



ANALYST DAY 2019

A magnifying glass with a black handle and a grey frame is positioned over the number '20' in the text 'DAY 2019'. Inside the lens of the magnifying glass, a red line graph is visible, showing an upward trend with a red arrow pointing towards the top right corner.

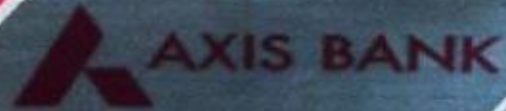
Session 1 - Presentations

Session 1

Strategy FY20-22

Wholesale Risk and Credit Underwriting

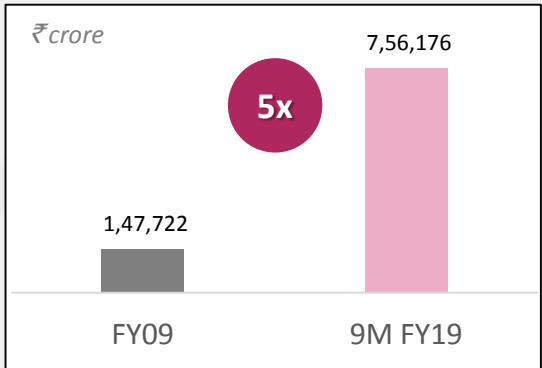
Wholesale Banking



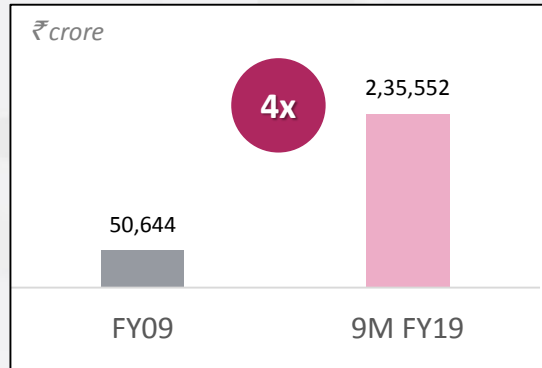
Axis Bank Strategy FY20-22

Axis Bank has built an enviable franchise over the years

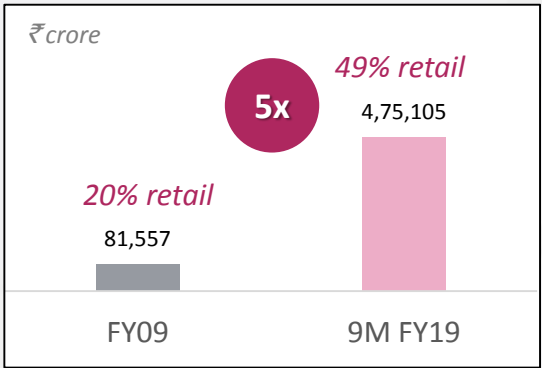
Balance Sheet



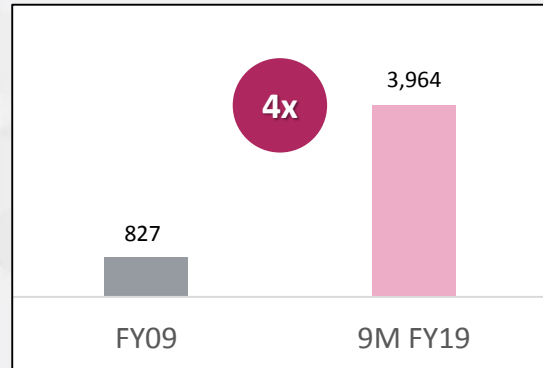
CASA Deposits



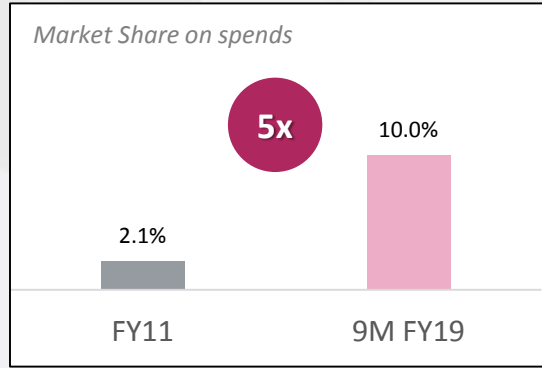
Advances



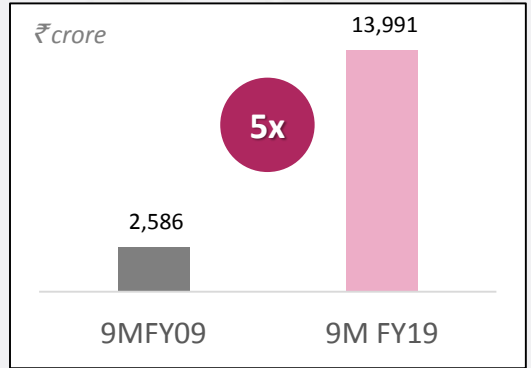
Branches



Credit Cards



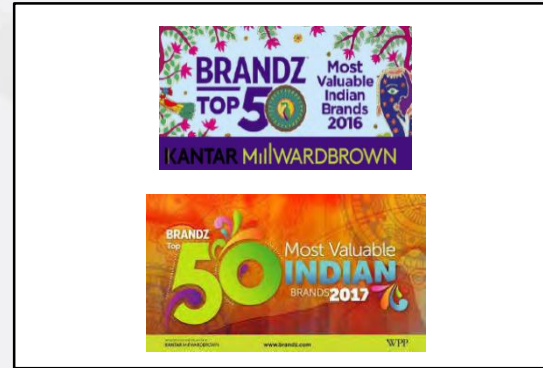
Operating Profit



Subsidiaries



Brand



However, the Bank's recent performance has moderated compared to its past trends

Asset quality deteriorated significantly, driven by corporate slippages

CASA growth trended lower than the Bank's historical growth rates

Corporate loan growth trailed the Bank's long term average growth rates

Fee income growth moderated to low teens

Cost to Assets remained sticky even as the Bank gained scale

Operational risk was elevated

Three vectors of our strategy for the next three years

Growth

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

Profitability

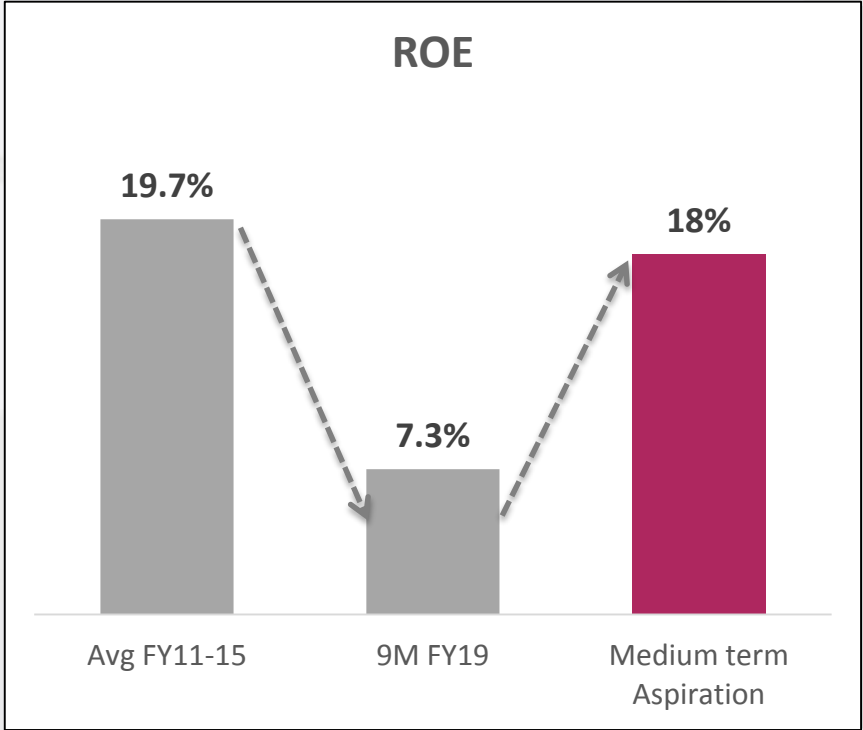
- Optimize business mix
- Improve operating efficiency
- Sweat existing infrastructure
- Reduce credit cost below long term average

