



## Investor Presentation

April 2016



# 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.

# Contents

## Key Macro Trends

- Inflation and Rate environment
- Sectoral Credit and Deposit metrics

Business Model & Strategy

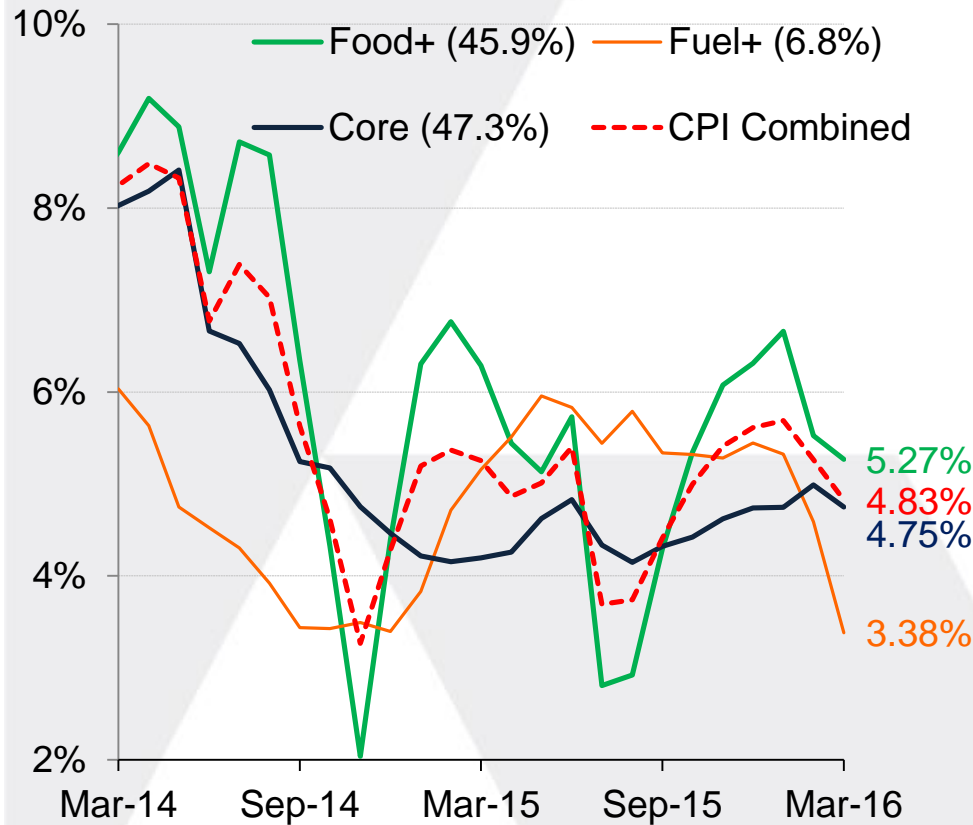
Financial Snapshot

Corporate Lending Watch List

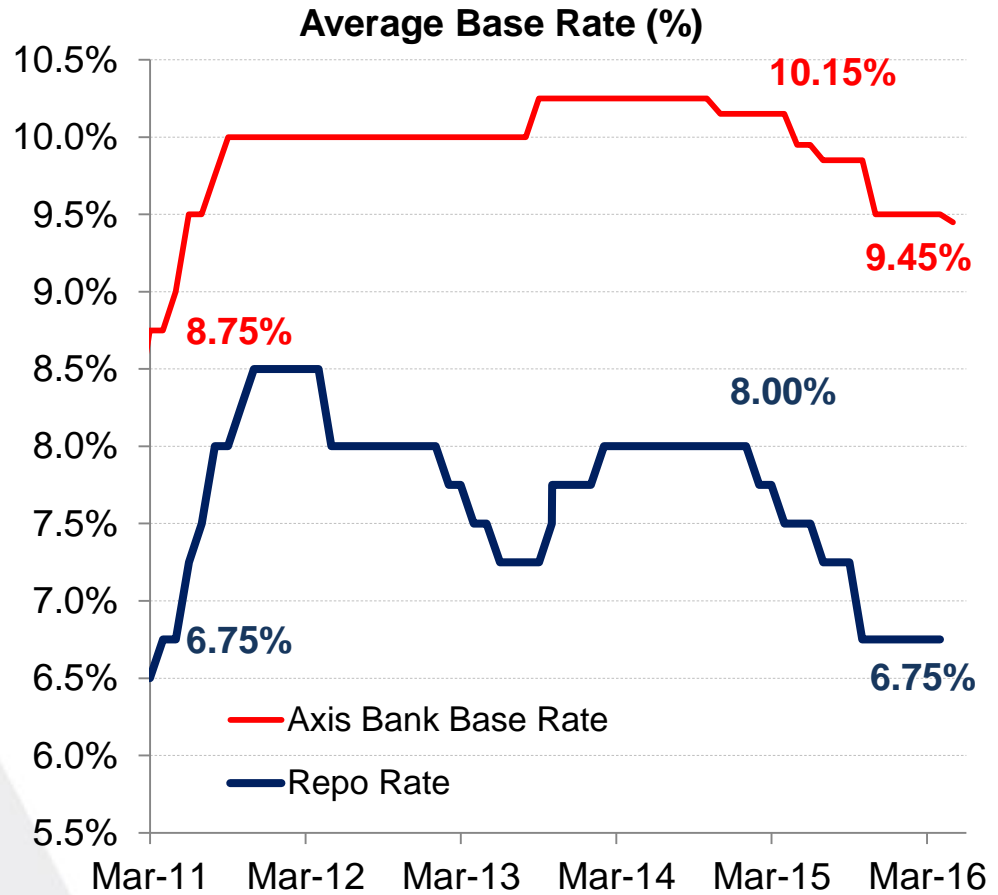
# Benign inflation trends have created room for monetary easing

Inflation of 4.9% in Mar-16 significantly lower than 8% + around Mar-14

125 bps cumulative rate cut by RBI in 2015 responded with significant transmission of 65 bps by Axis Bank

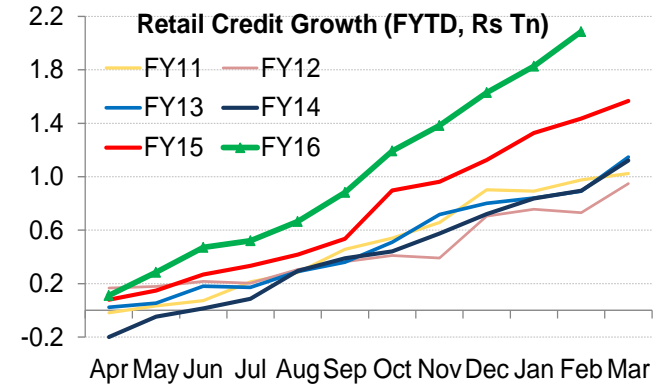
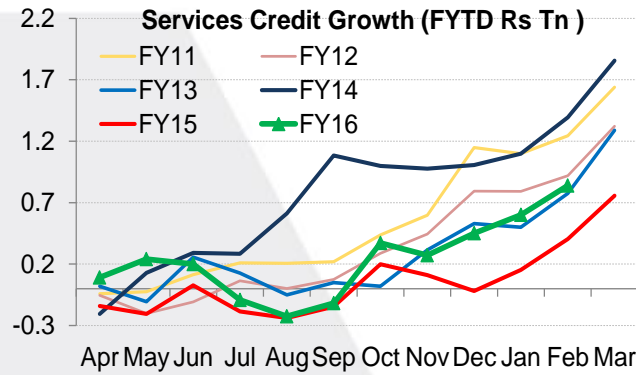
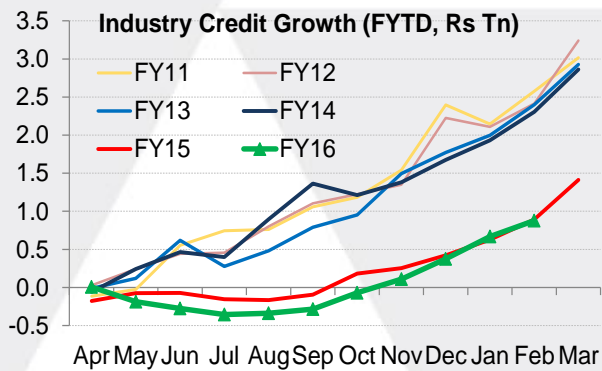
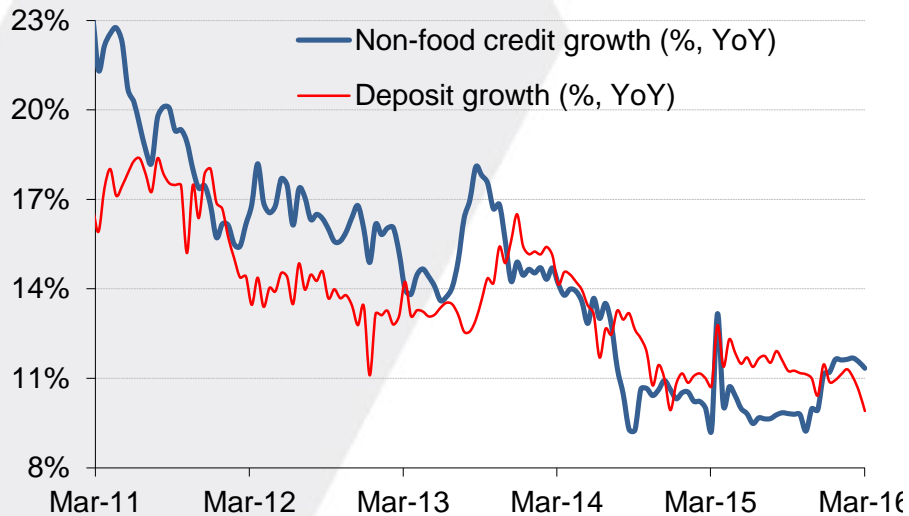


Source: RBI, MOSPI, Axis Bank Research



## Sector Credit and Deposit performance has improved recently

- Non-food credit growth has revived to ~11%
- Deposits growth has declined to sub-10%, partly attributed to significantly large increase in cash in circulation (CIC)
- Sectorally, the credit story is all in Retail as FY16 credit driven by Agri and Retail
- Industry witnessing pickup in off-take in H2FY16
- Retail growth strong, at ~19% YOY, led by unsecured lending and housing



# Contents

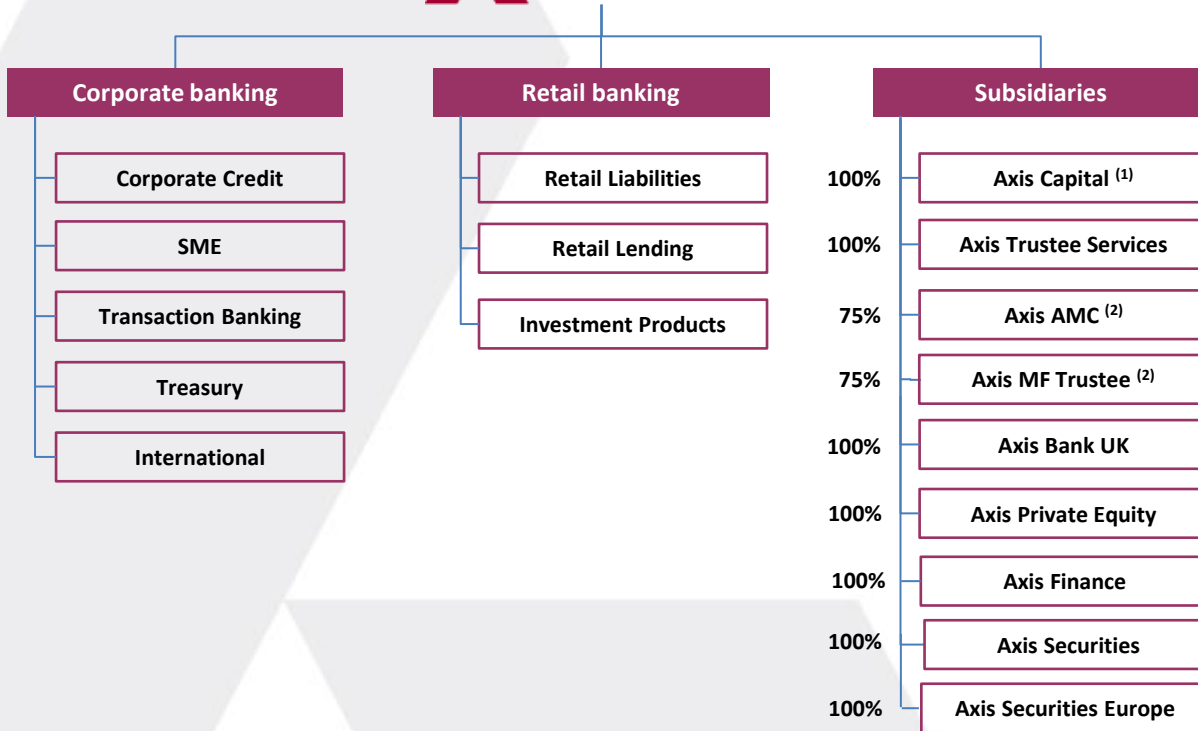
Key Macro Trends

Business Model & Strategy

Financial Snapshot

Corporate Lending Watch List

# Leading Universal Banking Franchise

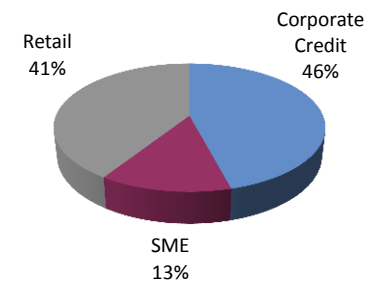


## Snapshot (As on March 31, 2016)

Key financials	₹ bn	US\$ bn
Total Assets	5,255	79
Net Advances	3,388	51
Total Deposits	3,580	54
Net Profit (FY16)	82	1.2
Shareholders' Funds	532	8.1
Market Capitalisation <sup>(3)</sup>	1110	16.8
ROA (FY16)	1.72%	
ROE (FY16)	17.49%	
Net NPA Ratio	0.70%	
Basel III Total CAR	15.29%	
Basel III Tier 1 CAR	12.51%	

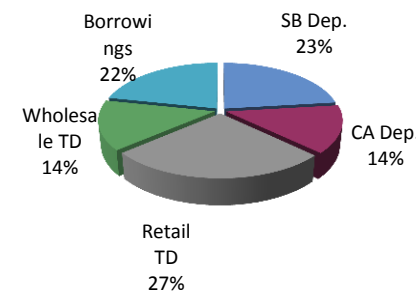
- Diversified business mix with universal banking operations
- Growing customer franchise with nearly 17 million Savings Bank accounts <sup>(4)</sup>
- Pan-India distribution network of 2,904 branches and 12,743 ATMs <sup>(4)</sup>
- Stable asset quality underpinned by strong risk management framework
- Thrust on efficient capital management

## Segmental Advance Mix



Total: ₹3,154 bn

## Liability Mix



Total: ₹4,303 bn



<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 Schroders plc; <sup>(3)</sup> As on 27<sup>th</sup> April 2016 based on NSE closing price; <sup>(4)</sup> As on March 31, 2016 and number of branches include extension counters; (Note: Exchange rate of 1 USD = ₹66.255 based on the FEDAI exchange rate as on March 31, 2016.

