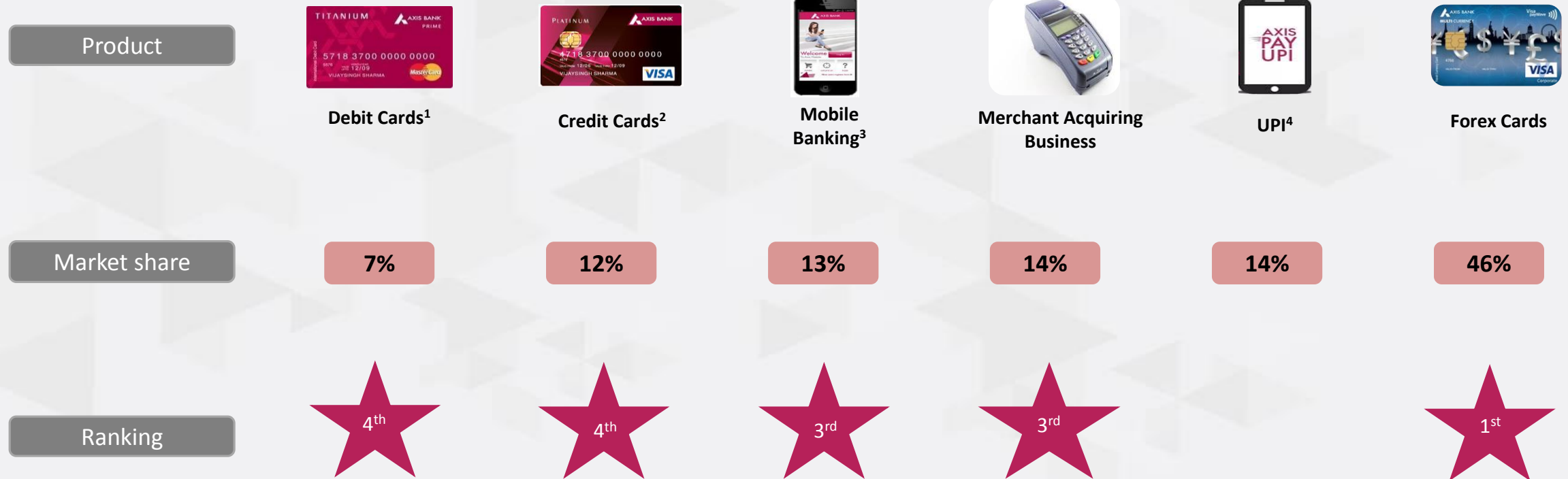


While cards have led the payments in US and wallets have dominated the payment space in China, the payment industry in India can take a very different route.

\* Excluding PPI Wallets. Source: RBI, NPCI, All values in \$Bn

# Axis Bank has a strong market position across most digital products **AXIS BANK** 25 years of progress

## Axis Bank Market Standing Across Products



Source: RBI Jan 2019, Internal Data

1 – based on card transaction volumes at point of sale terminals ; 2 – based on cards issued

3 – based on volumes (RBI Sept. 2018 data), 4 – market share based on volumes, ranking data not available from authenticated sources