Sustainability

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

Our goal is to deliver 18% ROE sustainably

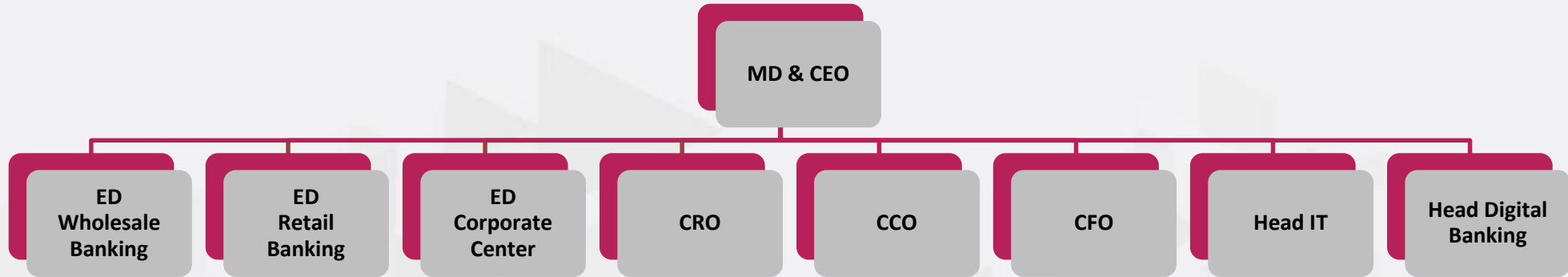
The ROE path back to 18% would be driven by three elements



3 drivers of the return to 18% ROE

- 1** **Risk normalization**
Reduce credit cost below long term average
- 2** **Business mix optimization**
Portfolio choices based on RaRoC
- 3** **Improvement in Operating efficiency**
Reduce Cost to Assets to 2%

We are augmenting the talent bench strength and clarifying organizational structures for effectiveness



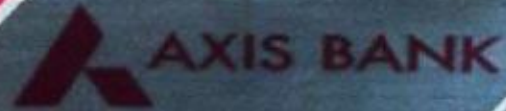
MD & CEO – Managing Director and Chief Executive Officer; ED – Executive Director; CRO – Chief Risk Officer; CCO – Chief Credit Officer; CFO – Chief Financial Officer

Clarifying Organizational Structures – Key Principles

Retail	Wholesale	Operations
Clearly defined Product and Coverage Structure		Centralized Operations Team independent of lines of business
Separation of Underwriting and Product / Coverage functions		Single Bank-wide owner for customer service
Continue to buttress capabilities in digital, risk management and analytics		Dedicated owner for Customer Experience and Service Quality
Focus on both assets and liabilities through a Commercial banking group		

End of deck



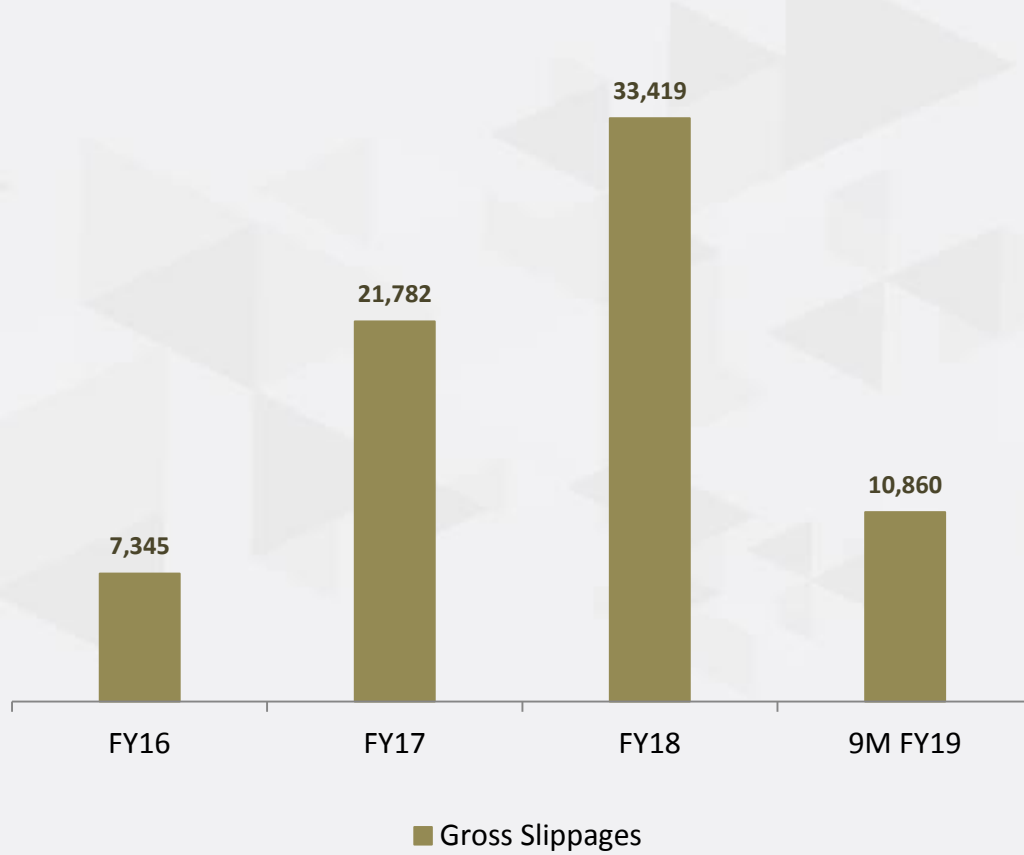


Wholesale Risk and Credit Underwriting

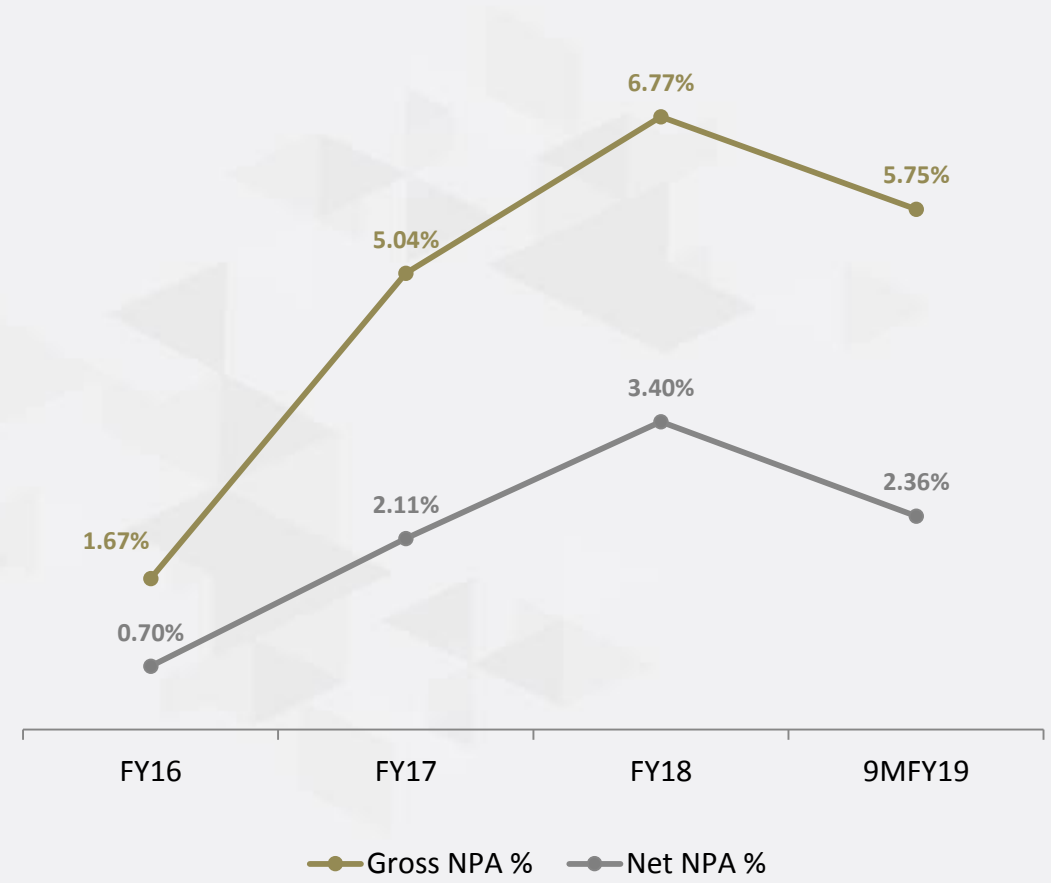
The Bank has gone through a tough period on Credit Risk in the last few years driven primarily by corporate stress