# FY16 Key Highlights

## Strong Retail Franchise

- Retail franchise continues to show healthy traction
  - CASA Deposits grew 17% YOY and stood at 47% of Total Deposits, CASA and Retail Term Deposits constituted 81% of Total Deposits
  - Savings Deposits in Q4 grew 20% YOY, while Retail Term Deposits grew 14% YOY
  - Retail Loans grew 24% YOY and accounted for 41% of Net Advances

## Robust Distribution Network

- Domestic branch count at 2,904 including extension counters in 1,855 centres across the country
- Opened 315 new branches in FY16 up from 187 in FY15
- One of the largest ATM networks in the country with 12,743 ATMs and 1,146 cash recyclers

## Stable Earnings Profile

- Core Operating Revenue grew 16% YOY, stood at ₹247 bn
- Core Operating Profit grew 21% YOY, stood at ₹146 bn
- Return on Assets was 1.72% and Return on Equity stood at 17.49% for FY16

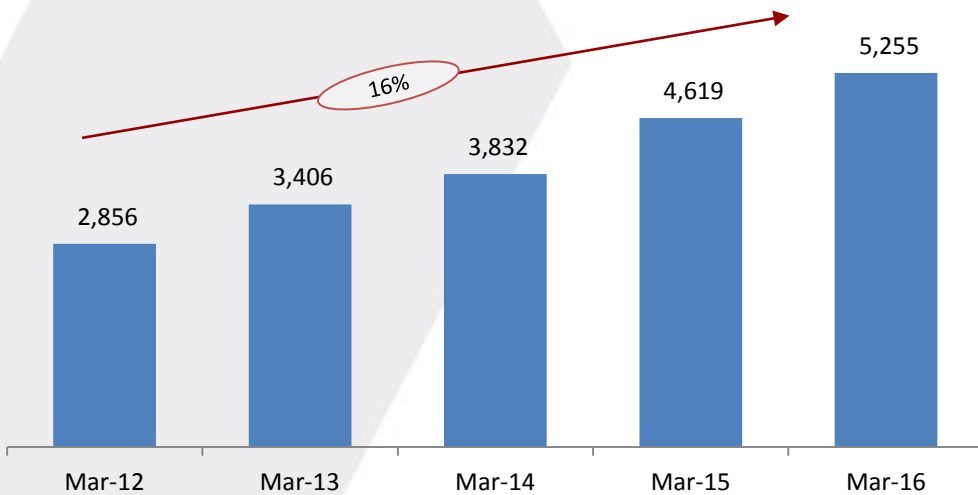
## Efficient Capital Management

- Well capitalised & continue pursuit of optimal capital allocation
  - Basel III Tier I CAR of 12.51% and Basel III Total CAR of 15.29%

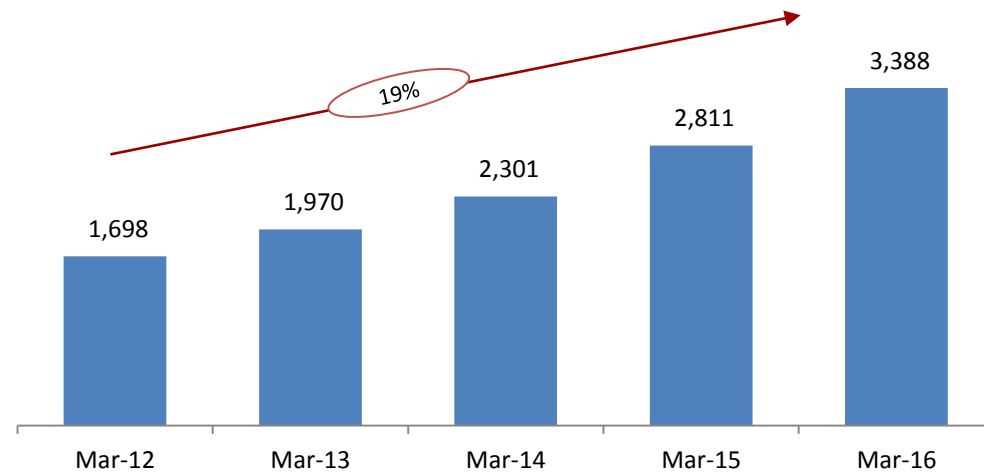


# Consistent Growth across Business Metrics...

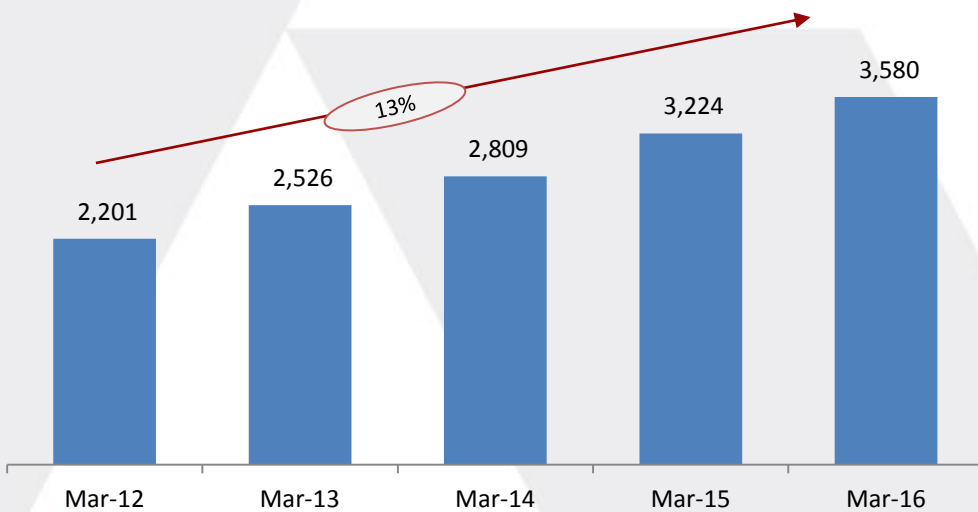
## Assets



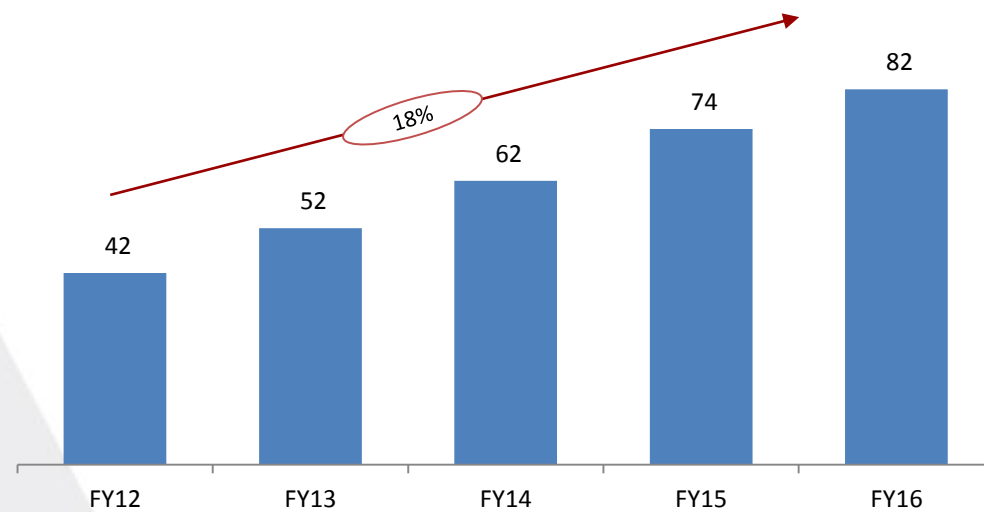
## Advances



## Deposits



## Net Profit

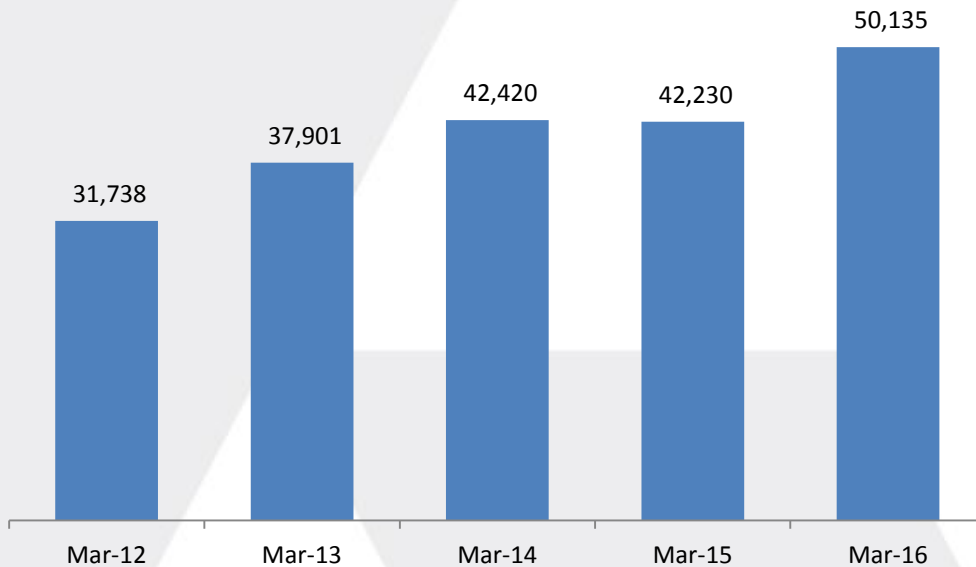


Note: All figures in ₹ bn

CAGR  
(FY'12-FY'16)

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

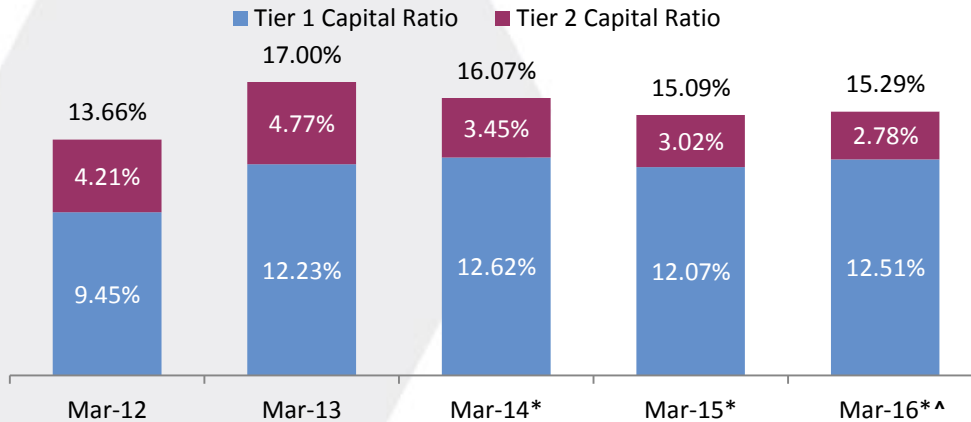
Number of Employees



- 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
  - Ideal platform for employees
  - Mentorship programme
  - Platform for senior managers to share strategic direction

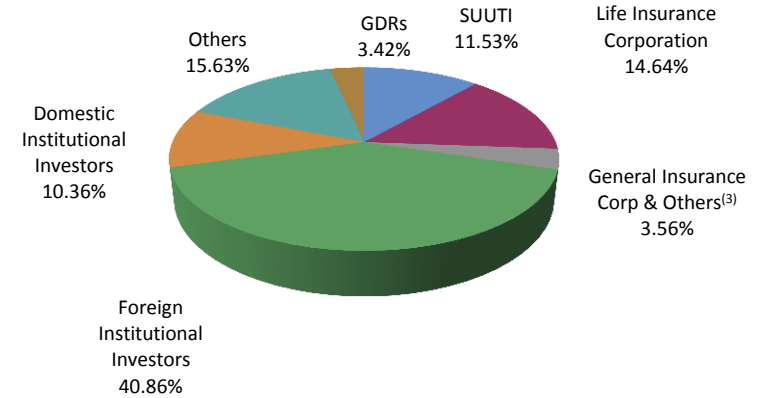
# Healthy Capital Profile & Stable Shareholder Returns

## Capital Adequacy



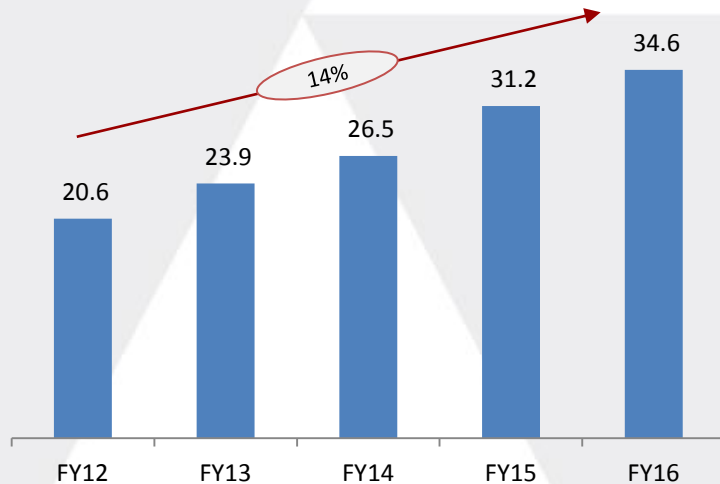
Note: \* Capital Adequacy ratios as on Mar-14, Mar-15 & Mar-16 are computed based on Basel III norms & not comparable with previous year ratios.