# Our Credit Cards business has grown strongly in the last 5 years and is now the 4<sup>th</sup> largest in the country

## Featured Cards



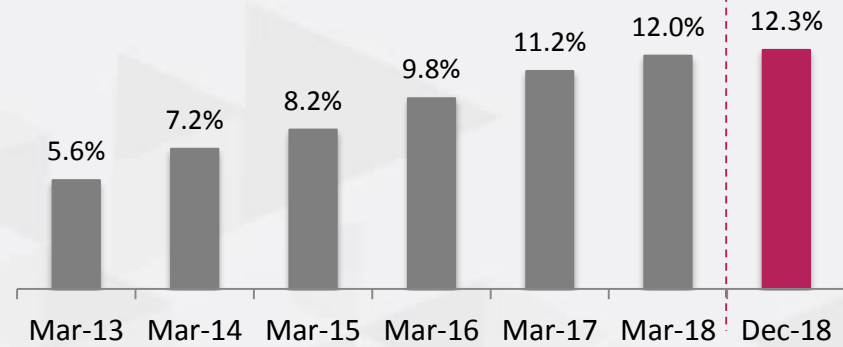
## Co-branded Cards



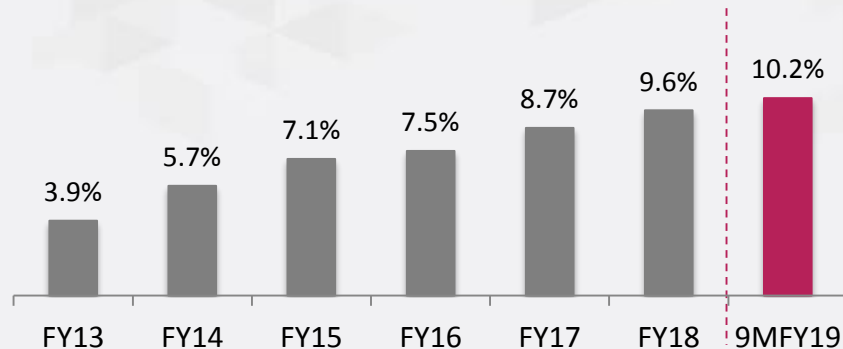
## Premium Cards



## Credit Cards in Force – Market Share\*



## Credit Cards Spends – Market Share



Market share has more than doubled over the last 5 years

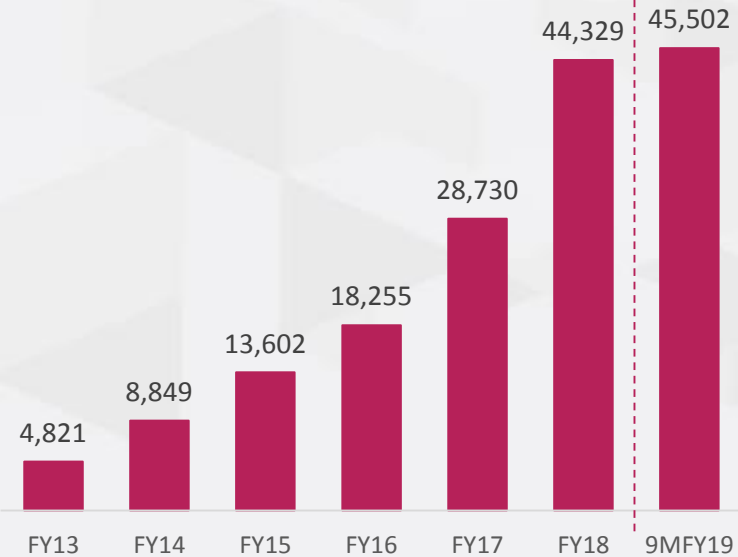
Source: RBI Data Reports | \*Market share as of the year ending period