Gross Slippages

In ₹ Crores

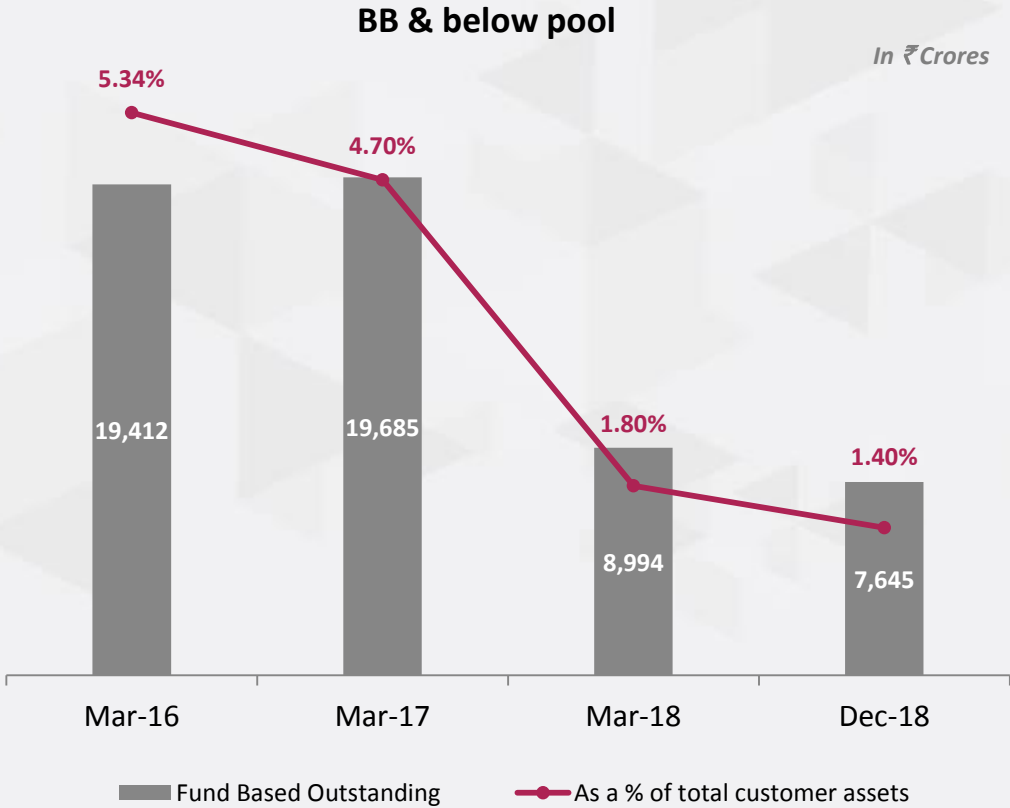


NPA Ratios

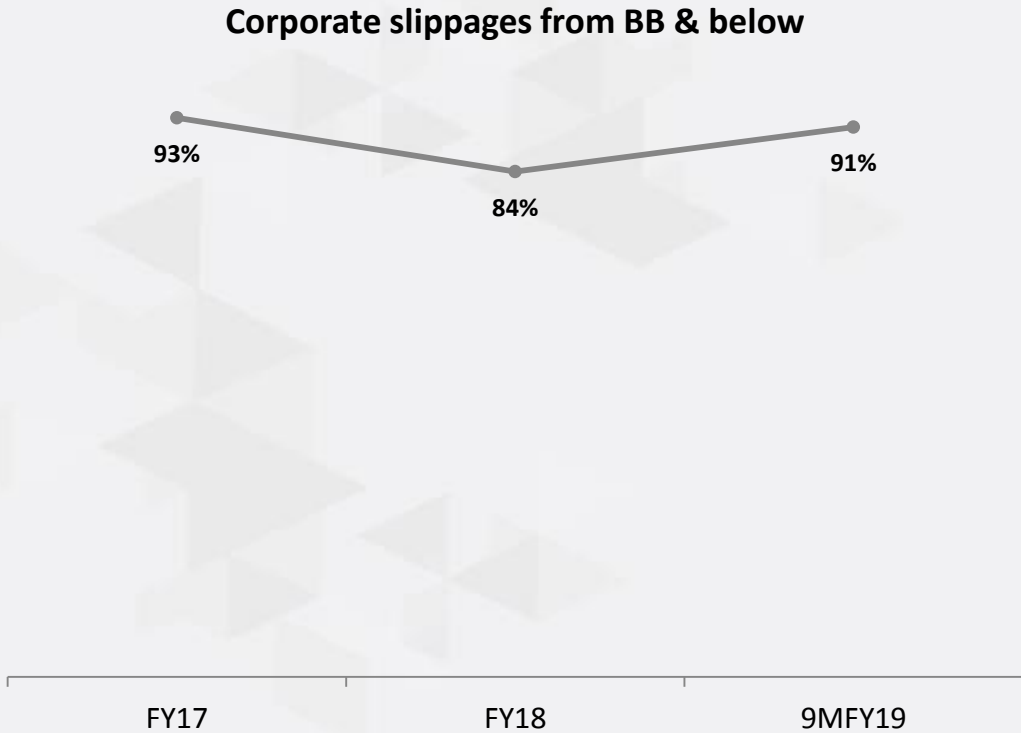


The stress recognition phase is now largely behind us

BB & below pool* has reduced in size and proportion ...