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



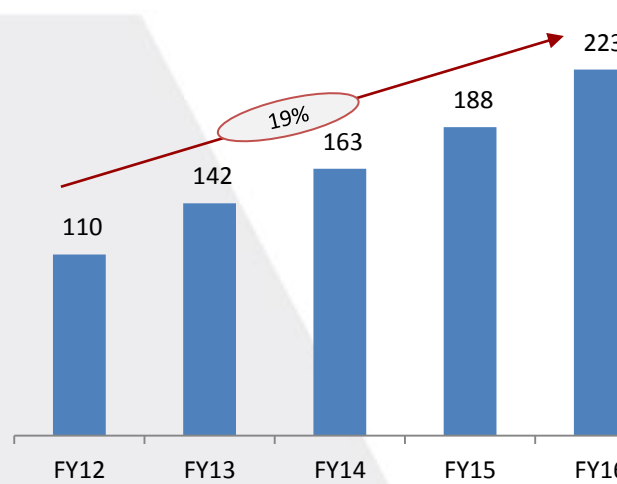
## EPS Growth

Basic EPS (₹) <sup>(2)</sup>



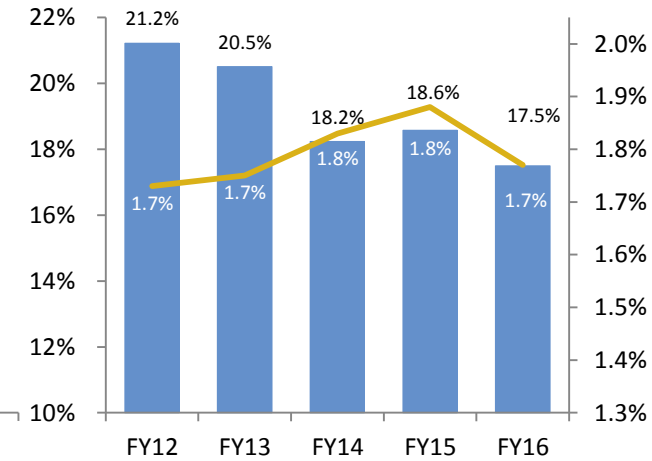
## BVPS Growth

BVPS (₹) <sup>(2)</sup>



## ROE and ROA

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

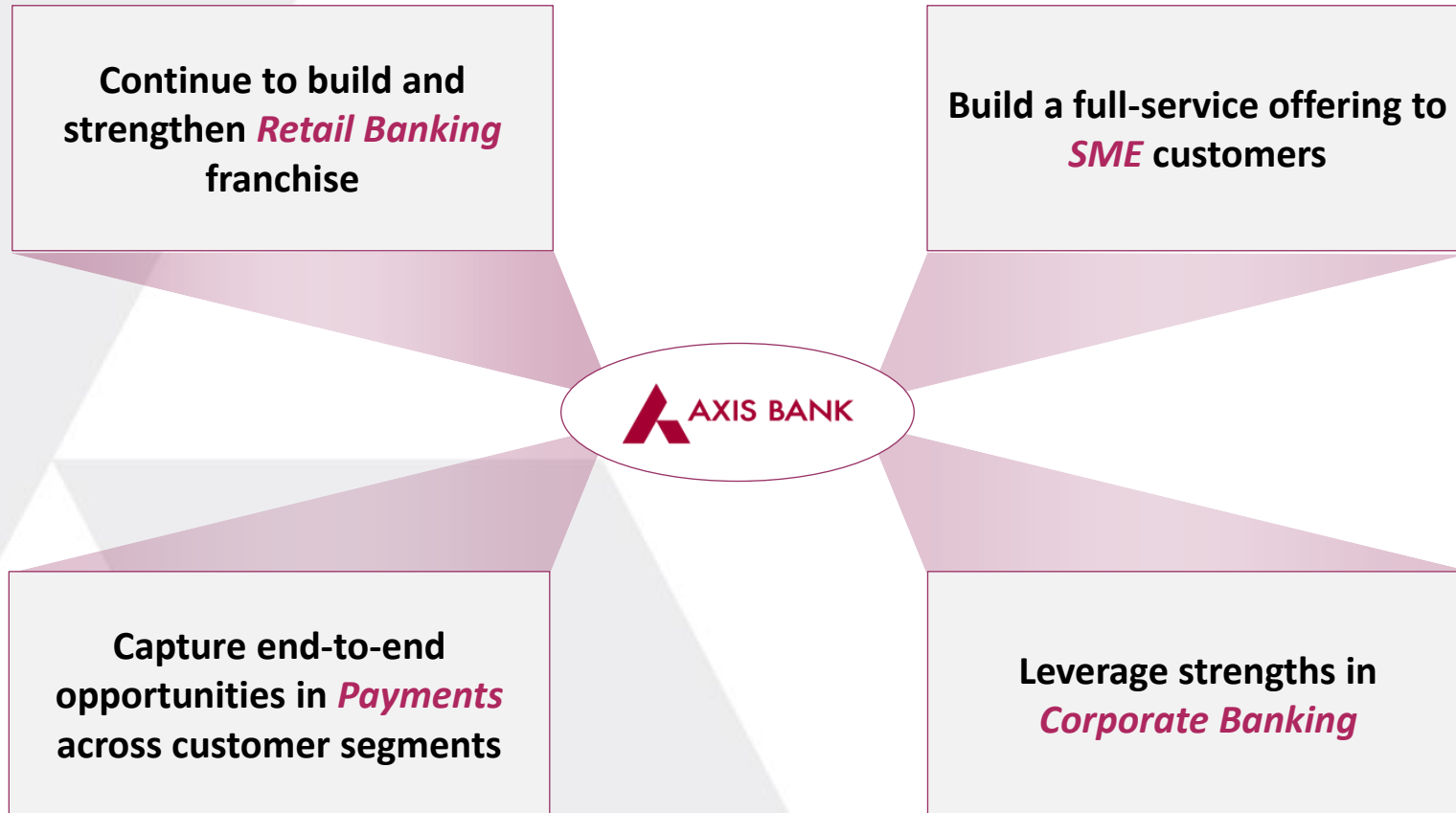


Note: <sup>(1)</sup> As on March 31, 2016; <sup>(2)</sup> Based on non-consolidated financials; <sup>(3)</sup> Others include The New India Assurance Company Ltd, National Insurance Company Ltd, The Oriental Insurance Company Ltd and United India Insurance Company Ltd.

CAGR  
(FY'12-FY'16)

# Business Strategy along Four Key Themes

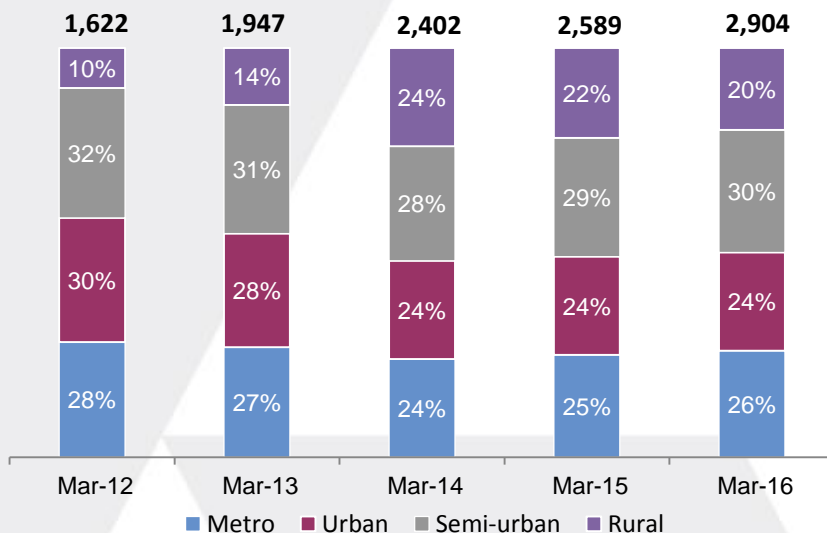
## Leveraging domestic growth opportunities



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



Increasing presence in rural & semi-urban areas



ATMs	9,924	11,245	12,922	12,355	12,743
Centres	1,050	1,263	1,636	1,714	1,855
Employees	31,738	37,901	42,420	42,230	50,135

## Distribution Channels



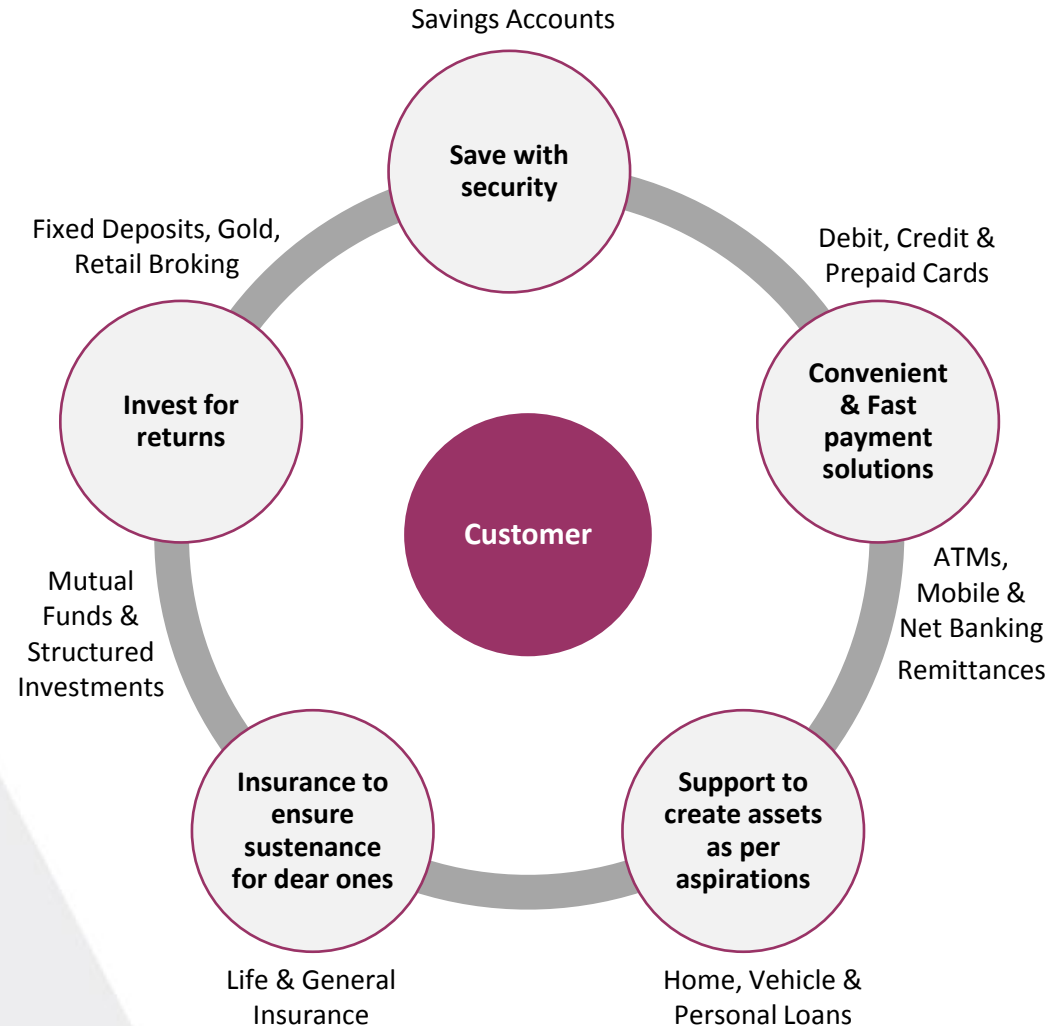
# Leveraging Strong Brand Recall across Products

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



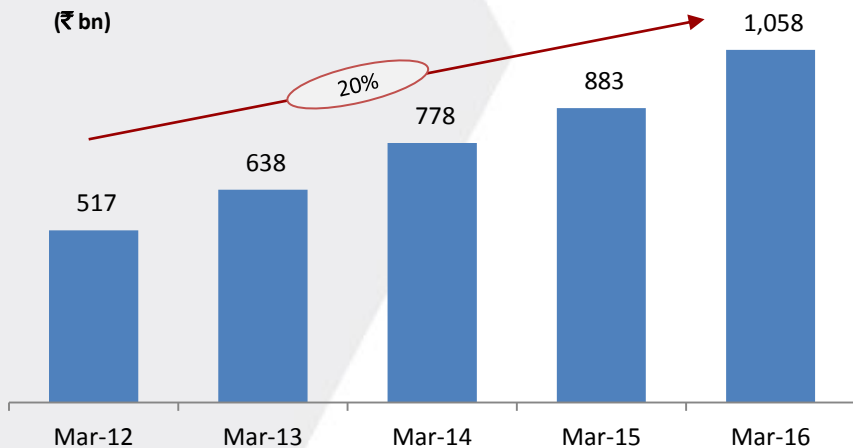
- Ranked amongst the Top 75 safest banks in the world in September 2015 by *The Banker*
- Awarded title of Superbrand India for 2014-15 in April
- Ranked fourth in Nielsen's Corporate Image Monitor 2014-15 survey
- No. 1 Promising Banking Brand of 2015, ET Best Brands 2015
- Ranked as the 'Most Trusted Private Sector Bank' second year in a row - 'Most Trusted Brand Survey 2014', by *The Economic Times*
- Enhancing customer experience
  - Award winning mobile enabled Website
  - Customer centric design of branches