# Cards business has delivered consistent strong growth ...

All figures in ₹ Cr

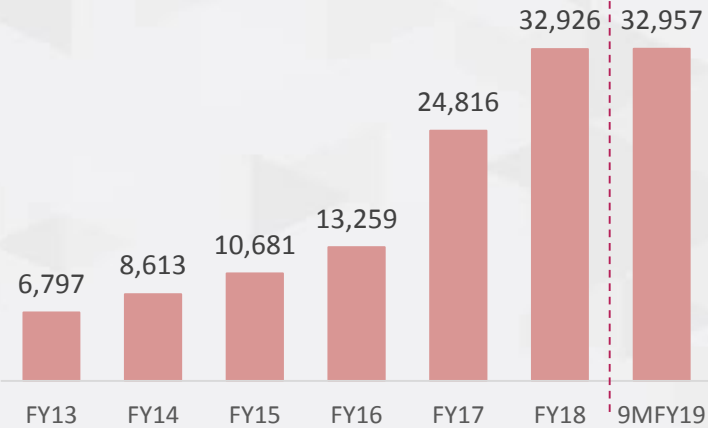
## Credit Cards Spends

▲ 41% CAGR\*



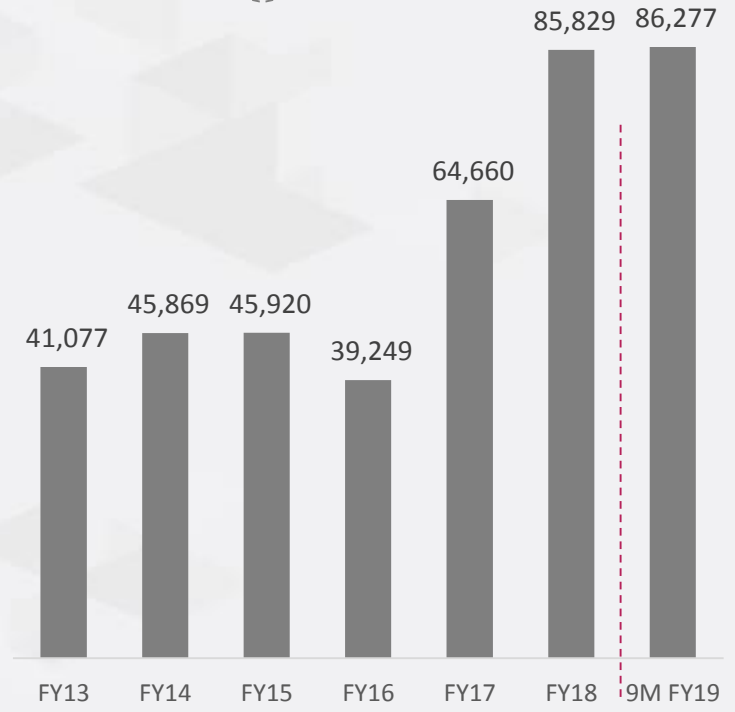
## Debit Cards Spends

▲ 33% CAGR\*



## Merchant Acquiring Throughput

▲ 14% CAGR\*

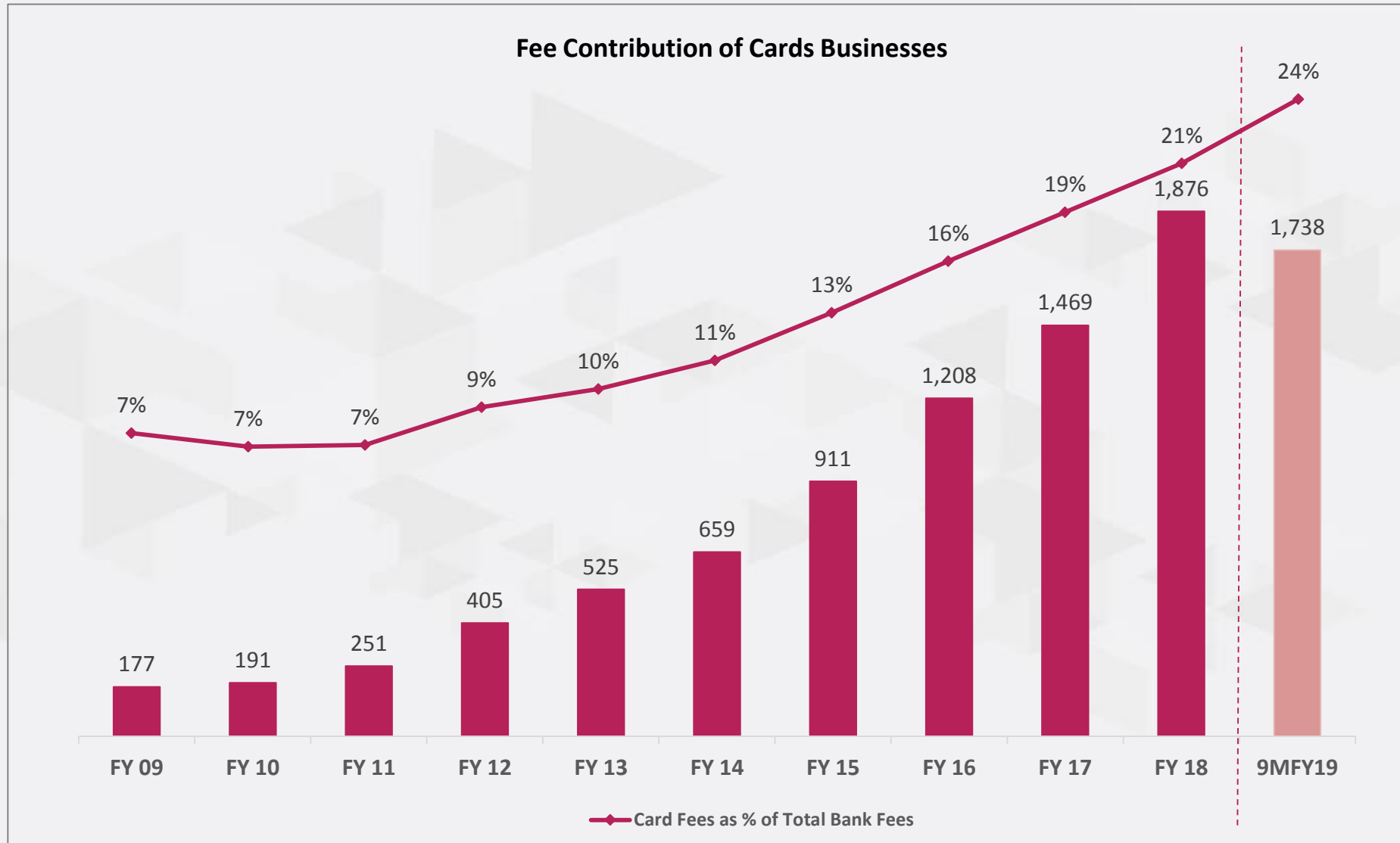


On track to see over ₹2 lakh crore of cards spends going through Axis Bank cards network in FY19

\*CAGR calculated for period FY14 to 9MFY19

...which has resulted in strong fee income contribution over the years

In ₹. Cr



# The Bank has been a leading innovator in payments use cases

## Innovation



### Underwriting & Acquisition

- Ability to underwrite new to bureau customer – 55% of them in portfolio
- Tab based sourcing since 2015



### Issuing

- Instant Credit card since Aug 2018
- Leading player in contactless payments – 6.5X growth in 10 months



### Merchant Acquiring Business

- Single integration for various payment modes like Cards, QR, etc
- Designed for Physical (UNIPoS) and Digital world (UNIPG)
- Bharat QR: India's first of its kind in-home "smart bill pay initiative"



### Unified Payment Interface:

#### 1<sup>st</sup> Indian Bank

- to launch UPI SDK – Taxi aggregators
- to launch UPI @ POS - Launched with Future Group
- to create API based integration architecture for partner payment Apps



### Transit

- Bangalore Bus – Partnership with BMTC
- Transit solutions deployment for Raipur Smart City in progress

## Business Value

Ability to card outside tier 1: 60%+ of cards issued outside tier 1 markets

Driving instant card delivery & digital adoption - significant driver of 'digital native' customers' experience and behaviour

Ability to add features to terminal and service remotely - capability, cost and service re-engineering