... and continues to be the main contributor to new NPA formation

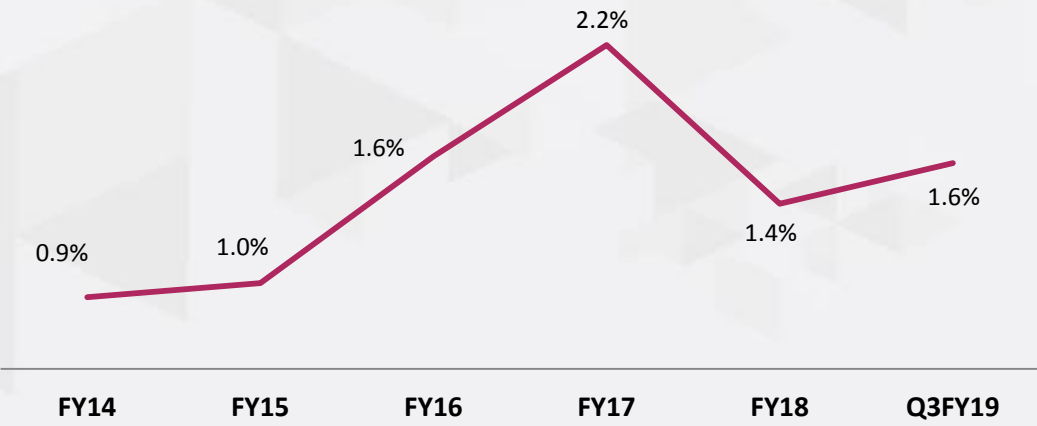


*Only includes corporate book

Risk in SME lending has normalized after peaking in FY17

Risk performance in SME

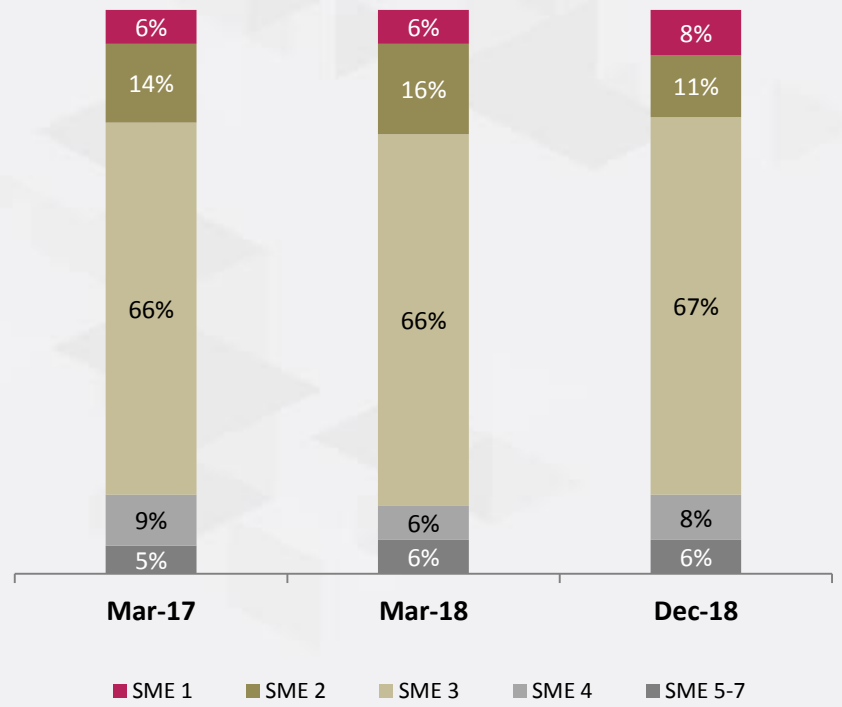
Net slippage ratio* in SME



* Net slippage ratio = Net slippages / Opening Net Advances, annualized

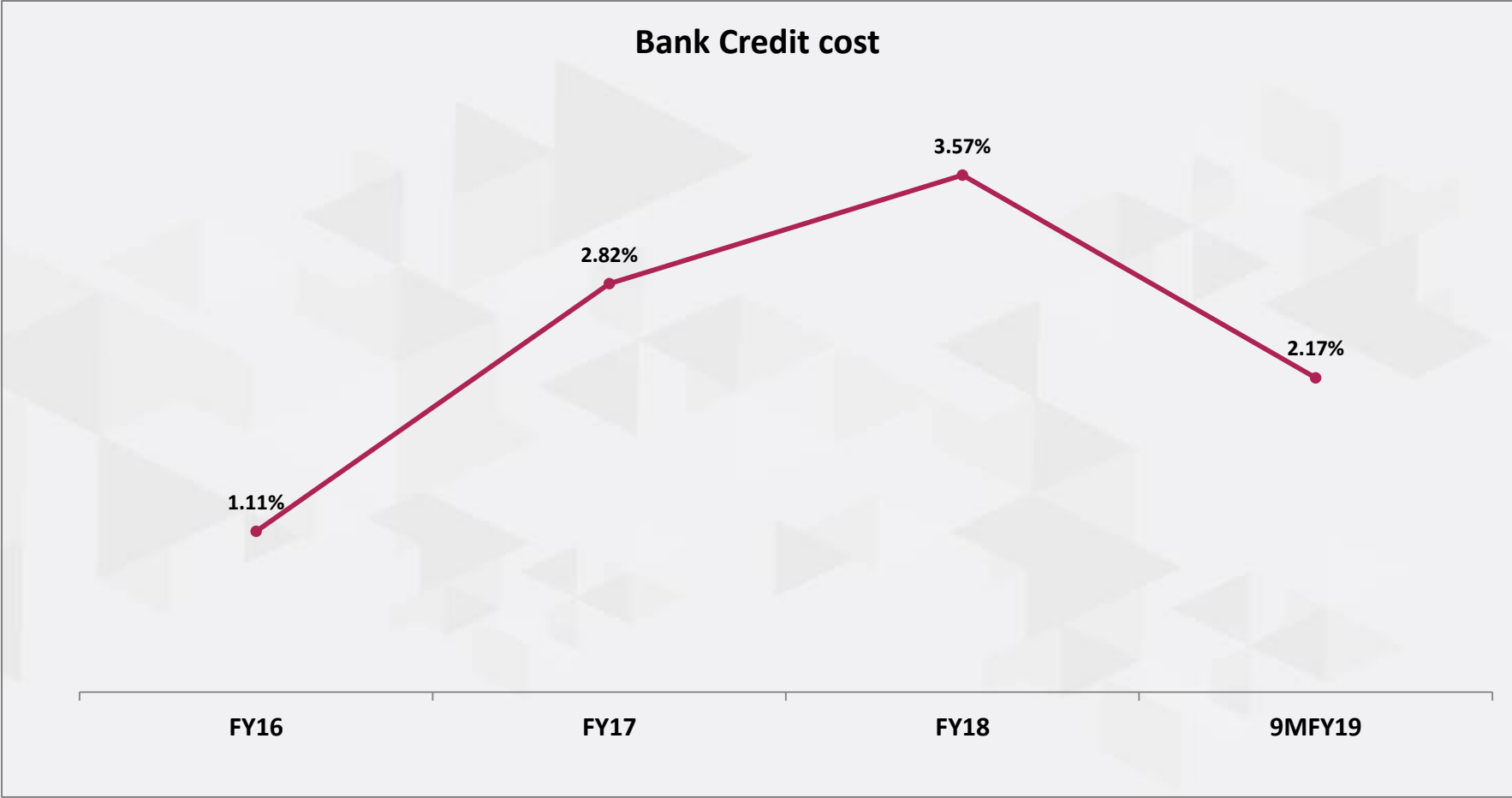
Focus remains on building a high rated SME Book

86% of SME exposure* has a rating of at least 'SME3'



* Only includes standard exposure

Credit cost has come down from peaks reached in FY18



We have learned some important lessons from this experience

Key Learnings

- **Our Credit filters for new credit proposals need to be raised.**

- **We need to reduce our exposure to project loans**

- **We need to diversify our portfolio and reduce concentration.**

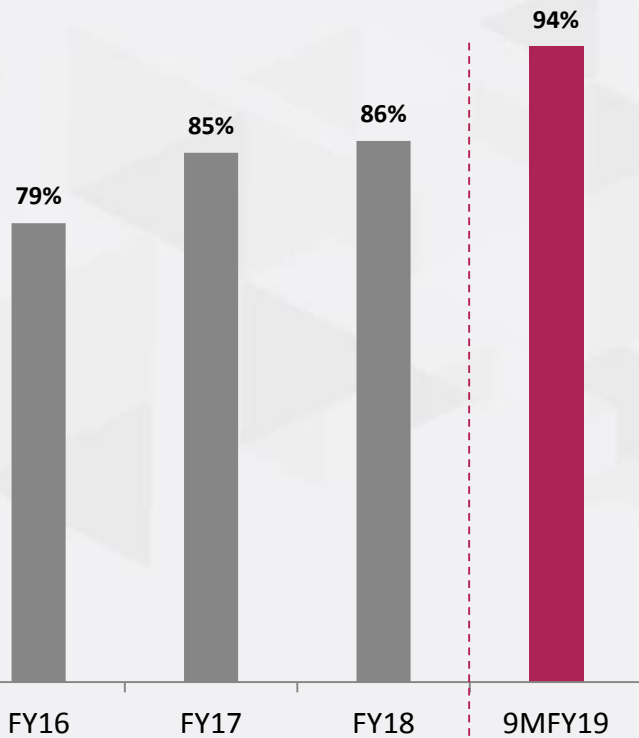
- **Our Early Warning Systems for potential stress need to be sharpened.**