## Capturing End-to-End Customer Requirements

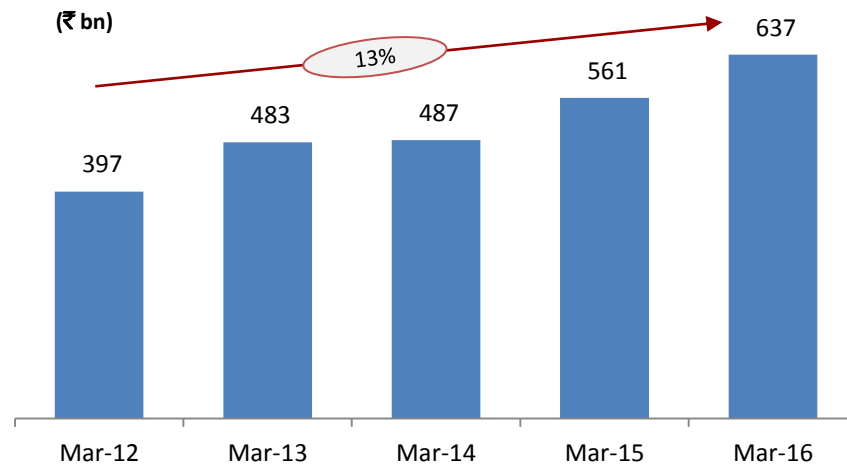


# ...Resulting in a Robust Liabilities Franchise

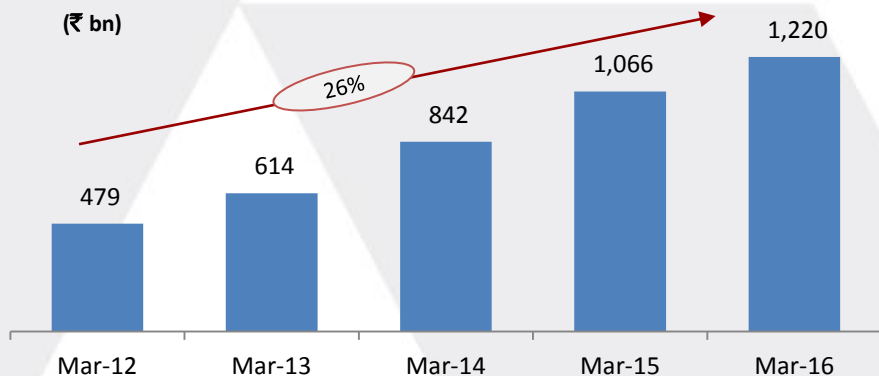
### Savings Deposits



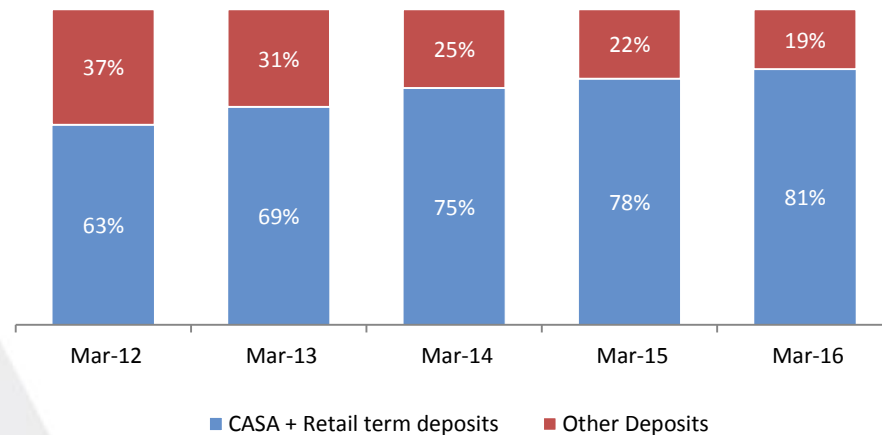
### Current Account Deposits



### Retail Term Deposits



### Deposits Mix

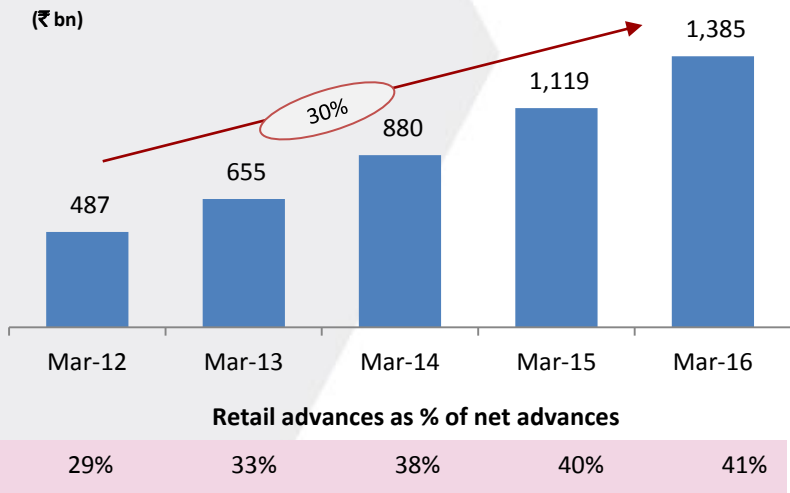


#### Retail Term Deposits as % of Total Term Deposits

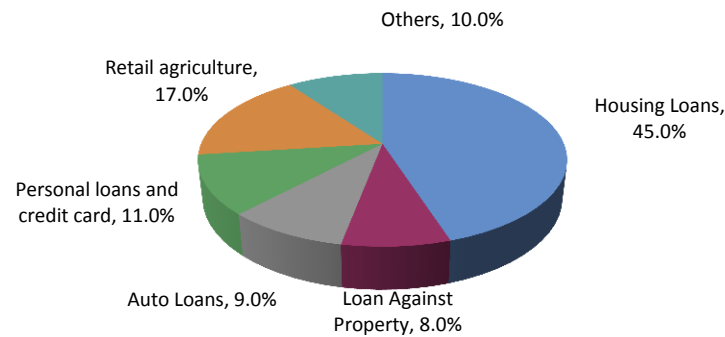
37%	44%	55%	60%	65%
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# Growing Retail Advances

## Retail Advances Portfolio

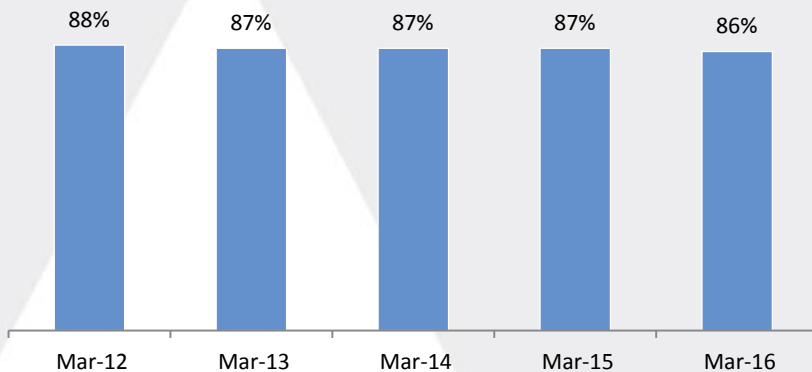


## Composition of Retail Advances



Portfolio Size (Mar-2016): ₹1,385 bn

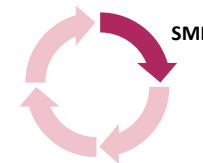
## Secured Retail Advances as % of Total Retail Advances



## Key Highlights

- Focus on cross sell – Nearly 60% of new originations in retail lending to existing customers
- Branch focused distribution strategy – All 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

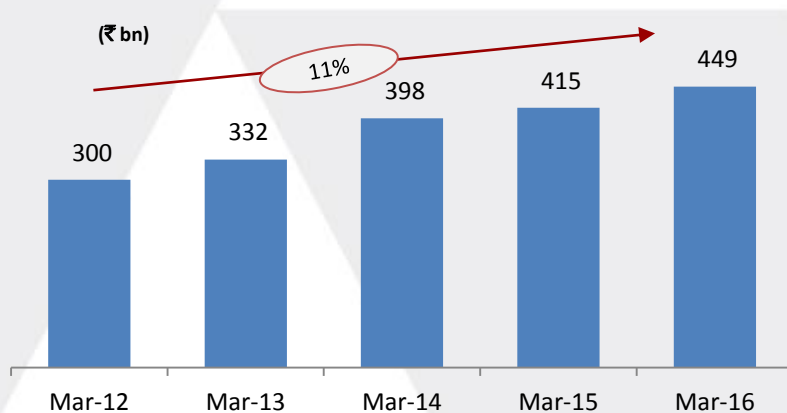
- Diversified portfolio across 3 segments: Medium Enterprises Group, Small Enterprises Group and Supply Chain Finance
- Driven through 61 SME centres and cells, with dedicated teams for sales and credit
- Risk management
  - Qualitative Credit Assessment in addition to rating
  - Exit/Watch list category
  - Collection managers

SME Franchise

## Other offerings

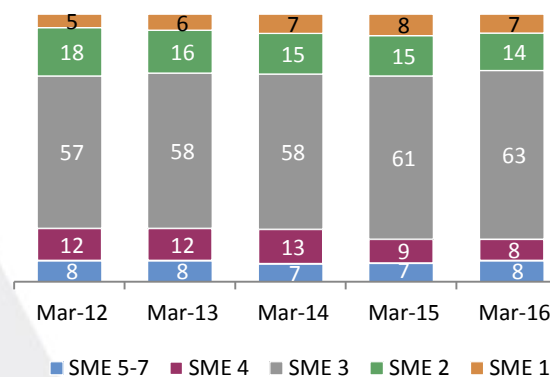
- Commercial banking products
  - Current accounts, forex, trade services and CMS
- Retail banking solutions
  - Salary account products, Wealth & Priority Banking services, Insurance
- Advisory services
  - Financial advisory, private equity, M&A and capital market solutions

## SME Loan Portfolio



## Risk Management of SME Portfolio

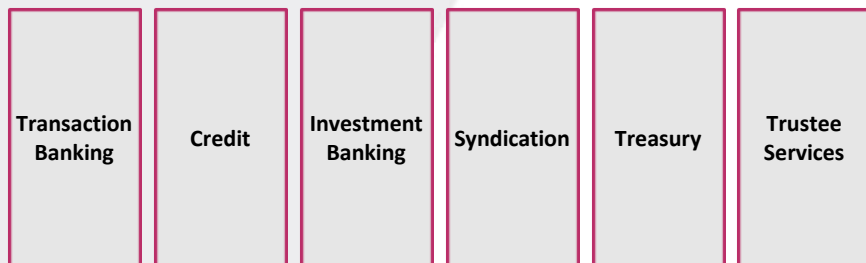
### Rating Distribution of SME Advances<sup>1</sup> (%)



- 84% of SME advances have rating of at least 'SME3' in March 2016
- Controlled sourcing of customers
- Early Warning System tool in place to predict default behaviour

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

# Comprehensive Corporate Banking Solutions...

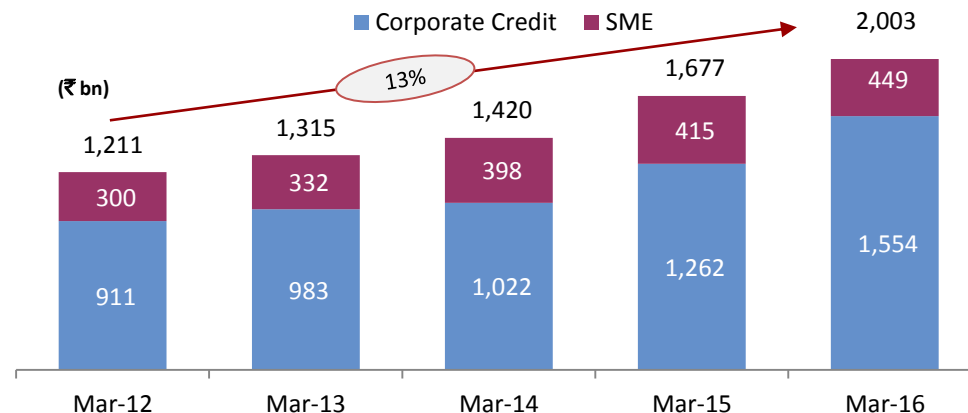


- Won Best Corporate Payment Project Award in April 2015 under the Asian Banker Technology Implementation Awards Programme
- Strong franchise spread across liability and asset businesses
- Focus on building out a high quality portfolio of credit assets
- Adopted value generating Originate and Distribute 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\$ 8.06 bn as on March 31, 2016