Preferred partner of choice for large payment apps and merchants

Kochi metro - India's first open loop, inter modal transit solution

# Ambition to scale the leadership charts while following prudent risk management



## CIF Growth#

Industry : 19% *Top 3 banks*

- HDFC – 20%
- SBI – 23%
- ICICI – 14%

**Axis Bank 33%**

## Spends Growth##

Industry : 25% *Top 3 banks*

- HDFC – 24%
- SBI – 38%
- ICICI – 25%

**Axis Bank 41%**

## Mobile App Penetration\*\*

**53%** Customers on mobile app

**29%** Higher\* activity  
**129%** Higher\* spends/month

## Technology as Business Enabler

- Drive higher Straight through process & re-engineer costs
- Reduce friction from customer experience through value chain from card application to usage & service

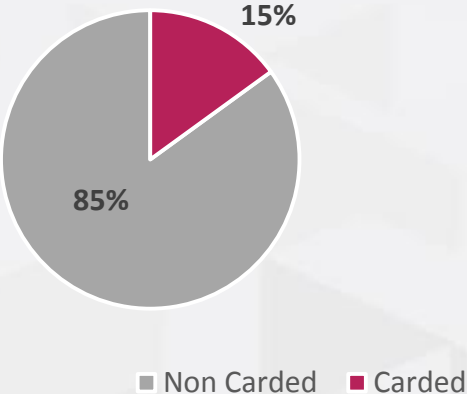
# CAGR calculated Dec18 over Mar14  
 ##CAGR calculated 9MFY19 over FY14

• versus those who don't use mobile banking  
 \*\* In the Bank's Credit Card customer base



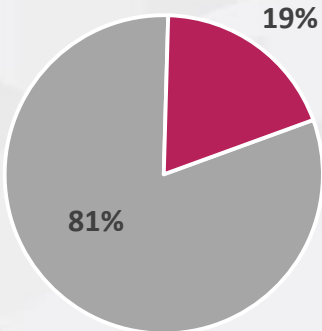
# Significant headroom remains for continuing our strategy of acquiring cards customers from the Bank's deposit base

Penetration of credit cards in the Bank's savings account customer base has been increasing...



2016

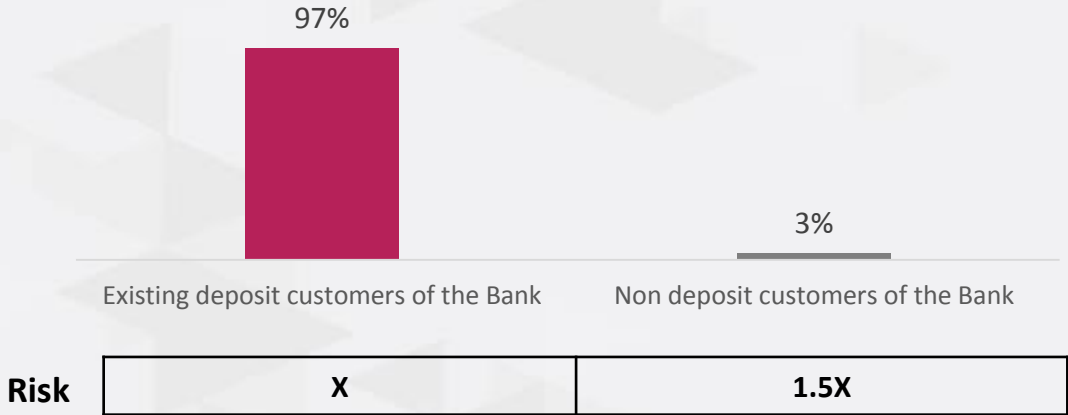
Saving Account customer base = 18.1 million



2019

Savings Account customer base = 22.5 million

...with lower risk levels



Risk	X	1.5X
------	---	------

\*SA Base excludes ASAP account

## Expanding the acquisition funnel

- Cross sell to multiple customer bases within the Bank
- Invest in significant new partnerships for future expansion

## Leverage digital to deliver instant solutions

- Cards onboarding
- Merchant onboarding
- Service

## Optimize portfolio profitability and reduce risk

- Upgrades
- Activity rates
- Portfolio actions

## Transform “initiatives” to “businesses”

- UPI
- Transit

End of Deck



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.