- **We needed to have an independent credit function with full accountability, which has been implemented**

We are moving towards a better rated credit portfolio

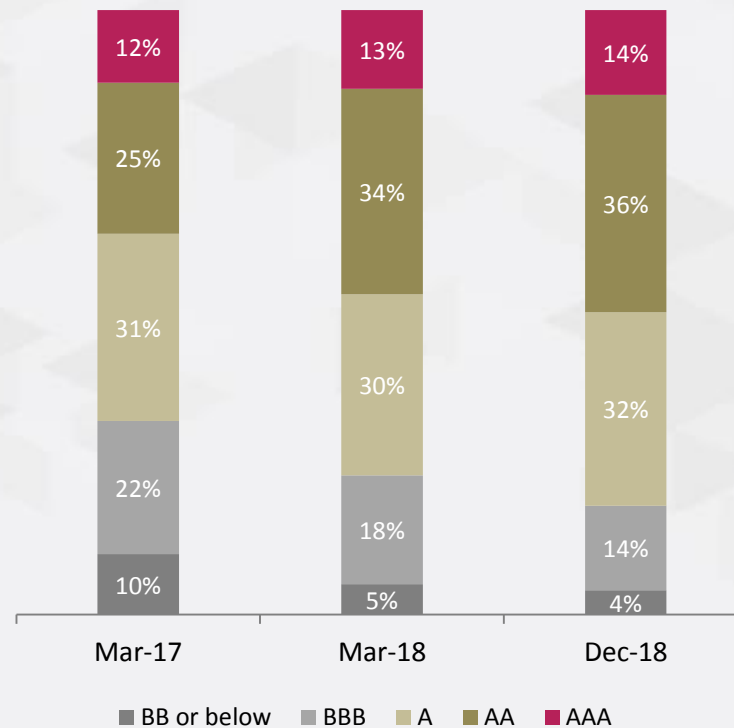
Fresh originations are predominantly from entities rated A- or better ...

Percentage of sanctions rated A- & above



... resulting in a better rated portfolio

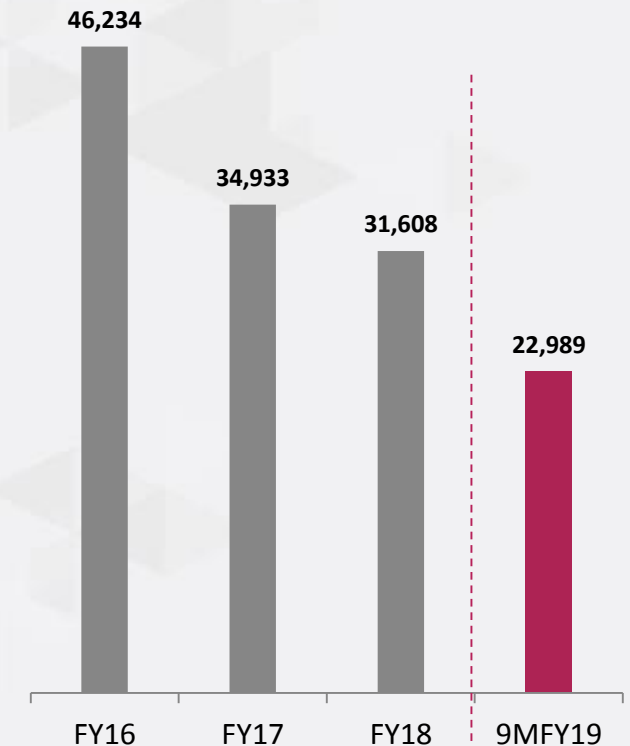
82% of corporate exposure* is rated 'A-' or better



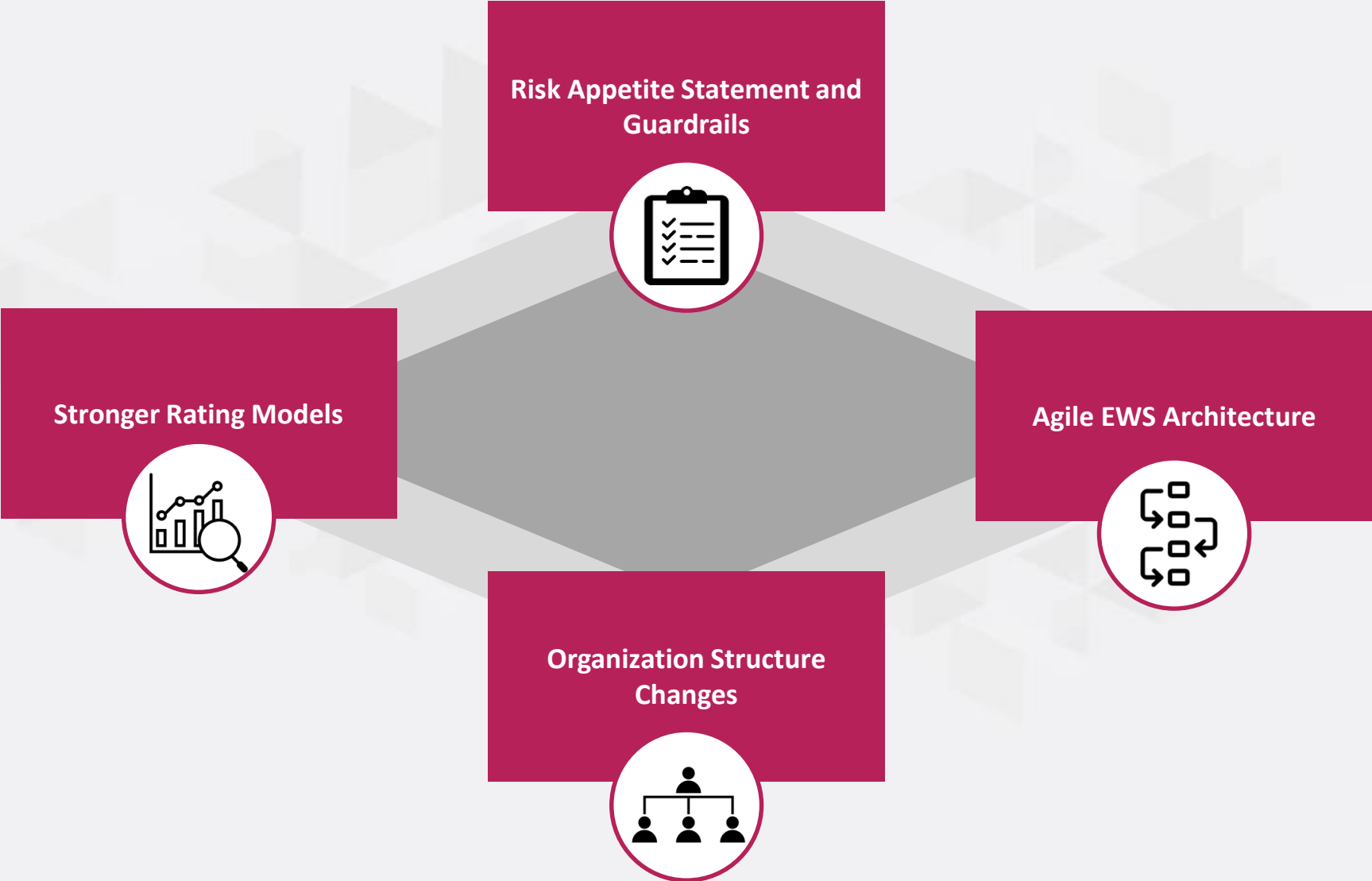
* Only includes standard exposure

... and with reduced project exposure

Exposure to projects In ₹ Cr



We have also strengthened the risk framework in the wholesale bank



Way Forward

Portfolio diversification with reduction in concentration risk

Reduced exposure to project loans with increased focus on transaction banking and working capital business

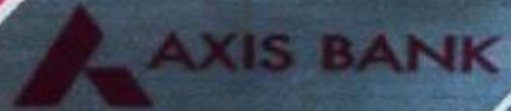
Strengthened Early Warning Systems

Leverage learnings from the past towards improved policy, processes and organization structure