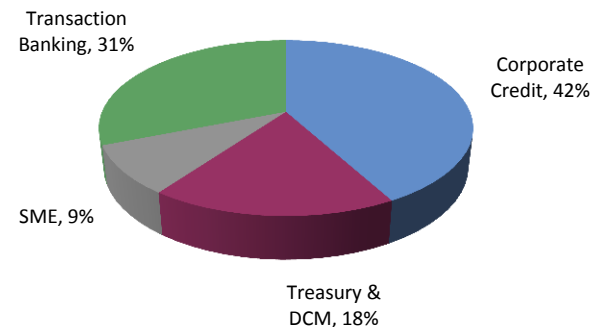
<sup>(1)</sup> Source: Bloomberg



## Corporate Banking Advances Growth



## Corporate Banking Fee Income Mix



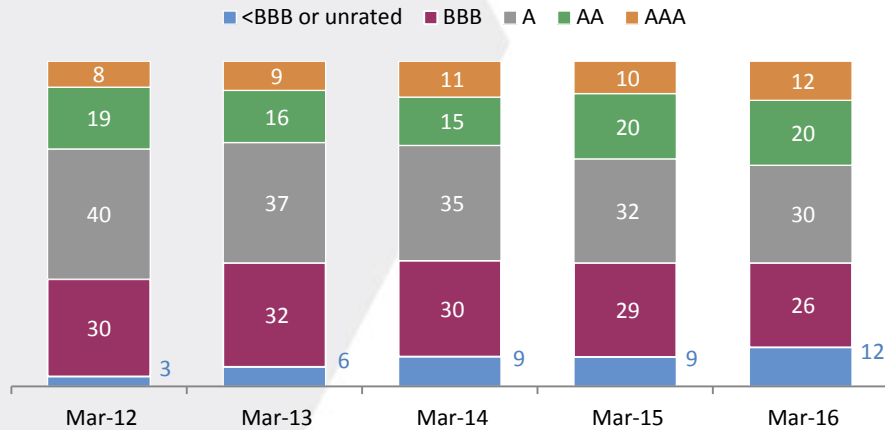
FY16

CAGR (FY'12-FY'16)

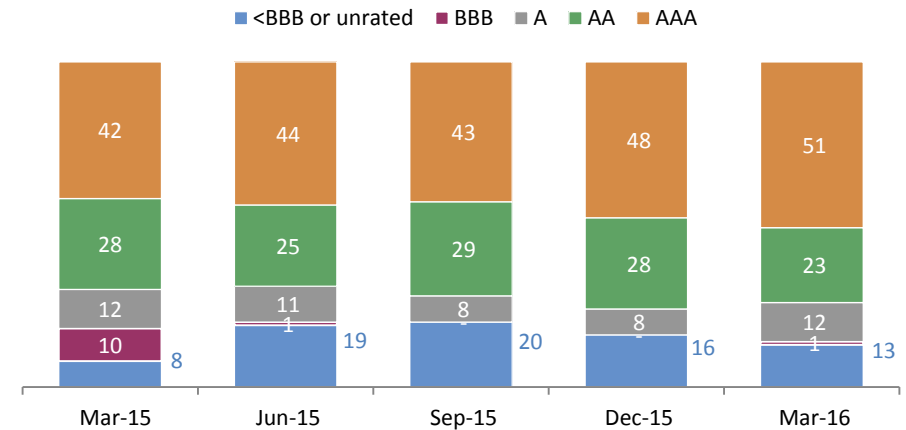
# ...with an Emphasis on Risk Management



### Rating Distribution - Corporate Credit <sup>1</sup> (%)



### Rating Distribution - Corporate Bonds (%)



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

Rank	Sectors	Fund-based	Non-fund based	Total
1	Infrastructure <sup>2</sup>	6.75	9.95	7.47
2	Engineering & Electronics	3.29	17.86	6.56
3	Financial Companies <sup>3</sup>	4.56	12.35	6.31
4	Power Generation & Distribution	6.21	4.41	5.80
5	Trade	3.32	4.26	3.54
6	Real Estate	4.08	1.54	3.51
7	Iron and Steel	3.57	2.73	3.38
8	Petroleum & Petroleum Products	1.07	9.01	2.85
9	Food Processing	2.70	2.07	2.56
10	Telecommunication Services	1.26	6.62	2.46

### Key Highlights

- 62% of corporate advances and 86% of corporate Bonds are rated 'A' or higher in March 2016
- Won Compliance Risk Technology Implementation Award in April 2015 under the Asian Banker Risk Management Awards Programme
- Conservative approach of rating new projects; two notches below their normal rating
- Centralised credit monitoring mechanism



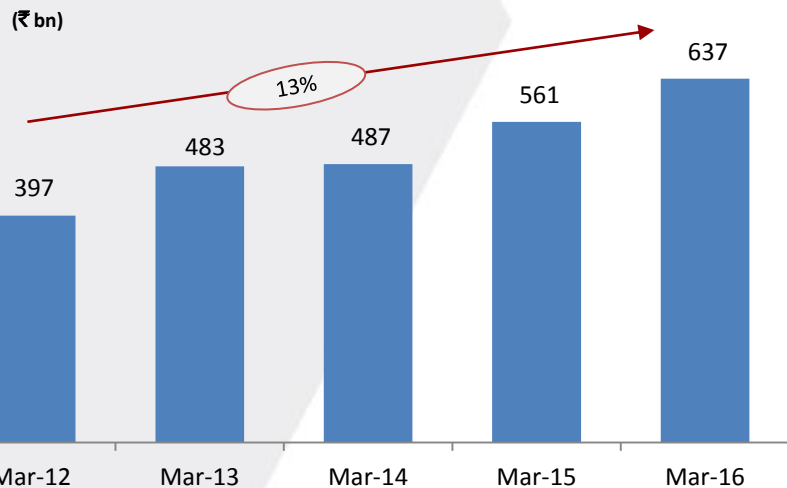
Note: Outstanding exposure as on March 31, 2016;

(<sup>1</sup>) Based on internal ratings; (<sup>2</sup>) Includes financing of projects (roads, ports, airports etc.); (<sup>3</sup>) Includes HFCs and NBFCs

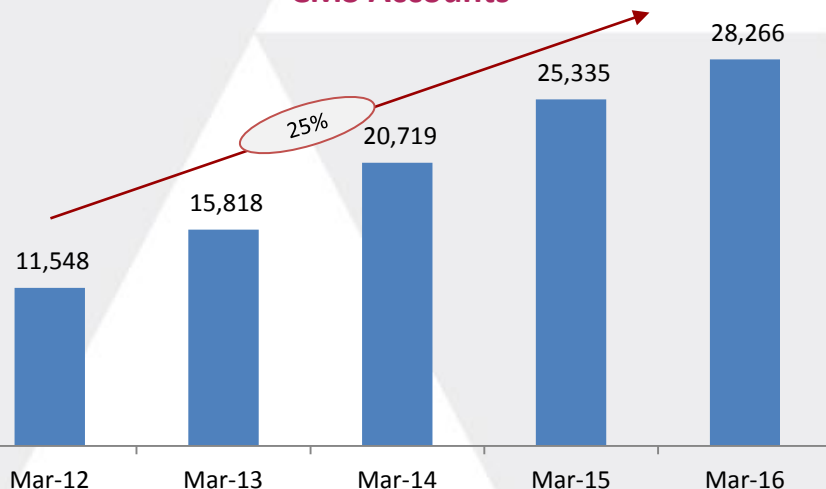
# Capturing End-to-End Opportunities in Transaction Banking...



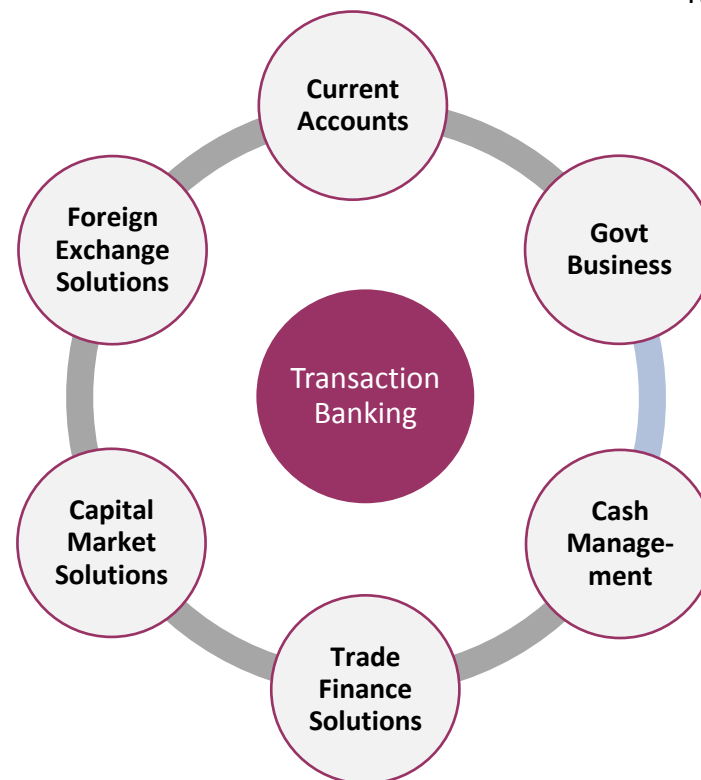
## Current Account Deposits



## CMS Accounts



CAGR (FY'12-FY'16)

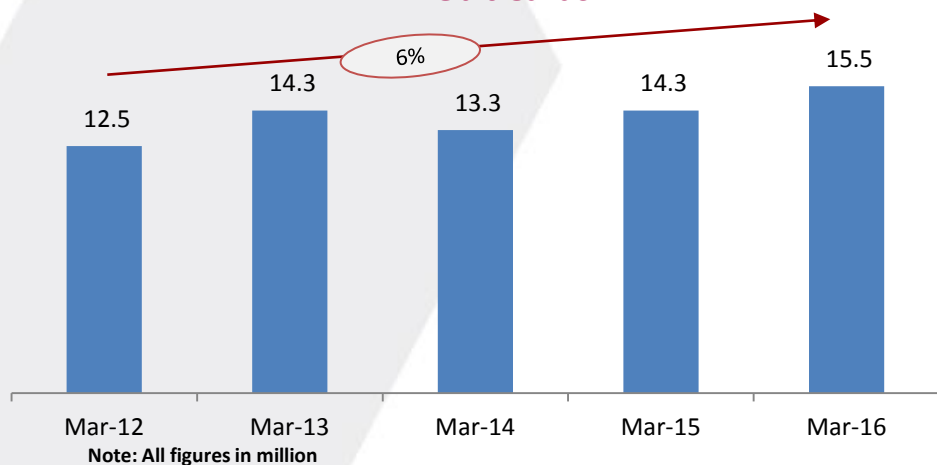


- Wide range of products with customised offerings & dedicated Relationship Manager for all Transaction Banking requirements
- Focused approach towards Corporates, Institutions and Government and strengthening presence in G2B e-Governance initiatives
- One of the leading Cash Management Services (CMS) providers in India
- Comprehensive suite of mobility solutions to meet Transaction Banking needs of customers
- Amongst select set of Indian banks offering host-to-host transaction banking facility

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



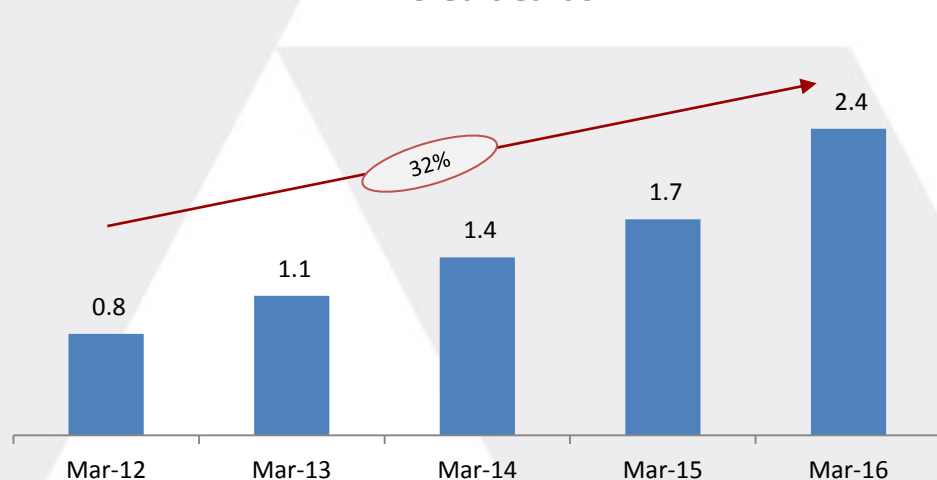
## Debit Cards



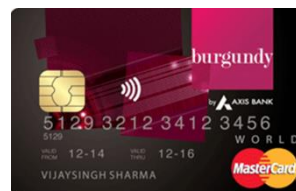
## Market Leader in Retail Payments

- One of the largest issuers of debit cards & 5<sup>th</sup> largest credit card issuer in the country with a card base of around 2.4 mn
- Multi Currency Foreign currency cards in 15 foreign currencies
- Won 'Best Payment Initiatives' Award amongst Private Sector Banks organised by IBA Banking Technology Awards 2014-15