Set up mid-market underwriting function

End of deck



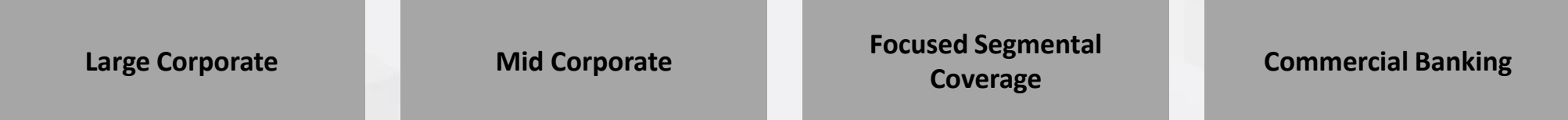


Wholesale Banking

We are transforming the Wholesale Bank, creating an integrated franchise



Re-Oriented Coverage Groups



Bank and Subsidiary Products

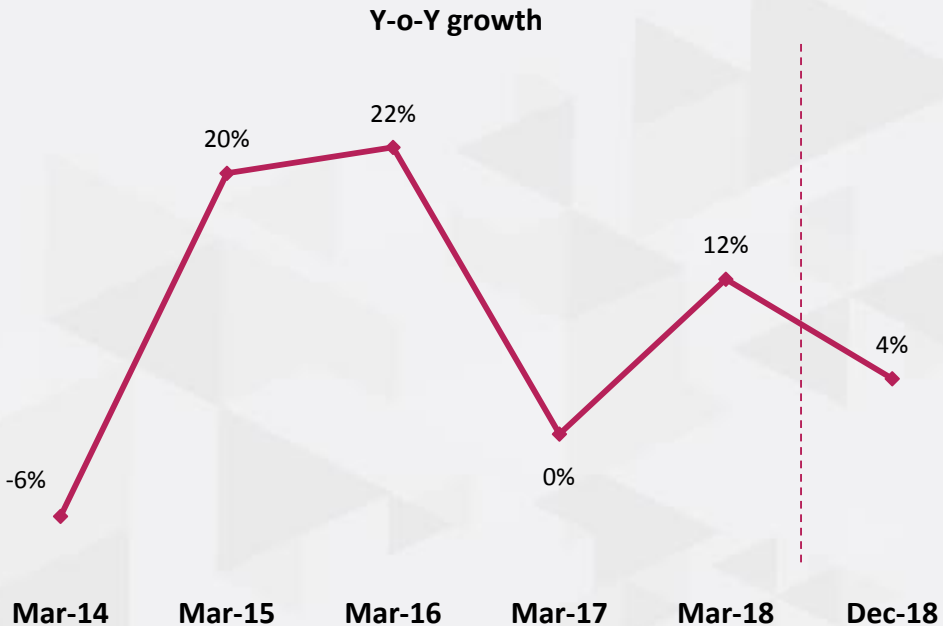


Strengthened Operations and Service Infrastructure

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

The last 3 years have been challenging for Corporate loan growth, even as our flow business has continued to thrive

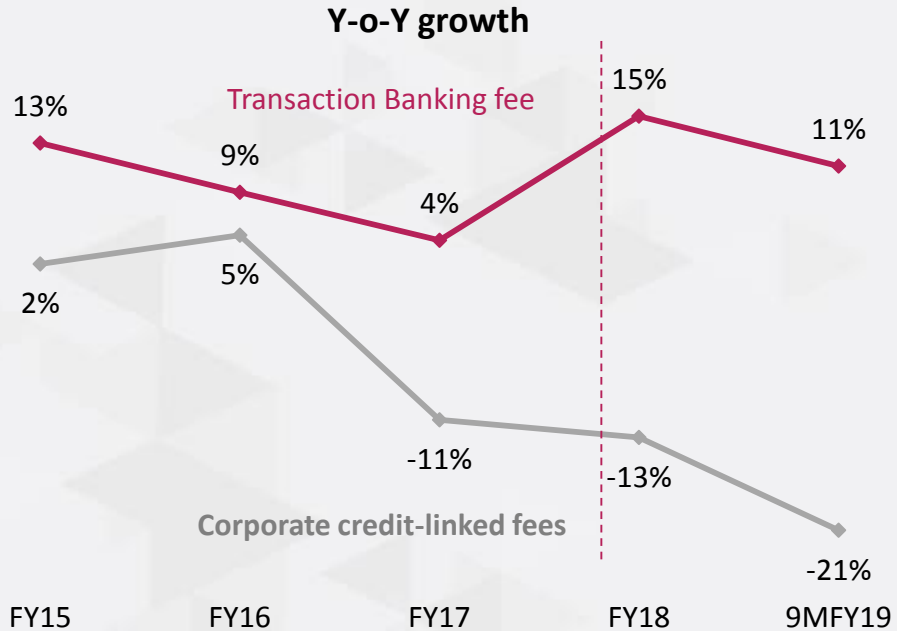
Corporate Loan growth has been sluggish recently



FY20-22 strategy elements

- Segmental focus for strengthened coverage
- Profitable growth, quantified by RAROC
- Continued focus on Asset Quality

Transaction Banking Fees has continued to grow strongly



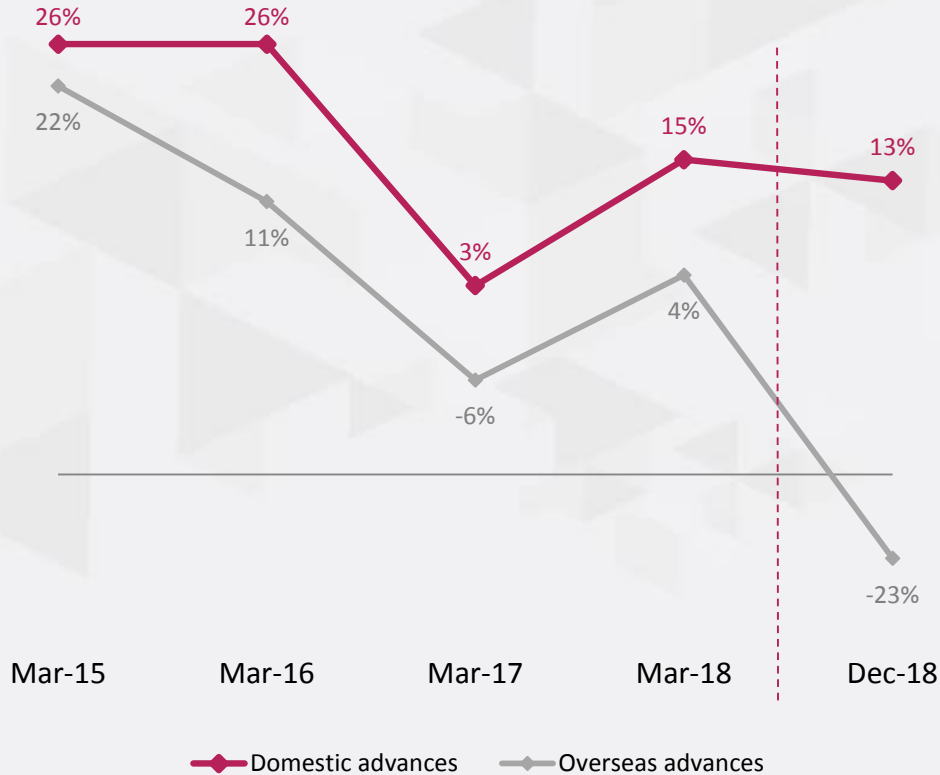
FY20-22 strategy elements

- Build non-credit share of wallet
- Increase penetration in payments
- Become a preferred digital partner

Domestic corporate loan growth remains strong

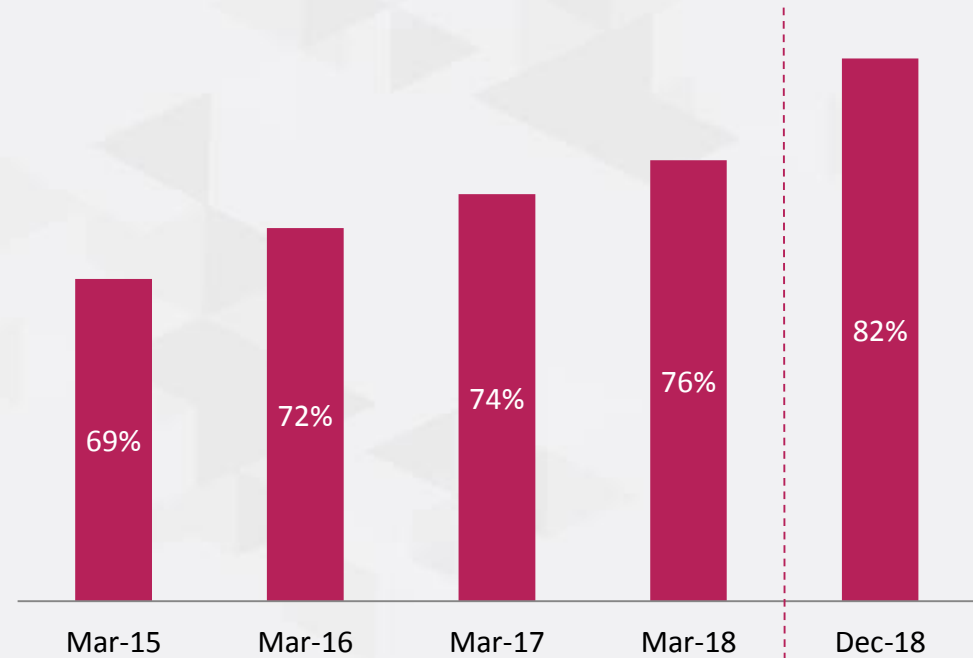
Domestic loan growth remains strong while international book de-grew

Trend in domestic and overseas corporate loan growth (YoY)



Share of Domestic loans in total Corporate Loans continues to increase

Proportion of Domestic in Corporate loan book

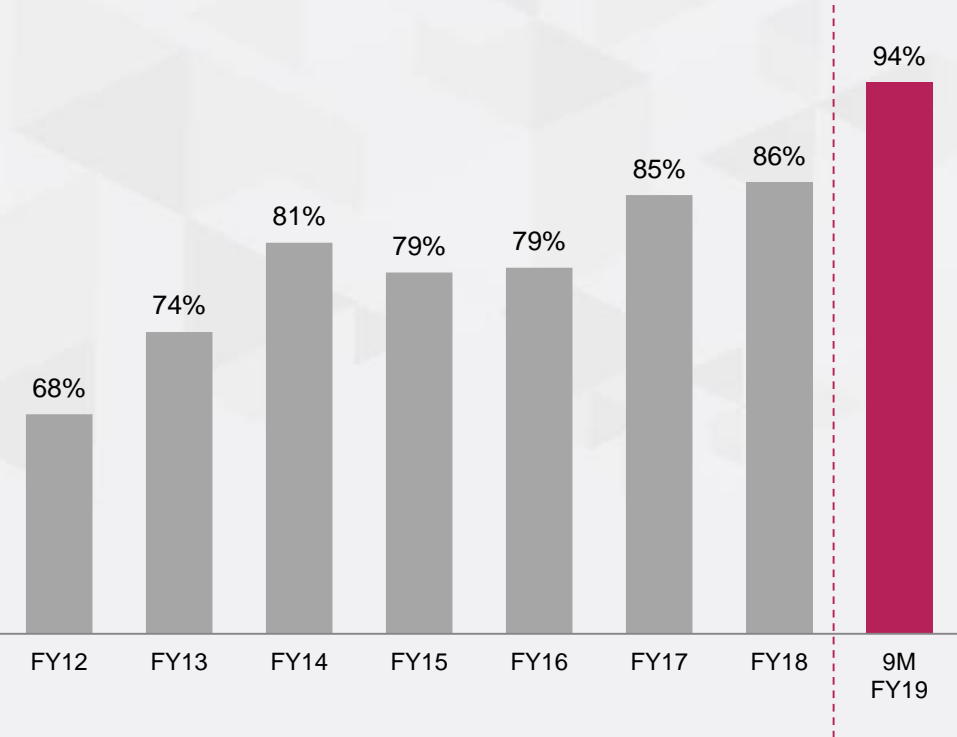


Note: Corporate Loan book includes Large and Mid Corporates, but does not include Commercial Banking clients

We have revamped our risk appetite and internal processes to ensure new lending business is of much healthier quality

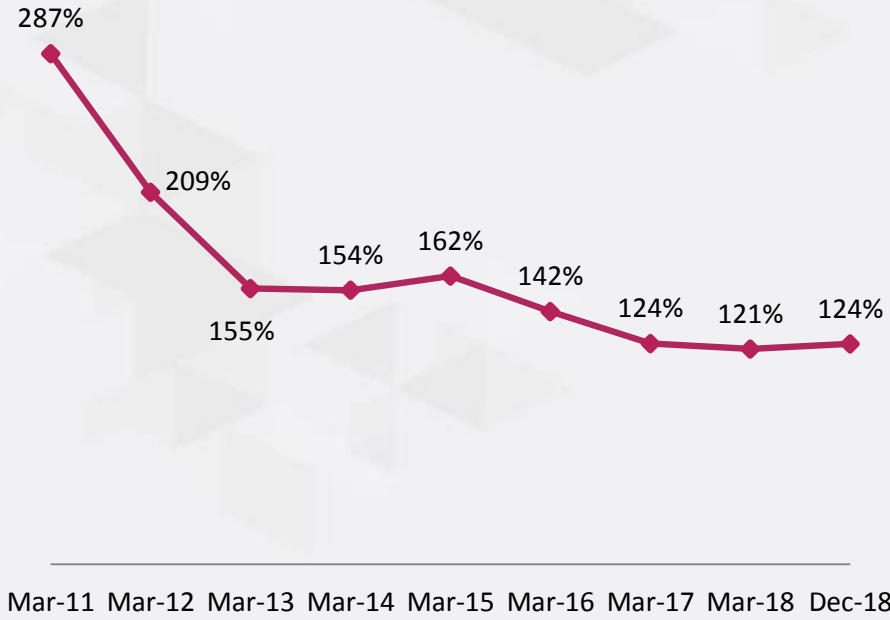
Fresh originations are predominantly from entities rated A- or better

Percentage of sanctions rated A- & above



Concentration Risk has reduced significantly from peak

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



The Bank has a leadership position in some key segments

Government Business

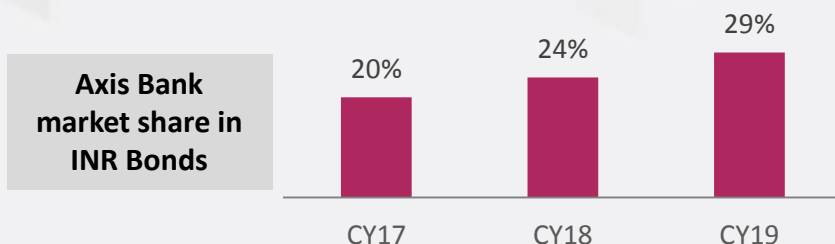
- We have maintained a strong position in **Government CASA**
 - 22% CASA market share[#] among private banks
 - 6% market share[#] in CA
 - 7% market share[#] in SA
- **Smart city** offerings- Raipur
 - 1st Smart City of Axis Bank
 - Fastest Smart City Deployment across India
 - Most Comprehensive Smart City Solution by any bank in India

Commercial Banking

- Crafted a **deposit plus lending strategy** for SMEs
- Grew footprint in select **high potential sectors** like chemicals, engineering and pharma.
- Developed and scaled new age **digital lending** capabilities
- **Full product suite** to serve SME promoters and management

Debt Capital Markets

- Ranked **No. 1 arranger*** for rupee denominated bonds for 12 consecutive years.
- Had market share of over 29% during CY19