## Credit Cards



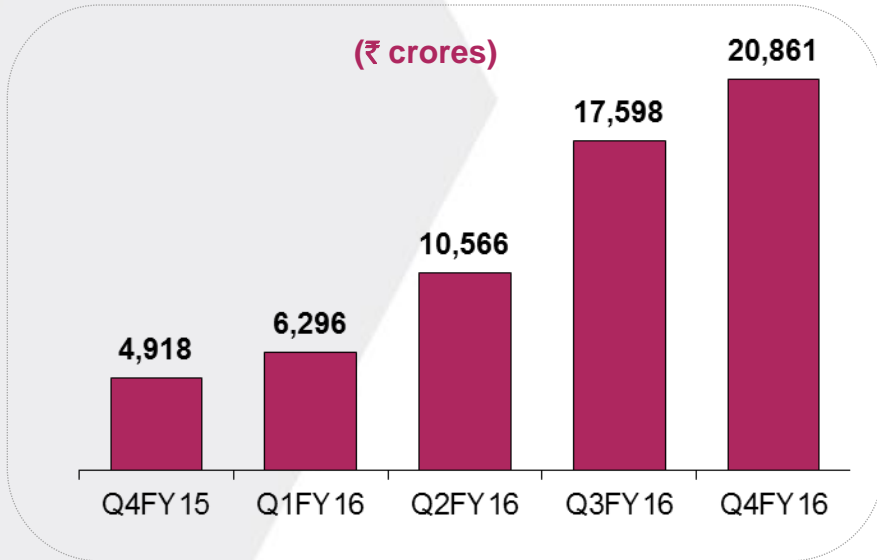
## Innovative Offerings



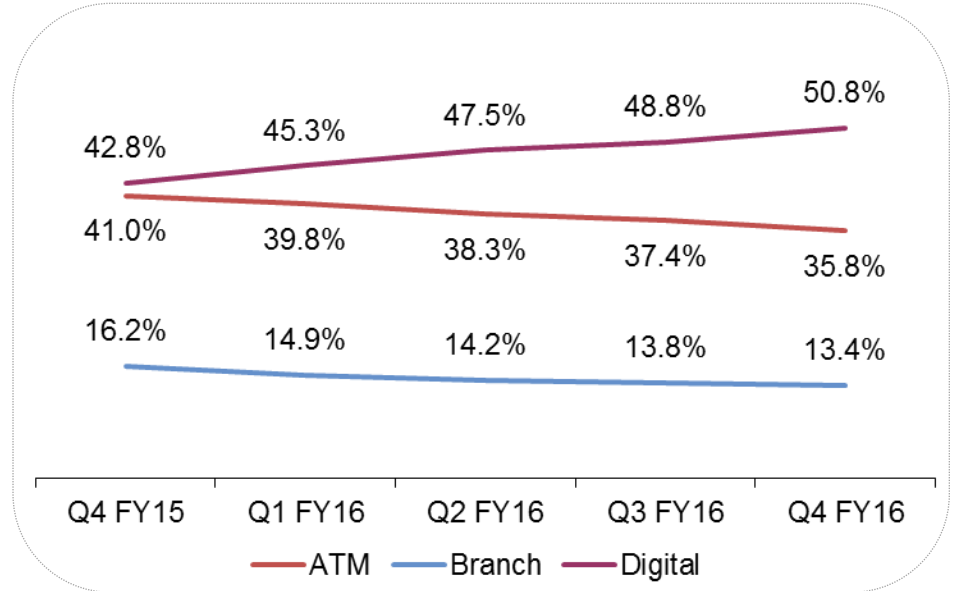
- **Power Packed Cards:** Burgundy World Debit Card
- **New Launches:** Neo Credit Card; Pride Platinum and Pride Signature Credit Card - Serving those who Serve the Nation
- **Value Added Cards:** Display Debit Card and Secure+ Debit Card
- **Premium Cards:** Privilege Credit Card

# Digital Banking

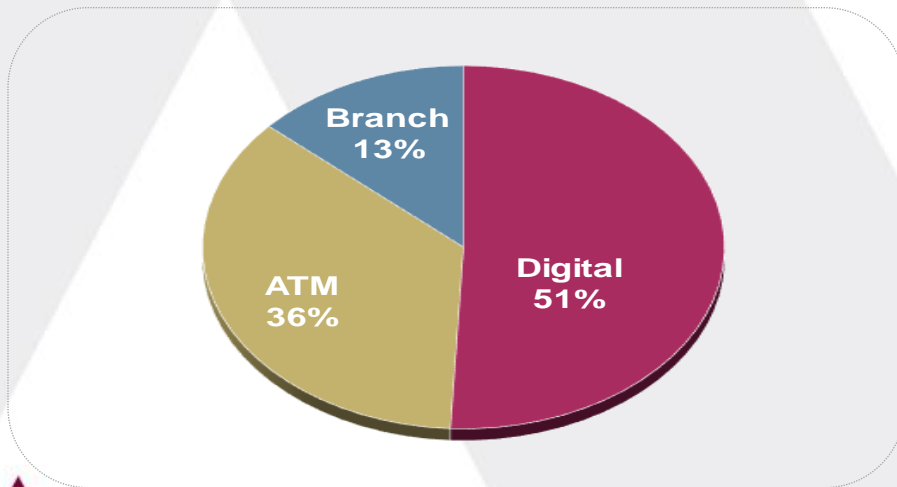
### Mobile Banking Spends



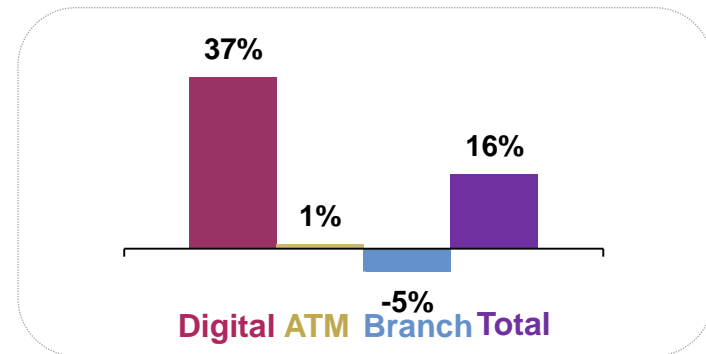
### Channel Transaction Trend



### Channel Mix – Q4FY16



### YOY growth



Note: Based on number of all financial transactions performed by individual customers

# Contents

Key Macro Trends

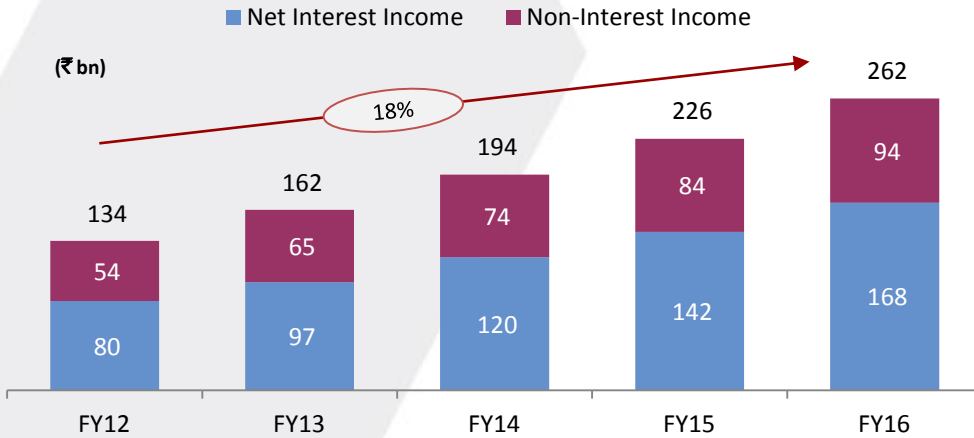
Business Model

Financial Snapshot

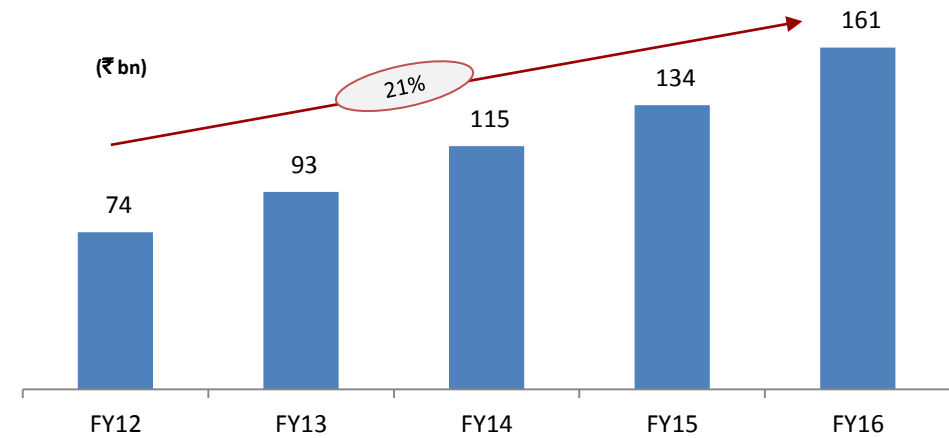
Corporate Lending Watch List

# Robust Growth in Core Revenue and Diversified Fee Income Franchise

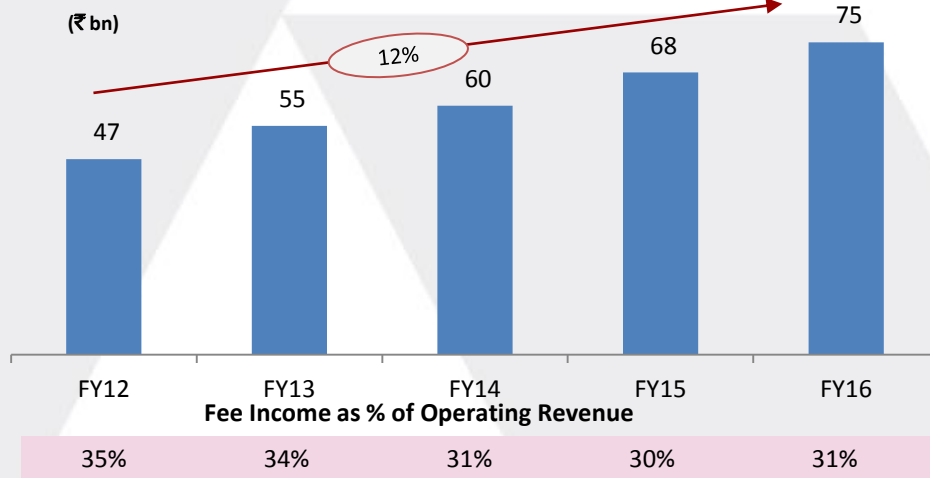
## Operating Revenue



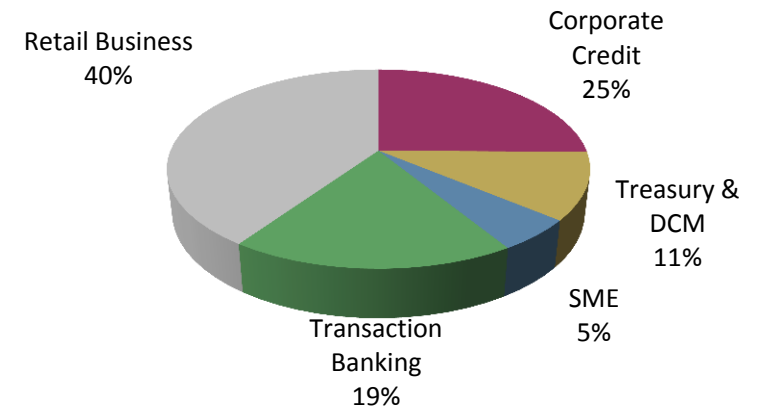
## Operating Profit



## Fee Income



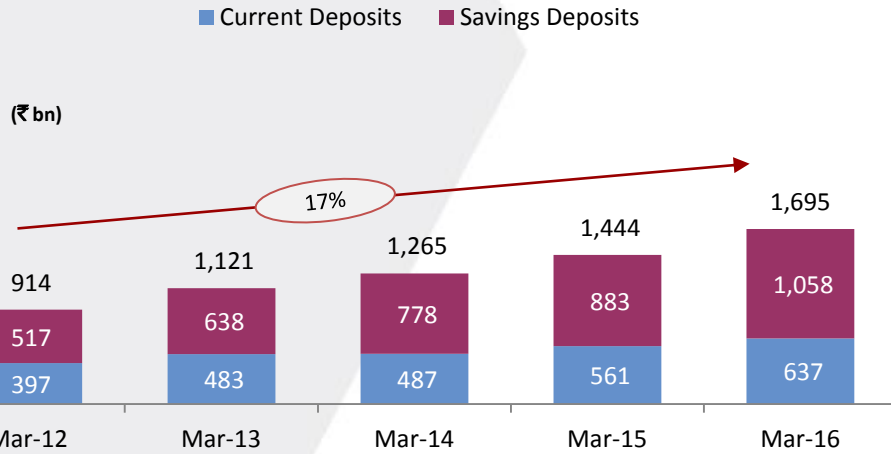
## Fee Profile (FY16)



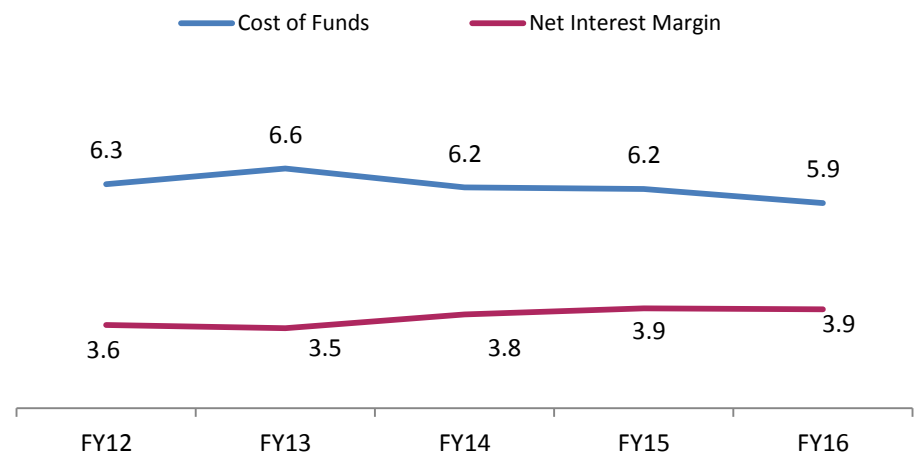


# Margins Driven by Low Cost Deposits and Enhanced Operational Efficiency

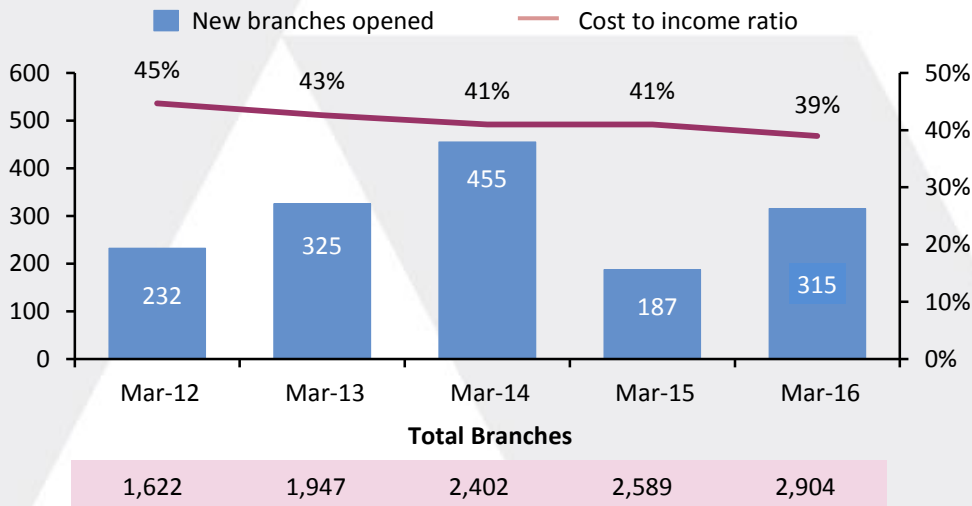
## Current and Savings Bank Deposits



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



## Branch Expansion and Cost to Income Ratio



## Key Highlights

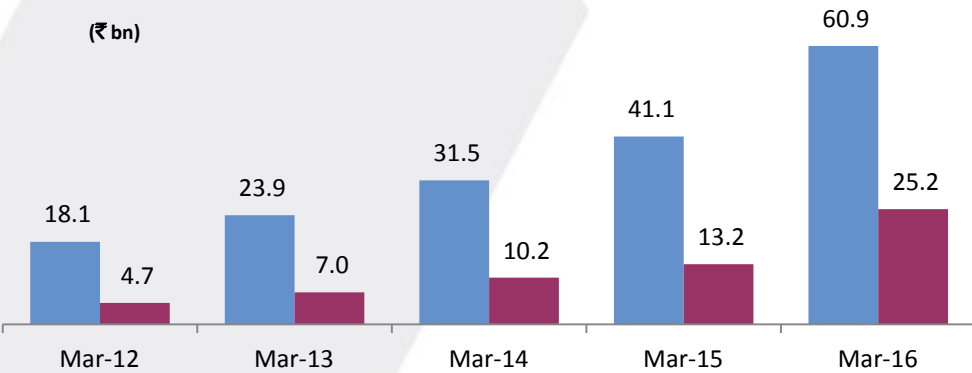
- Focused on maintaining low cost fund base
- Stable NIMs through interest rate cycles
- Calibrated reduction in cost to income despite investments in retail business
- Operating leverage from new branches expected in future

# Stable Asset Quality

## NPAs (Amounts)

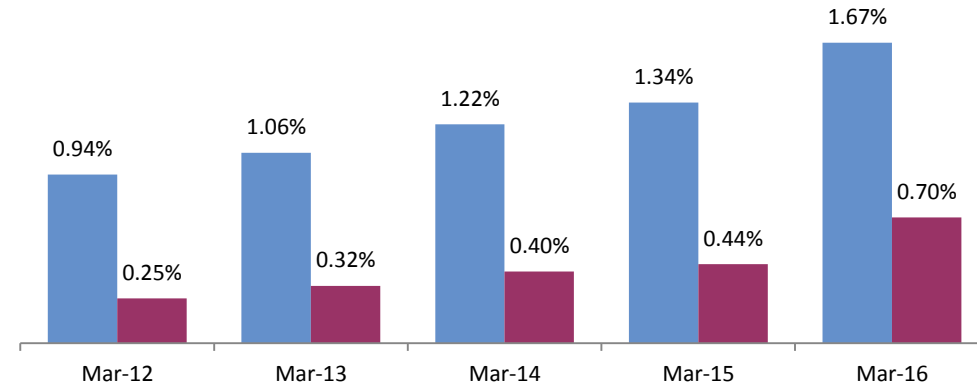
■ Gross NPA ■ Net NPA

(₹ bn)



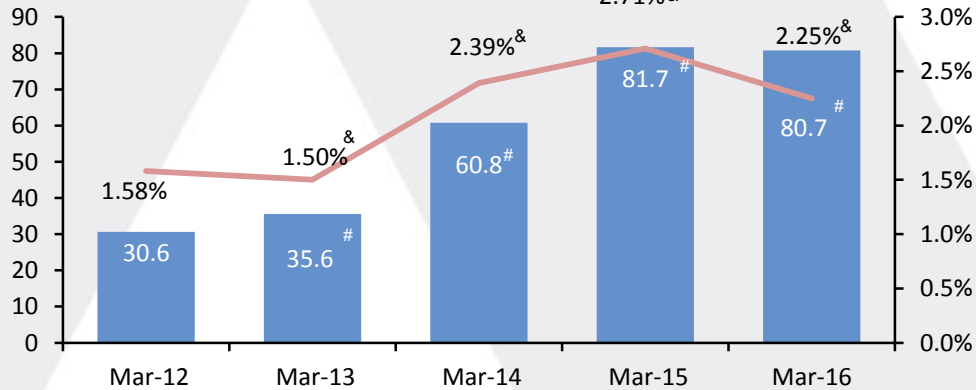
## NPAs (%)

■ Gross NPA ■ Net NPA

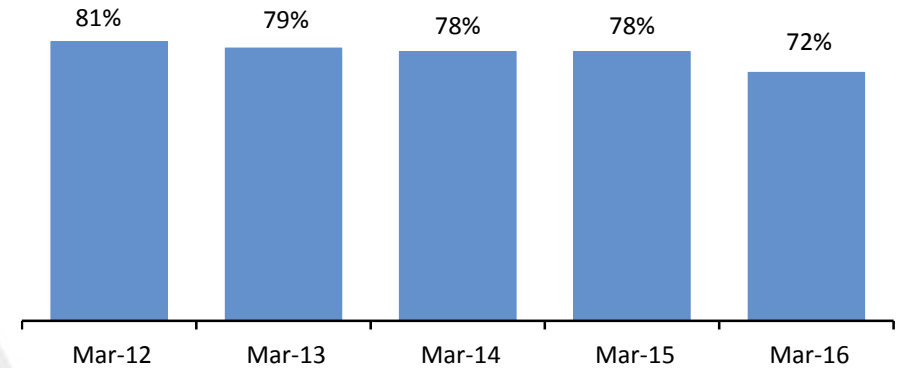


## Restructured Assets

■ Cumulative restructured assets (₹ bn) — % of Restructured Assets to Net Customer Assets



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



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



<sup>#</sup>Cumulative net restructured advances  
<sup>&</sup>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**

# Contents

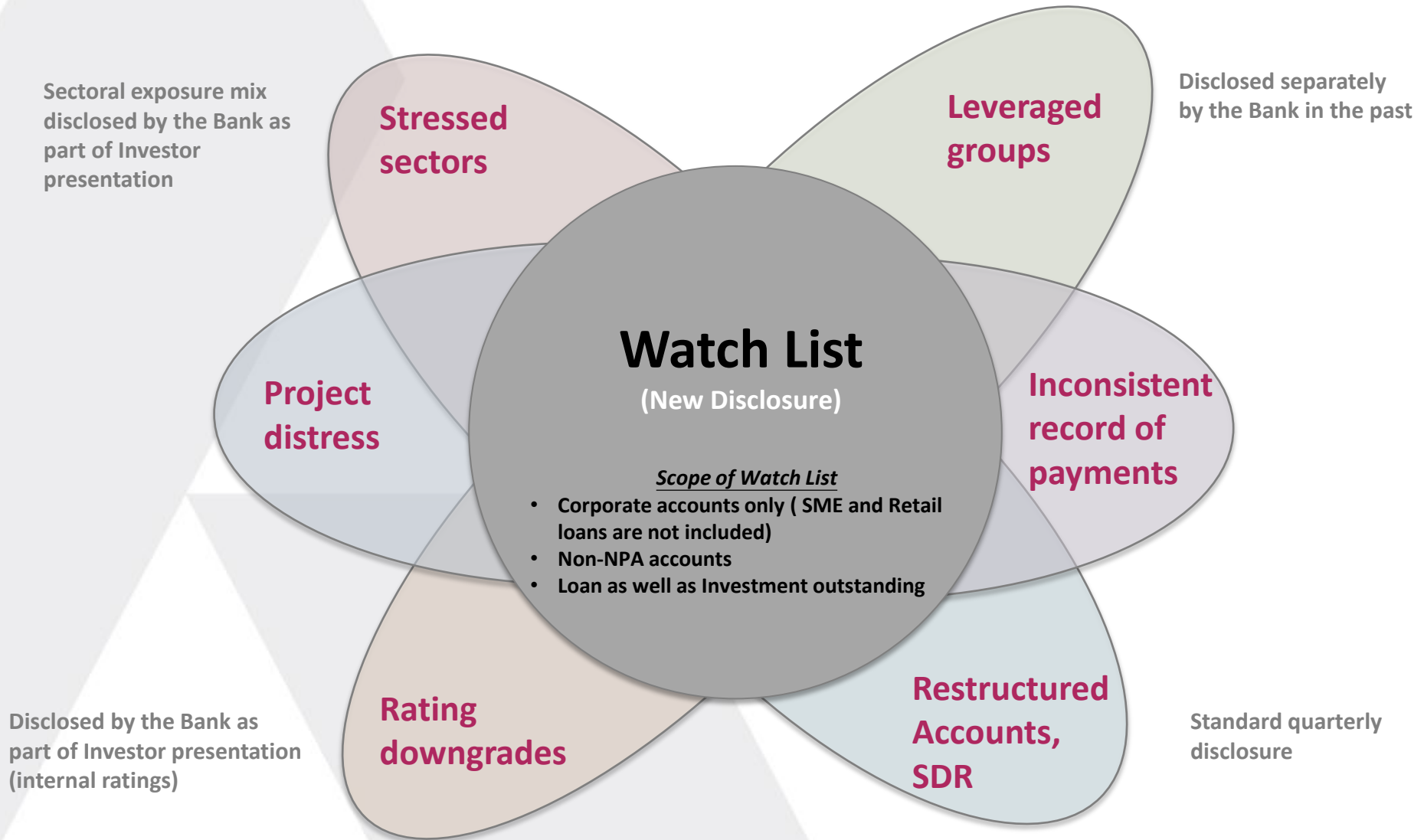
Key Macro Trends

Business Model

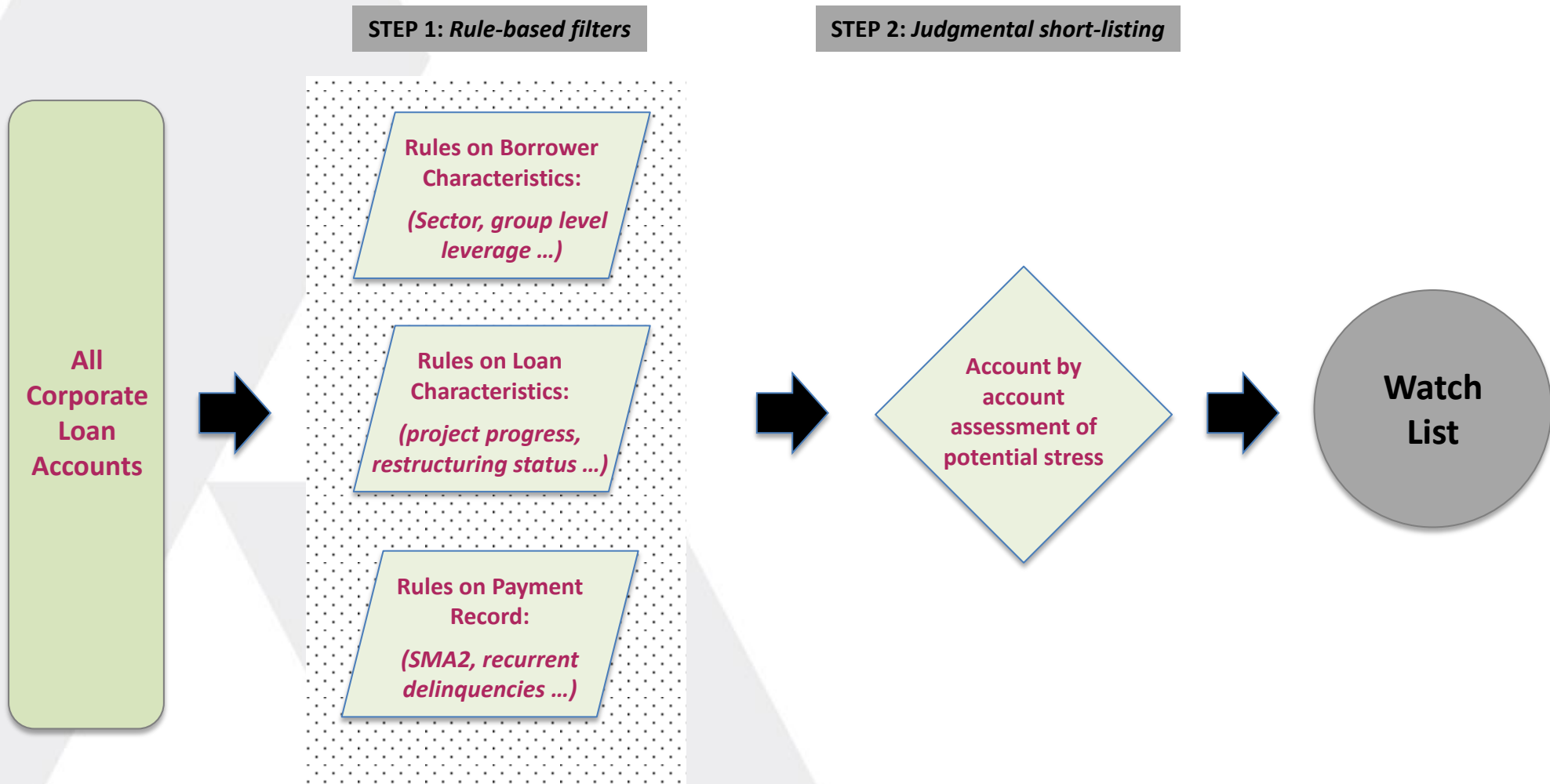
Financial Snapshot

Corporate Lending Watch List

# The Bank has created a Watch List we believe could be the key source of future stress in corporate lending book



# The Watch List was created out of a two-step process

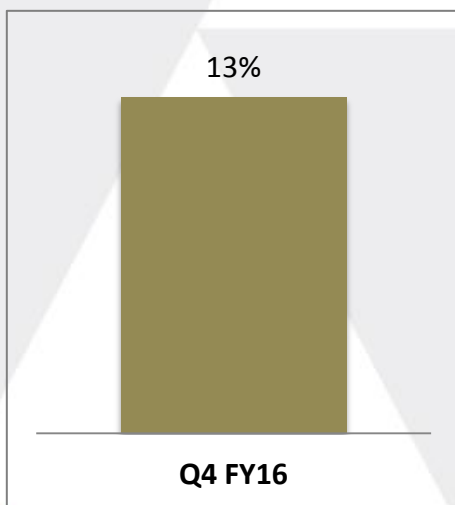


The process of creating the List was driven by the Bank's Risk Management team, led by CRO