Current Accounts

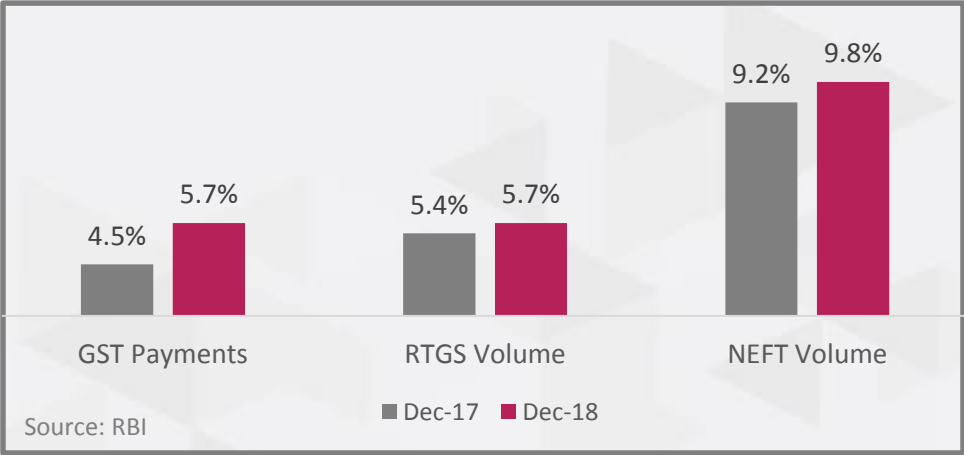
- Current Account balance has grown at 20% CAGR in last 3 yrs
- Have Leveraged Merchant Acquiring Business relationships to grow CA customers
- Focused on digital partnerships by simplifying customer onboarding
- Focused on driving growth in Government business

* Source- Bloomberg

Source - RBI

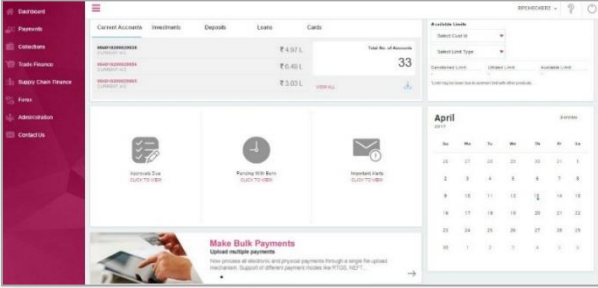
We are steadily gaining traction in corporate payments and are innovating on solutions to gain share in flow business

Market Share across Payment channels

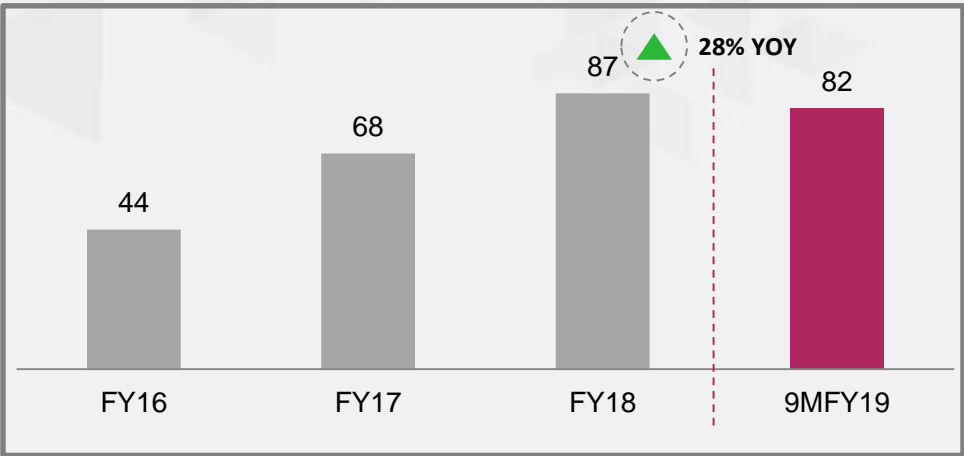


Integrated Digital Platform

- Across payments, trade finance and forex
- User-friendly portal
- Mobile app to be launched shortly



CMS Throughput (₹ Trillion)



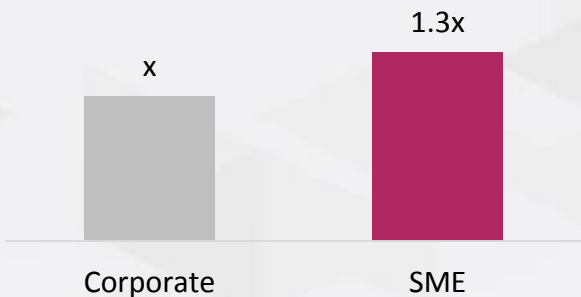
Customized solutions – select examples

- Dairy**
 - End-to end digitization
 - Multi-mode collection and payment solutions
- Smart Cities**
 - Deployment for first smart city (Raipur) in progress
 - Citizen payments and transit
 - Smart card, mobile app and portal

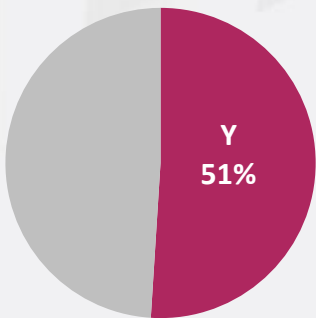
Commercial Banking is a significant opportunity for the Wholesale Bank

Business has strong franchise value

RAROC (9MFY19)

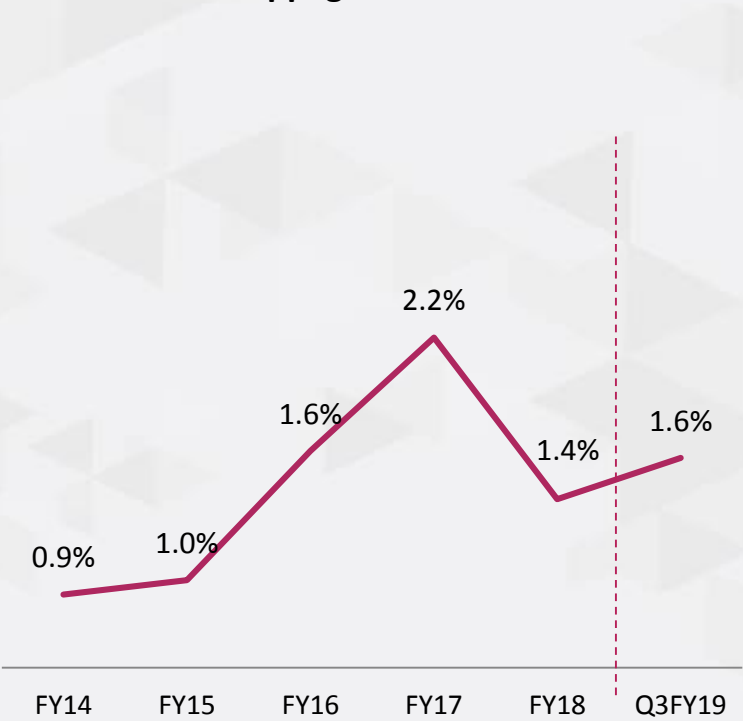


Sole Banking Relationships



Risk levels in SME lending have normalized after peaking in FY17

Net slippage ratio* in SME



* Net slippage ratio = Net slippages / Opening Net Advances, annualized

However, recent growth rates have been modest

Y-o-Y SME loan growth



Strengthen the Coverage model

- Focus on mid-corporate and commercial banking business

Deliver higher growth and better profitability

- Focus on RAROC based lending
- Mid-corporate segment remains a key focus area

Integrated Credit + Transaction + Investment Banking

- Focus on improving Working Capital to Term Loan ratio
- Leadership in ECM and DCM

Maintain focus on asset quality

- Prudent risk taking with conservative policies
- Separation of underwriting and other business operations

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.