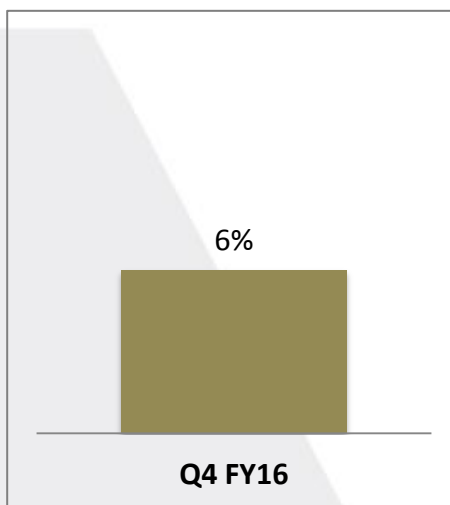
# The Bank's outstanding on Watch List accounts at the end of Q4 FY16 was around ₹22,600 crores



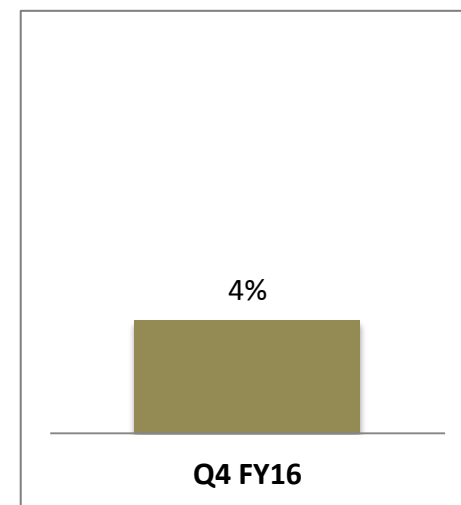
As % of Corporate Assets<sup>1</sup>



As % of Total Customer Assets<sup>2</sup>



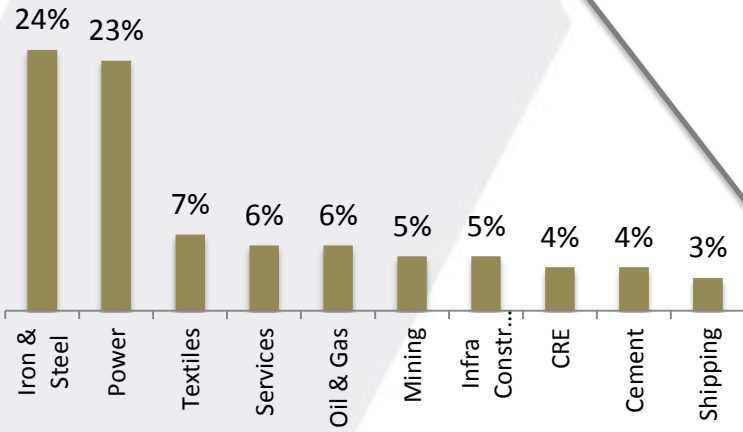
As % of Total Assets



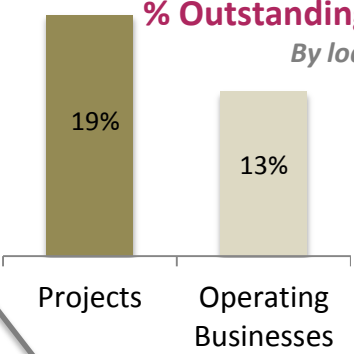
# Some color on composition of the Watch List

**Watch List**  
₹22,628 cr

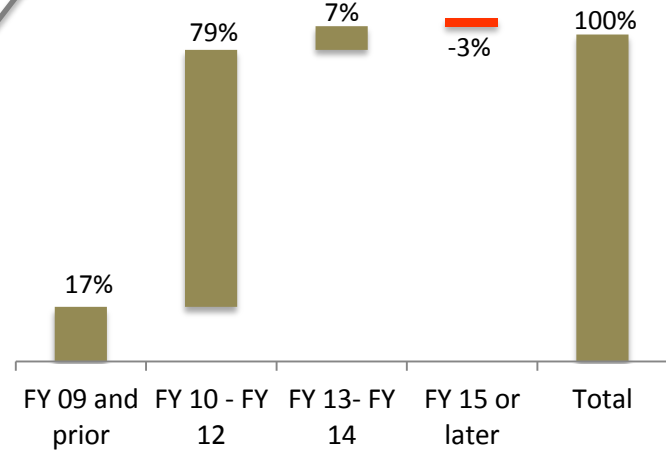
**Sectoral composition of Watch List**  
*Top 10 Sectors*



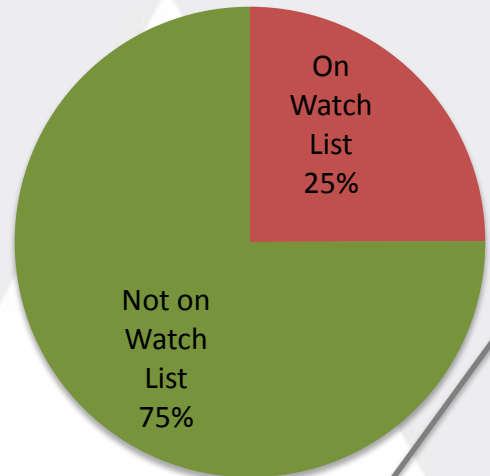
**% Outstanding on Watch List**  
*By loan type*



**When did Watch List outstanding originate?**

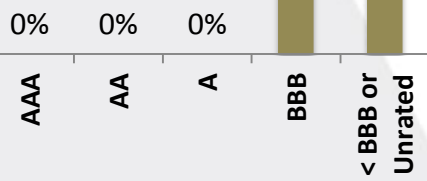
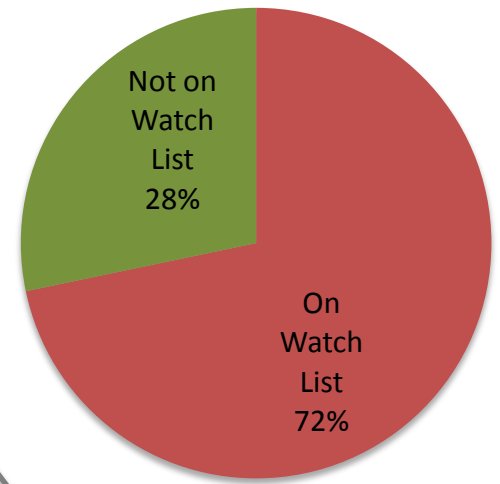


**Outstanding with "Leveraged Groups"**



**Restructured and SDR Outstanding**

*% of Restructured and SDR book that is on the Watch List*



**Internal Rating Mix (by value)**

*Fund Based Outstanding as on Mar 31, 2016*





## Expected Losses and Provisioning

- **We expect ~60 % of the Watch List accounts to flow into NPA over the next 8 quarters**
- **While timing of slippage is difficult to predict precisely, we expect that there would be a slight bias towards H1 FY17.**
- **We expect to retain Provision Coverage Ratio above 70% by year-end FY17. There would, however, be variations quarter to quarter.**
- **The Watch List would be a closed list of accounts. No addition would be made to the list quarterly.**
- **On a quarterly basis, the Bank would disclose:**
  - **Residual size of the Watch List**
  - **Slippages from Watch List accounts into NPA**
  - **Slippages from other accounts**

# Appendix

# Summary Financials: Balance Sheet

₹ bn

US\$ mn

	FY12	FY13	FY14	FY15	FY16	FY12	FY13	FY14	FY15	FY16
<b>Capital and liabilities</b>										
Shareholders' funds	228	331	382	447	532	3,441	4,996	5,766	6,747	8,030
Deposits	2,201	2,526	2,809	3,224	3,580	33,220	38,125	42,397	48,660	54,034
Borrowings	341	440	503	798	992	5,147	6,641	7,592	12,044	14,972
Other liabilities	86	109	138	150	151	1,298	1,645	2,082	2,264	2,279
<b>Total</b>	<b>2,856</b>	<b>3,406</b>	<b>3,832</b>	<b>4,619</b>	<b>5,255</b>	<b>43,106</b>	<b>51,407</b>	<b>57,837</b>	<b>69,715</b>	<b>79,315</b>
<b>Assets</b>										
Cash and cash equivalents	139	204	282	361	334	2,098	3,079	4,256	5,449	5,041
Investments	881	1,068	1,025	1,175	1,220	13,297	16,120	15,471	17,735	18,414
Loans	1,698	1,970	2,301	2,811	3,388	25,628	29,734	34,729	42,427	51,136
Fixed assets	22	24	24	25	35	332	362	362	377	528
Other assets	116	140	200	247	278	1,751	2,112	3,019	3,727	4,196
<b>Total</b>	<b>2,856</b>	<b>3,406</b>	<b>3,832</b>	<b>4,619</b>	<b>5,255</b>	<b>43,106</b>	<b>51,407</b>	<b>57,837</b>	<b>69,715</b>	<b>79,315</b>

Note: Shareholders' funds include ESOP outstanding

Exchange rate of 1 USD = ₹66.255 based on the FEDAI exchange rate as on March 31, 2016

# Summary Financials: Income Statement

	₹ bn					US\$ mn				
	FY12	FY13	FY14	FY15	FY16	FY12	FY13	FY14	FY15	FY16
Interest Income <sup>(1)</sup>	220	272	306	355	410	3,321	4,105	4,619	5,358	6,188
Interest Expense	140	175	187	213	242	2,113	2,641	2,822	3,215	3,653
<b>Net Interest Income</b>	<b>80</b>	<b>97</b>	<b>119</b>	<b>142</b>	<b>168</b>	<b>1,208</b>	<b>1,464</b>	<b>1,797</b>	<b>2,143</b>	<b>2,535</b>
Fee Income	47	55	60	68	75	709	830	906	1,026	1,132
Other Income	7	10	14	16	19	106	151	211	241	287
<b>Operating Revenue</b>	<b>134</b>	<b>162</b>	<b>193</b>	<b>226</b>	<b>262</b>	<b>2,023</b>	<b>2,445</b>	<b>2,914</b>	<b>3,410</b>	<b>3,954</b>
Operating Expense	60	69	79	92	101	906	1,041	1,192	1,389	1,524
<b>Operating Profit</b>	<b>74</b>	<b>93</b>	<b>114</b>	<b>134</b>	<b>161</b>	<b>1,117</b>	<b>1,404</b>	<b>1,722</b>	<b>2,021</b>	<b>2,430</b>
Provisions and Contingencies (excl. Tax)	11	17	21	23	37	166	257	317	347	558
<b>Profit Before Tax</b>	<b>63</b>	<b>76</b>	<b>93</b>	<b>111</b>	<b>124</b>	<b>951</b>	<b>1,147</b>	<b>1,405</b>	<b>1,674</b>	<b>1,872</b>
Tax	21	24	31	37	42	317	362	468	558	634
<b>Net Profit</b>	<b>42</b>	<b>52</b>	<b>62</b>	<b>74</b>	<b>82</b>	<b>634</b>	<b>785</b>	<b>937</b>	<b>1,116</b>	<b>1,238</b>

Note: Exchange rate of 1 USD = ₹66.255 based on the FEDAI exchange rate as on March 31, 2016

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

# Summary Financials: Key Ratios

	FY12	FY13	FY14	FY15	FY16
<b>Profitability and efficiency</b>					
Return on average total assets <sup>(1)</sup>	1.7%	1.7%	1.8%	1.8%	1.7%
Return on average net worth <sup>(2)</sup>	21.2%	20.5%	18.2%	18.6%	17.5%
Net interest margin <sup>(3)</sup>	3.6%	3.5%	3.8%	3.9%	3.9%
Cost income ratio <sup>(4)</sup>	45%	43%	41%	41%	39%
Fee Income to Operating Revenue	35%	34%	31%	30%	29%
<b>Capital Adequacy*</b>					
Total capital adequacy ratio	13.66%	17.00%	16.07%	15.09%	15.29%
Tier I capital adequacy ratio	9.45%	12.23%	12.62%	12.07%	12.51%
<b>Asset Quality</b>					
Gross NPA as a % of gross customer assets <sup>(5)</sup>	0.94%	1.06%	1.22%	1.34%	1.67%
Net NPA as a % of net customer assets <sup>(6)</sup>	0.25%	0.32%	0.40%	0.44%	0.70%

\* 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;

<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;

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

<sup>6</sup> Net customer assets include advances and credit substitutes after deductions of provisions

**Thank You**